





## EMPERADOR INC.

7<sup>th</sup> Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, Bagumbayan, Quezon City, Metro Manila  
Tel Nos. 87092038 to 41

### NOTICE AND AGENDA OF THE ANNUAL MEETING OF STOCKHOLDERS

#### TO ALL STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Emperador Inc. (the "Company") will be held on **15 MAY 2023** at **9:00 A.M.** to be conducted virtually, through the link <https://www.emperadorbrandy.com/asm2023> that can be accessed through the Company's website, with the following agenda:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Meeting of Stockholders held on 16 May 2022
4. Report of Management for Year 2022
5. Appointment of Independent Auditors
6. Ratification of Acts of the Board of Directors, Board Committees, and Officers
7. Election of Directors
8. Other matters
9. Adjournment

Stockholders of record as of **14 April 2023** will be entitled to notice of, and to vote at, the Annual Meeting.

As provided under Sections 23 and 57 of the Revised Corporation Code and Sections 5 and 7 of Article II and Section 7 of Article III of the Company's Amended By-laws, the Company will hold the Annual Meeting via remote communication, and allow the stockholders to cast their votes by remote communication or in *absentia*, or by proxy.

To participate in the Annual Meeting, stockholders must register from 9:00 AM of **24 April 2023** until 5:00 PM of **05 May 2023**. The procedure for participation via remote communication and in *absentia* are contained in the Information Statement.

Stockholders who wish to appoint proxies may submit proxy instruments until 5:00 PM of **05 May 2023**, to the Office of the Corporate Secretary at the 7<sup>th</sup> Floor, 1880 Eastwood Avenue Building, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City, or by email to [corporatesecretary@emperadorinc.com](mailto:corporatesecretary@emperadorinc.com). Validation of proxies shall be held until **08 May 2023**. A sample proxy form will be enclosed in the Information Statement for your convenience.

The Information Statement and other pertinent documents and information on the Annual Meeting are available through the Company's website. For any clarifications, please contact the Office of the Corporate Secretary via email at [corporatesecretary@emperadorinc.com](mailto:corporatesecretary@emperadorinc.com).

Quezon City, Metro Manila, Philippines, 29 March 2023.

**ANNA MICHELLE T. LLOVIDO**  
Corporate Secretary

## EXPLANATION OF AGENDA ITEMS

### 1. **Call to Order**

The Annual Meeting will be formally opened at approximately 9:00 o'clock in the morning.

### 2. **Certification of Notice and Quorum**

The Corporate Secretary will certify that the written notice for the meeting was duly sent to stockholders of record, including the date of publication and the newspapers where the notice was published. The Corporate Secretary will also certify that a quorum exists, and the stockholders representing at least a majority of the outstanding capital stock, present in person or by proxy, shall constitute a quorum for the transaction of business.

Pursuant to Sections 23 and 57 of the Revised Corporation Code and Sections 5 and 7 of Article II and Section 7 of Article III of the Company's Amended By-laws which allow voting *in absentia* by the stockholders, stockholders may register by submitting requirements via email at [corporatesecretary@emperadorinc.com](mailto:corporatesecretary@emperadorinc.com) and vote *in absentia* on the matters for resolution at the meeting. A stockholder who votes in absentia as well as a stockholder participating by remote communication shall be deemed present for purposes of quorum.

Please refer to **Annex "A"** on the Procedures and Requirements for Voting and Participation in the Annual Meeting for complete information on remote participation or voting in absentia, as well as on how to join the livestream for the Annual Meeting.

### 3. **Approval of the Minutes of the Annual Meeting of Stockholders held on 16 May 2022**

The minutes of the meeting held on 16 May 2022 are available at the Company's website, <https://www.emperadorbrandy.com/minutes-of-annual-special-stockholders-meetings.html>.

### 4. **Report of Management for Year 2022**

The performance of the Company in 2022 will be reported.

### 5. **Appointment of Independent Auditors**

The election of the independent auditor for the ensuing year will be endorsed to the stockholders for approval. The independent auditor conducts an independent verification of the Company's financial statements and provides an objective assurance on the accuracy of its financial statements.

### 6. **Ratification of Acts and Resolutions of the Board of Directors, Board Committees and Officers**

The actions of the Board and its committees were those taken since the annual stockholders' meeting on 16 May 2022 until 14 May 2023. These include, among others, the internal procedures for participation in meetings and voting through remote communication or *in absentia*, the appointment of officers in the corporation, opening and maintenance of bank accounts and other bank transactions, approval and issuance of financial statements, approval of filing an application for secondary listing with the Singapore Stock Exchange, appointment of proxies and nominees, designation of authorized contract signatories and representatives, appointment of attorneys-in-fact, approval of agreements, projects, investments, financing, and treasury-related matters, matters covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange, activities in the ordinary course of business, and other similar activities of the Company. The acts of the officers were those taken to implement the resolutions of the Board or its committees or made in the general conduct of business.

**7. Election of Directors**

Nominees for election of seven (7) members of the Board of Directors, including three (3) independent directors, will be submitted for election by the stockholders. The profiles of the nominees to the Board of Directors are provided in the Information Statement.

**8. Other Matters**

Other concerns or matters raised by stockholders will be discussed.

**9. Adjournment**

Upon determination that there are no other matters to be considered, the meeting shall be adjourned.

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20-IS  
INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

Preliminary Information Statement

**Definitive Information Statement**

2. Name of Registrant as specified in its charter **EMPERADOR INC.**

3. **METRO MANILA, PHILIPPINES**

Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **A200117595**

5. BIR Tax Identification Code **214-815-715-000**

6. **7<sup>th</sup> Floor, 1880 Eastwood Avenue, Eastwood City CyberPark  
188 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City**

Address of principal office

**1110**  
Postal Code

7. Registrant's telephone number, including area code **(632) 87092038 to 40**

8. **15 May 2023, 9:00 AM**

**by livestream access via <https://www.emperadorbrandy.com/asm2023>**

Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders **17 April 2023**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding (as of 31 March 2023)
<b><u>Common Treasury</u></b>	<b><u>15,736,471,238 505,919,938</u></b>

11. Are any or all of registrant's securities listed in a Stock Exchange?

Yes  No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Philippine Stock Exchange

Common Shares

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE NOT REQUESTED TO SEND US A PROXY**

**SAMPLE ONLY**

**PROXY**

The undersigned shareholder(s) of **EMPERADOR INC.** (the "Company") hereby appoint/s \_\_\_\_\_ or in his absence, the Chairman of the Annual Shareholders' Meeting, as proxy of the undersigned shareholder(s) at the Annual Meeting of Shareholders scheduled on 15 May 2023 at 9:00 in the morning, via livestream access through the link available at the Company's website, and/or at any postponement or adjournment thereof, and/or any annual shareholders' meeting of the Company, which appointment shall not exceed five (5) years from date hereof.

The undersigned shareholder(s) hereby direct/s the said proxy to vote all shares on the agenda items set forth below as expressly indicated by marking the same with [√] or [X]:

ITEM NO.	SUBJECT	ACTION		
		FOR	AGAINST	ABSTAIN
3	Approval of the Minutes of the Annual Meeting of Stockholders held on 16 May 2022			
5	Appointment of Independent Auditors			
6	Ratification of Acts of the Board of Directors, Board Committees and Officers			
7	Election of Directors			
	Andrew L. Tan			
	Winston S. Co			
	Kendrick Andrew L. Tan			
	Kevin Andrew L. Tan			
	Enrique M. Soriano III – Independent Director			
	Jesli A. Lapus. – Independent Director			
	Ho Poh Wah (Jason Ho) – Independent Director			

PRINTED NAME OF SHAREHOLDER \_\_\_\_\_ SIGNATURE OF SHAREHOLDER/ AUTHORIZED SIGNATORY \_\_\_\_\_ NUMBER OF SHARES TO BE REPRESENTED \_\_\_\_\_ DATE \_\_\_\_\_

This proxy should be received by the Corporate Secretary not later than 5:00 PM on **05 May 2023.**

This proxy when properly executed will be voted in the manner as directed herein by the shareholder. If no direction is made, the proxy will be voted for the election of all nominees and for the approval of all matters stated above and for such other matters as may properly come before the meeting in the manner described in the information statement.

A shareholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the shareholder attends the meeting in person and expressed his intention to vote in person.

This proxy does not need to be notarized. Partnerships, Corporations and Associations must attach certified resolutions thereof designating Proxy/Representative and Authorized Signatories.

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE NOT REQUESTED TO SEND US A PROXY**

**PART I.**

**INFORMATION REQUIRED IN INFORMATION STATEMENT**

**1. GENERAL INFORMATION**

**Item 1. Date, time and place of meeting of security holders.**

Date & time: 15 May 2023, 9:00 AM

Place: by livestream access via <https://www.emperadorbrandy.com/asm2023>

Principal office: 7<sup>th</sup> Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City

Approximate date on which the Information Statement is first to be sent or given: **17 April 2023**

**The Company is not soliciting proxies. We are not asking for a proxy. Neither are you required to send us a proxy.**

**Item 2. Dissenters' Right of Appraisal**

There are no matters to be acted upon or proposed corporate action in the agenda for the annual meeting of stockholders that may give rise to possible exercise by a dissenting stockholder of its appraisal rights under Title X of the Revised Corporation Code of the Philippines.

Any stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares in the following instances: (1) in case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (2) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Code; (3) in case of merger or consolidation, and (4) in case of investment of corporate funds for any purpose other than the primary purpose of the Company;

The dissenting stockholder who votes against a proposed corporate action may exercise the right of appraisal by making a written demand on the Company for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken, provided, that failure to make the demand within the 30-day period shall be deemed a waiver of the appraisal right. From the time of the demand for payment of the fair value of a stockholder's shares until either the abandonment of the corporate action involved or the purchase of the dissenting shares by the Company, all rights accruing to such shares shall be suspended in accordance with the provisions of the Code, except the right of such stockholder to receive payment of the fair value thereof, provided that if the dissenting stockholder is not paid the value of his shares within 30 days after the award, the voting and dividend rights shall immediately be restored. If the proposed corporate action is implemented or effected, the Company shall pay to such stockholder, upon surrender of the stock certificate(s) representing his shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If the fair value is not determined within sixty (60) days from the date the corporate action was approved by the stockholders, it will be determined and appraised by three (3) disinterested persons (one chosen by the Company, another chosen by the dissenting stockholder and the third by the two thus chosen). The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made. *Provided*, that no payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment: *Provided*, further, that upon payment by the Company of the agreed or awarded price, the dissenting stockholder shall forthwith transfer his shares to the Company.

### Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

(a) No officer or director at any time since the beginning of the fiscal year, or nominee for election as director, or associate of any of these persons, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office.

(b) No director has informed the Company in writing of his/her intention to oppose any matter to be acted upon at the Annual Stockholders' Meeting (the "Meeting").

### **B. CONTROL AND COMPENSATION INFORMATION**

#### Item 4. Voting Securities and Principal Holders Thereof

(a) Each of the 15,736,471,238 common shares outstanding as of 14 April 2023 shall be entitled to one vote with respect to all matters to be taken up during the Meeting.

(b) All stockholders of record as of 14 April 2023 are entitled to notice and to vote at the Meeting.

(c) Pursuant to Sections 23 and 57 of the Revised Corporation Code and SEC Memorandum Circular No. 06, Series of 2020 allowing voting through remote communication or in absentia, stockholders may now participate in the Annual Meeting by remote communication and cast their votes in absentia. A stockholder may cast his/her votes by remote communication or *in absentia* until 5:00 pm of 05 May 2023. A stockholder voting remotely or *in absentia* shall be deemed present for purposes of quorum. Please refer to **Annex "A"** on the Procedures and Requirements for Voting and Participation in the 2023 ASM for the complete information on voting via remote participation or voting in absentia, as well as on how to join the livestream for the Annual Meeting.

(d) All stockholders have cumulative voting rights in the election of the members of the board of directors of the Company. Cumulative voting entitles each stockholder to cumulate his shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or distribute them on the same principle among as many nominees as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

(e) Security ownership of certain record and beneficial owners and management

#### **Security Ownership of Owners Holding More than Five Percent (5%) of Voting Securities as of 31 March 2023:**

TITLE OF CLASS	NAME, ADDRESS OF RECORD OWNER AND RELATIONSHIP WITH ISSUER	NAME OF BENEFICIAL OWNER AND RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NO. OF SHARES HELD	PERCENT
Common	Alliance Global Group, Inc. 7/F, 1880 Eastwood Avenue, Eastwood City CyberPark 188 E. Rodriguez, Jr. Avenue, Bagumbayan Quezon City Parent of the Issuer	Alliance Global Group, Inc.	Filipino	10,649,520,474	67.67%
		Alliance Global Group, Inc., ultimate parent <sup>1</sup>		1,858,440,126	11.81%

<sup>1</sup>AGI beneficially owns 678,057,400 shares lodged with PCD Nominee Corporation (Filipino) and 1,180,382,726 lodged with PCD Nominee Corporation (Non-Filipino). The Board of Directors of AGI has voting and investment power over shares of stock held by AGI in Company. AGI authorized the Chairman of the Board of the Company, or in his absence, the Chairman of the Meeting, to vote shares of stock held by AGI in the Company.

Common	PCD Nominee Corporation (Non-Filipino) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City	Standard Chartered Bank. - <sup>1,2</sup>	Non-Filipino	2,782,342,711	17.68%
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**Security ownership of management as of 31 March 2023:**

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
<i>Directors</i>				
Common	Andrew L. Tan	1 (direct)	Filipino	Nil
Common	Winston S. Co	1 (direct)	Filipino	Nil
Common	Katherine L. Tan	1 (direct)	Filipino	Nil
Common	Kendrick Andrew L. Tan	1 (direct)	Filipino	Nil
Common	Kevin Andrew L. Tan	1 (direct)	Filipino	Nil
Common	Enrique M. Soriano III	1 (direct)	Filipino	Nil
Common	Jesli A. Lapus	1 (direct)	Filipino	Nil
<i>Other Executive Officers</i>				
Common	Winston S. Co		Same as above	
Common	Katherine L. Tan		Same as above	
Common	Kendrick Andrew L. Tan		Same as above	
Common	Dina D.R. Inting	0	Filipino	N/A
Common	Anna Michelle T. Llovido	0	Filipino	N/A

There are no indirect beneficial ownership of the named Directors and Officers as indicated above.

*Voting trust holders of 5% or more* - The Company is not aware of the existence of persons holding more than five percent (5%) of its common shares under a voting trust or similar agreement.

*Change in control* - The Company is not aware of any arrangement which may result in a significant change in control.

**Item 5. Directors and Executive Officers**

*Incumbent*

The following are the incumbent directors and executive officers of the Company:

Name	Age	Citizenship	Position
Andrew L. Tan	73	Filipino	Chairman
Winston S. Co	65	Filipino	Director, President and CEO
Katherine L. Tan	71	Filipino	Director and Treasurer
Kendrick Andrew L. Tan	42	Filipino	Executive Director
Kevin Andrew L. Tan	43	Filipino	Director
Enrique M. Soriano III	55	Filipino	Lead Independent Director
Jesli A. Lapus	73	Filipino	Independent Director
Dina D.R. Inting	63	Filipino	Chief Financial Officer, Compliance Officer and Corporate Information Officer
Anna Michelle T. Llovido	44	Filipino	Corporate Secretary

There are seven (7) members of the Company's Board of Directors, two (2) of whom are independent directors. All incumbent directors were elected during the Annual Meeting of the Board of Directors held

<sup>2</sup> Standard Chartered Bank - CDP's account with the Philippines custodian. AGI is beneficial owner of 1,180,382,726 shares or 7.50%; Arran Investment Private Limited ("AIPL") is beneficial owner of 1,495,667,038 shares or 9.50% owns 1,495,667,038 common shares representing 9.50%. The Board of Directors of AIPL has voting and investment power over shares of stock held by AIPL in the Company.

on 16 May 2022 and will hold office for one (1) year and/or until their successors are elected and qualified.

**Brief Background of the Directors and Officers**

The overall management and supervision of the Company is undertaken by the Board of Directors (“Board”). Currently, the Board consists of seven members, of which two are independent directors. All of the directors were elected at the Company’s annual stockholders meeting on 16 May 2022 and will hold office until their successors have been duly elected and qualified.

The table below sets forth each member of the Company’s Board as of 31 March 2023:

<b>Name</b>	<b>Age</b>	<b>Gender</b>	<b>Citizenship</b>	<b>Type/Position</b>	<b>Date First Elected</b>
Andrew L. Tan	73	Male	Filipino	Non-exec/ Chairman	Aug 28, 2013
Winston S. Co	65	Male	Filipino	Executive Director	Aug 28, 2013
Katherine L. Tan	71	Female	Filipino	Executive Director	Aug 28, 2013
Kendrick Andrew L. Tan	42	Male	Filipino	Executive Director	Aug 28, 2013
Kevin Andrew L. Tan	43	Male	Filipino	Non-Exec Director	Oct 04, 2017
Enrique M. Soriano III	55	Male	Filipino	Independent Director	May 16, 2016
Jesli A. Lapus	73	Male	Filipino	Independent Director	May 17, 2021

The table below sets forth the Company’s lead independent director and executive officers as of 31 March 2023:

<b>Name</b>	<b>Age</b>	<b>Gender</b>	<b>Citizenship</b>	<b>Position</b>
Winston S. Co	65	Male	Filipino	President and Chief Executive Officer
Katherine L. Tan	71	Female	Filipino	Treasurer
Kendrick Andrew L. Tan	42	Male	Filipino	Executive Director
Enrique M. Soriano III	54	Male	Filipino	Lead Independent Director
Dina D.R. Inting	63	Female	Filipino	Chief Financial Officer, Compliance Officer, and Corporate Information Officer
Anna Michelle T. Llovido	44	Female	Filipino	Corporate Secretary

**Andrew L. Tan  
Chairman of the Board**

Mr. Tan was first elected as Director and Chairman of the Board on August 28, 2013. He holds position in the following other listed companies:

<b>Listed Company</b>	<b>Position</b>	<b>Date First Elected</b>	<b>Date Last Elected</b>	<b>No. of Term/ Years</b>
Alliance Global Group, Inc.	Chairman of the Board	Sep 2006	June 2022	16
	Chief Executive Officer	Sep 2006	Sep 2017	11
	Vice Chairman of the Board	Aug 2003	Sep 2006	3
Megaworld Corporation	Chairman and President	Aug 1989	June 2022	33
Global-Estate Resorts, Inc. (subsidiary of Megaworld)	Chairman	Jan 2011	June 2022	11
Empire East Land Holdings, Inc. (subsidiary of Megaworld)	Chairman	July 1994	June 2022	28

He is also the Chairman of Emperador Distillers, Inc. since its incorporation in 2003. He pioneered the live-work-play-learn model in the real estate development through the Megaworld Corporation’s

integrated township communities, fueling the growth of the business process outsourcing (“BPO”) industry, food and beverage, and quick service restaurants industries. Mr. Tan is concurrently the Chairman of the Board and President of Progreen Agricorp, Inc., Zabana Rum Company, Inc., Megaworld Land, Inc., Megaworld Globus Asia, Inc., Manila Bayshore Property Holdings, Inc., Mactan Oceanview Properties and Holdings, Inc., Richmonde Hotel Group International Limited, The Bar Beverage, Inc. and Yorkshire Holdings, Inc. He is also the Chairman of Megaworld Newport Property Holdings, Inc., Alliance Global Group Cayman Islands, Inc., Alliance Global Brands, Inc., Suntrust Properties, Inc., Adams Properties, Inc., Cocos Vodka Distillers Philippines, Inc., Consolidated Distillers of the Far East, Inc., and Townsquare Development, Inc. He is the Chairman and Treasurer of The Andresons Group, Incorporated and sits in the boards of Alliance Global-Infracorp Development, Inc., Eastwood Cyber One Corporation, Megaworld Cayman Islands, Inc., Megaworld Cebu Properties, Inc., Gilmore Property Marketing Associates, Inc., Megaworld Central Properties, Inc., Fairways & Bluewater Resort Golf & Country Club, Inc., Twin Lakes Corporation, Anglo Watsons Glass, Inc., Alcazar De Bana Holdings Company, Inc., and Raffles & Company, Inc. He is also the Vice-Chairman and Treasurer of Golden Arches Development Corporation and Golden Arches Realty Corporation and a Director and Treasurer of Andresons Global, Inc. Mr. Tan graduated Magna Cum Laude from the University of the East with a degree of Bachelor of Science in Business Administration and was conferred Doctor of Philosophy in Humanities (Honoris Causa) in 2011 by the same university.

**Winston S. Co**  
**Director, President and CEO**

Mr. Co was first elected as Director and President on 28 August 2013. He is also a Director and President of Emperador Distillers, Inc. since 2007. His field of expertise is in finance and marketing of consumer products. He is concurrently Chairman and President of New Town Land Partners, Inc.; Chairman of Anglo Watsons Glass, Inc.; President of Cocos Vodka Distillers Philippines, Inc., Director and President of Alliance Global Brands, Inc., Director and Treasurer of Raffles & Company, Incorporated; Director of The Bar Beverage, Inc.; and Senior Vice President of The Andresons Group, Incorporated. Mr. Co is a Magna Cum Laude graduate of Jose Rizal College with a Bachelor of Science in Commerce.

**Katherine L. Tan**  
**Director and Treasurer**

Ms. Tan was first elected as Director and Treasurer on 28 August 2013. She holds position in the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/Years
Alliance Global Group, Inc. (the parent company)	Director and Treasurer	Feb 2007	June 2022	15
Megaworld Corporation	Director	Aug 1989	June 2022	33
	Treasurer	Aug 1989	June 1995	6
MREIT, Inc.	Director	May 2021	May 2022	1

She is a Director and Treasurer of Emperador Distillers, Inc. since 2003, and of Alliance Global Brands, Inc., Yorkshire Holdings, Inc., Emperador Brandy, Inc., Progreen Agricorp, Inc., Cocos Vodka Distillers Philippines, Inc., Zabana Rum Company, Inc., and The World’s Finest Liquor, Inc. She is concurrently Chairman and President of Andresons Global, Inc. and Choice Gourmet Banquet, Inc.; Director and President of The Andresons Group, Incorporated, Consolidated Distillers of the Far East, Inc., and Raffles & Company, Inc.; Director and Corporate Secretary of The Bar Beverage, Inc., and Director of Anglo Watsons Glass, Inc., Alcazar De Bana Holdings Company, Inc., Emperador International Limited, Kenrich Corporation, McKesterPik-Nik International Limited, Megaworld Cayman Islands, Inc., and Venezia Universal Limited. Mrs. Tan graduated from St. Scholastica’s College with a degree in Nutrition.

**Kendrick Andrew L. Tan**  
**Director**

Mr. Tan was first elected as Director on 28 August 2013. He is the Corporate Secretary and Executive Director of Emperador Distillers, Inc., and also its Vice President for New Product & Innovation and the Head for Research & Development. He is concurrently the Director and President of The World's Finest Liquor, Inc, Director and Treasurer of Anglo Watsons Glass, Inc. and Consolidated Distillers of the Far East, Inc.; Director and Corporate Secretary of Progreen Agricorn, Inc., Emperador Brandy, Inc. and Newport World Resorts Properties, Inc.; Director of The Bar Beverage, Inc., Alliance Global Brands, Inc., The Andresons Group, Incorporated, Yorkshire Holdings, Inc., Andresons Global, Inc., Cocos Vodka Distillers Philippines, Inc. Consolidated Distillers of the Far East, Inc., and Zabana Rum Company, Inc. Mr. Tan graduated from Southern New Hampshire University with a degree in Bachelor of Science in Accountancy.

**Kevin Andrew L. Tan**  
**Director**

Mr. Tan, was elected as Director on 04 October 2017. He holds position in the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/Years
Alliance Global Group, Inc.	Chief Executive Officer	June 2018	June 2022	4
	Vice Chairman	Sept 2018	June 2022	4
	Director	April 2012	June 2022	10
	Executive Director	Sept 2016	Sept 2017	1
Megaworld Corporation	Executive Vice President and Chief Strategy Officer	Nov 2018	June 2022	4
MREIT, Inc.	President and CEO	Oct 2020	May 2022	2
Global-Estate Resorts, Inc.	Director	June 2014	June 2022	8
Empire East Land Holdings, Inc.	Director	June 2015	June 2022	7

Mr. Tan has over 11 years of experience in retail leasing, marketing and operations. Prior to being the Executive Vice President and Chief Strategy Officer of Megaworld Corporation where he is in charge of developing corporate strategies, expansion and new opportunities as well as investor and stakeholder relations, he was the head of the Commercial Division which markets and operates the Megaworld Lifestyle Malls, including Eastwood Mall and The Clubhouse at Corinthian Hills in Quezon City, Venice Piazza at McKinley Hill, Burgos Circle at Forbestown Center, and Uptown Mall, all in Fort Bonifacio, Newport Mall at Resorts World Manila in Pasay City, and Lucky Chinatown Mall in Binondo, Manila. He is the Chairman and CEO of Agile Digital Ventures, Inc., Chairman and President of Alliance Global-Infracorp Development, Inc., and Newport World Resorts Properties, Inc. Chairman and Director of Travellers International Hotel Group, Inc., Director and President of Townsquare Development, Inc., Director and Corporate Secretary of Alliance Global Brands, Inc. and Paseo Center Building Administration, Inc., Director and Treasurer of Consolidated Distillers of the Far East, Inc. and Uptown Cinemas, Inc., Executive Director of Megaworld Foundation, Inc., and Director of Emperador Distillers, Inc., Anglo Watsons Glass, Inc., Yorkshire Holdings, Inc., The Bar Beverage, Inc., Emperador Brandy, Inc., New Town Land Partners, Inc., Eastwood Cyber One Corporation, Twin Lakes Corporation, Alcazar De Bana Holdings Company, Inc., Cocos Vodka Distillers Philippines, Inc., Zabana Rum Company, Inc., and The Andresons Group Incorporated. He holds a degree in Bachelor of Arts Major in Humanities with Professional Certificate in Management from the University of Asia and the Pacific.

[Note: The tenure of an independent director is set to a cumulative term of nine years. Independent directors (IDs) who have served for nine years may continue as a non-independent director of the company. Reckoning of the cumulative nine-year term is from 2012, in connection with SEC Memorandum Circular No. 19, Series of 2016.]

**Enrique M. Soriano III**  
**Independent Director**

Mr. Soriano was first elected as Independent Director of the Company on May 16, 2016. He also holds the following position in the following listed company:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/Years
Alliance Global Group, Inc.	Independent Director	June 2022	June 2022	1

He is also an Independent Director of MREIT Fund Managers, Inc. and Travellers International Hotel Group, Inc. He is currently the Executive Director of the Wong + Bernstein Group, an Asia Pacific based Strategic Advisory Firm that specializes on Family Governance and Next Generation Leadership. He is also an Executive Director at Family in Business Strategic Coaching, Inc., and a Senior Fellow on Governance at the IPMI International Business School in Jakarta. He is also an Independent Director of PA Properties and GGTT. He also sits as a Director and/or Board advisor to 25 UHNW (ultra-high net worth families) in the ASEAN region. He is also a Columnist and Book Author.

He is a former World Bank/ International Finance Corporation Governance Consultant, Dean of Education at the Manual L. Quezon University, Senior Professor of Service and Global Marketing at the Ateneo Graduate School of Business, and Country President of Electronic Realty Associates (ERA Philippines.). His advocacy related to Real Estate Innovation, Strategic Management and Corporate Governance has made him a sought-after Senior Advisor to family owned businesses in Asia and resource speaker in international conferences in the US, Canada, UK, ASEAN and Africa. Due to his strategic advocacies, he has been recognized and invited to lecture and deliver talks at dozens of universities in Asia and North America, notably Harvard University and University of San Francisco. He writes a business column in several Philippine newspapers, in the US and a couple of business magazines in the EU and the Middle East. He is currently finishing his third book on Family Governance and Succession following his bestselling book entitled "Ensuring the Family Business Legacy: Powerful Insights About Leadership and Succession."

He holds a B.A. in History, minor in Economics degree from the University of the Philippines, an MBA from De La Salle University, Doctorate Units at the UP National College of Public Administration and has an Executive Diploma in Directorships at the Singapore Management University. He also pursued Post Graduate Education specializing on Behavioral Finance at Harvard Kennedy School of Government and at the National University of Singapore Business School focusing on Asian Family Businesses. He was conferred Certified Professional Marketer by the Marketing Institute of the Philippines in 2016.

**Jesli A. Lapus**  
**Independent Director**

Dr. Lapus has served as Independent Director since May 2021. He holds position in the following other listed company:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/ Years
Alliance Global Group, Inc.	Independent Director	June 2021	June 2022	1

Dr. Lapus is currently Chairman and Independent Director of STI Education Services Group, Inc. since 2013 and Chairman of LSERV Corporation since 2012. He is Governor of Information and Technology Academy (iAcademy) since 2010, Philippine Life Financial Assurance Corporation since 2012 Director of STI Education Systems Holdings, Inc. since 2013 and STI West Negros University, Inc. since 2022. He is also an Advisor of Radiowealth Finance Company, Inc. He is a former Chairman of the Board of Investments, Philippine Exports Zone Authority, National Development Corporation, Export Development Council, Export Development Council, Micro, Medium and Small Enterprises Council (MSMED), Summer Institute of Linguistics (SIL) and Manila Tytana Colleges. He is a former Board Member of Metrobank, Land Bank of the Philippines, Philippine Airlines, Meralco, and Union Bank of

the Philippines; former Governor/Trustee of the Asian Institute of Management, Management Association of the Philippines, and Bankers Association of the Philippines; and former Advisor of Philplans First, Inc.

As a top executive in the private sector, he has successfully managed celebrated firms and a universal bank in attaining industry leadership. As the youngest President and CEO of the Landbank of the Philippines at 42 years old, Lapus steered the bank from number 18 to become the 3rd biggest in the banking industry. As the first Filipino and the youngest Managing Director of the German multinational company Triumph International (Phils.), Inc. from 1979-1985, he led it to become the biggest manufacturing operation of its kind in the world making it a top Philippine exporter and employer. At 23, he was the Chief Finance Officer (CFO) of the Ramcar Group where he engineered mergers and acquisitions which established Ramcar as the undisputed market leader in the country. At age 20, he was Auditor-in-Charge and Management Consultant at SGV & Co., CPA's (1969-1973).

Dr. Lapus has the distinction of having served in the cabinets of three (3) Philippine Presidents in the following capacities: Secretary of the Department of Trade and Industry, Secretary of the Department of Education, President and CEO of The Land Bank of the Philippines, and Undersecretary of the Department of Agrarian Reform. He had been elected member of the Philippine Congress for three consecutive terms in 1998-2007 where he spearheaded many famous legislation such as the 2005 Fiscal Reform Measures (EVAT, Sin Taxes, Tax Amnesty and Attrition Law).

Dr. Lapus has been elected by the 180-country international organization, the United Nations Educational and Scientific Council (UNESCO) in Paris, France as a member of its Executive Board. He also served as the President of the South East Asian Ministers of Education Council (SEAMEO).

Dr. Lapus received his Doctor of Public Administration (Honoris Causa) from the Polytechnic University of the Philippines and his Master in Business Management from the Asian Institute of Management and is a Certified Public Accountant. He also pursued his Post Graduate Studies in Investment Appraisal and Management from Harvard University, USA; Management of Transfer of Technology from INSEAD, France; Project Management from BITS, Sweden; Personal Financial Planning from UCLA, USA; and Cursos Internacionales from the Universidad de Salamanca, Spain.

**Dina D.R. Inting**  
**Chief Financial Officer, Corporate Information Officer**  
**and Compliance Officer**

Ms. Inting was first elected as Compliance Officer and Corporate Information Officer on 28 August 2013. She holds position in the following other listed company:

Listed Company	Position	Date First Appointed/ Elected	Date Last Appoint/Elected	No. of Terms/ Years
Alliance Global Group, Inc.	Chief Financial Officer (Principal Financial Officer)	January 1995	June 2022	27
	Compliance Officer	August 2005	June 2022	17
	Corporate Information Officer	August 2002	June 2022	20

She is currently director of Progreen Agricorp, Inc. She gained an extensive experience in the fields of audit, comptrollership, treasury, finance, branch operations and personnel management from her previous employments. She is a Cum Laude graduate of Bachelor of Science in Commerce major in Accounting, Honors Program, at the Philippine College of Commerce (Polytechnic University of the Philippines), holds a certificate in Organizational Development from the Ateneo de Manila University, and is a Certified Public Accountant.

**Anna Michelle T. Llovido**  
**Corporate Secretary**

Ms. Llovido was first elected as Assistant Corporate Secretary on 20 May 2019 until her appointment as Corporate Secretary on April 30, 2020. She holds position in the following other listed company:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/Years
Megaworld Corporation	Corporate Secretary	August 2014	June 2022	8

Ms. Llovido concurrently serves as Senior Corporate Legal Counsel of Emperador Distillers, Inc. She is an experienced in-house counsel with 17 years of practice in mergers and acquisitions, financing, regulatory compliance, transactional contracts negotiation, data privacy, litigation, labor and intellectual property law. She is the data protection officer of Emperador Inc. and Emperador Distillers, Inc.

Prior to her employment in Emperador Distillers, Inc., Ms. Llovido was a Manager at Reeves & Associates International Corporation and was charged with the management of its Philippine representative office. She also served as Legal Counsel to Transnational Diversified Group, Inc. from May 2008 to September 2009 where she serviced the legal requirements of over 30 companies engaged in total logistics, ship management, air and travel services, and information and communications technology. She was an Associate Lawyer at Tantoco Villanueva De Guzman & Llamas law offices from April 2006 to April 2008. Ms. Llovido obtained her bachelor's degrees in Laws in 2004 and Hotel and Restaurant Management in 1999 from the University of Santo Tomas.

*The Corporate Governance Committee and Independent Directors*

SRC Rule 38 and the Company's Revised Manual on Corporate Governance provides that the nomination and election of independent directors shall be conducted in accordance with the following rules:

1. Nomination of independent directors shall be conducted by the Corporate Governance Committee prior to a stockholders' meeting. All recommendations shall be signed by nominating stockholders and shall bear the conformity of the nominees.
2. The Corporate Governance Committee shall pre-screen the nominees and prepare a final list of candidates.
3. The final list of candidates shall contain the business and/or professional experience of the nominees for independent directors, which list shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Company is required to submit to the Commission. The name of the person or group of persons who recommended the nominees for independent directors shall be identified in such report including any relationship to the nominees.
4. Only nominees whose names appear in the final list of candidates shall be eligible for election as independent directors. No other nominations shall be entertained after the final list of candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting.
5. The conduct of the election of independent directors shall be made in accordance with the standard election procedures of the Company in its By-laws, subject to pertinent laws, rules and regulations of the Commission.
6. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure those independent directors are elected during the stockholders' meeting.
7. In case of failure of election for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

The Company complies with The Securities and Regulation Code and its Amended Implementing Rules and Regulations and with the Revised Manual on Corporate Governance and has at least two (2) independent directors in its Board of Directors, who are each independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially

interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the Company. An independent director should have at least one (1) share of the Company's common stock, a college graduate or has been engaged or exposed to the business for at least five (5) years, and possesses integrity/probity and assiduousness. Pursuant to SEC Memorandum Circular 19, Series of 2016, the Board's independent directors should serve for a maximum cumulative term of nine years. After which, the independent director should be perpetually barred from re-election as such in the same company, but may continue to qualify for nomination and election as a non-independent director. In the instance that the company wants to retain an independent director who has served for nine years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual stockholders' meeting. Reckoning of the cumulative nine-year term is from 2012. Any term beyond nine years for an Independent Director is subjected to particularly rigorous review, taking into account the need for progressive change in the Board to ensure an appropriate balance of skills and experience. However, shareholders may, in exceptional cases, choose to re-elect an independent director who has served for nine years. In such instances, the Board must provide a meritorious justification for the re-election.

### *Nominees*

Directors are elected annually by the stockholders at the annual stockholders' meeting to serve until the election and qualification of their successors. The Corporate Governance Committee composed of Enrique M. Soriano III as Chairman and Jesli A. Lapus and Kendrick Andrew L. Tan as members accept nominees to the Board of Directors, including nominees for independent directors.

The Committee is responsible for screening and qualifying the list of nominees. The following is the complete and final list of nominees for members of the Board of Directors:

1. Andrew L. Tan
2. Winston S. Co
3. Kendrick Andrew L. Tan
4. Kevin Andrew L. Tan
5. Enrique M. Soriano III – Independent Director
6. Jesli A. Lapus - Independent Director
7. Ho Poh Wah (Jason Ho) – Independent Director

### **HO POH WAH (JASON HO) Nominee for Independent Director**

Mr. Ho, 60 years old, Singaporean, is an experienced Board Member and senior executive with years of experience as group chief human resources officer and global business leader in banking and finance industry. His areas of expertise are human capital strategy, business transformation, vision and mission advocacy, executive coaching, talent acquisition, corporate governance, risk management, shareholder relations, market alignment and regulatory compliance.

He was a Board member of the Institute of Human Resources Professionals from 2016 to 2022, OCBC Property Service Ltd. from 2020 to 2022 and MAS HR Industry Group Committee from 2021 to 2022. He was also the Group Chief Human Resources Officer (CHRO) from 2015 to 2022, Executive Vice President from 2015 to 2022, and Global Head – Asset and Liability Management from 2013 to 2014, of OCBC Bank Singapore. He also served as Treasurer of KBC Bank, Singapore from 1999 to 2012. Prior to these, he was also employed by Standard Chartered Bank, Volvo Group Treasury and Citibank.

Mr. Ho earned his Bachelor of Business Administration from the National University of Singapore and Master of Applied Finance from Macquarie University in Sydney, Australia.

Mr. Ho holds one (1) qualifying common share in the Company lodged with PDC Nominee Corporation.

Mr. Kevin Andrew L. Tan nominated the incumbent Independent Director Mr. Jesli A. Lapus as Independent Director, while Mr. Winston S. Co nominated the incumbent Independent Director, Mr. Enrique M. Soriano III, for another term. Dr. Andrew L. Tan nominated Mr. Ho Poh Wah (Jason Ho) as an Independent Director. The Directors who made the nominations are not related by consanguinity or affinity up to the fourth civil degree to nominees, Messrs. Soriano III, Lapus, and Ho.

The above disclosures on the business experience of the named directors, officers, and nominees, all cover the past five (5) years.

#### *Disagreements with the Company*

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

#### *Significant Employees*

While the Company values its workforce, the business of the Company is not highly dependent on the services of personnel outside of Senior Management.

#### *Family Relationships*

Chairman Andrew L. Tan is married to Director and Treasurer Katherine L. Tan while their sons, Kendrick Andrew L. Tan and Kevin Andrew L. Tan, are also Directors. Kendrick is currently serving as director of Anglo Watsons Glass, Inc. and Executive Director and Corporate Secretary of EDI. Kevin is currently serving as Director of other listed companies: Alliance Global Group, Inc. (where he is the Vice-Chairman and CEO), Global-Estate Resorts, Inc. MREIT, Inc. (where he is the President and CEO), and Empire East Land Holdings, Inc. and EVP and CSO of Megaworld Corporation.

#### *Involvement in Legal Proceedings*

The Company is not aware of the occurrence during the past five (5) years up to the date hereof of any of the following events that are material to an evaluation of the ability or integrity of any director, any nominee for election as director, or executive officer:

1. Any bankruptcy petition filed by or against any business of a director, nominee for election as director, or executive officer who was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. Any conviction by final judgment in a criminal proceeding, domestic or foreign, or a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
3. Any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
4. Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law of regulation, and the judgment has not been reversed, suspended, or vacated.

#### *Certain Relationships and Related Transactions*

Except for the material related party transactions described in the notes to the consolidated financial statements of the Company for the years 2021 and 2020 (*please see as filed in here*), there has been no material transaction during the last two years, nor is there any material transaction currently proposed, to which the Company was or is to be a party, in which any director or executive officer, any nominee for election as director, stockholder of ten percent (10%) or more of the Company's voting shares, and any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any such director or officer or stockholder of ten percent (10%) or more of the Company's voting shares had or is to have a direct or indirect material interest.

#### **Item 6. Compensation of Directors and Executive Officers**

The following table identifies the Company's Chief Executive Officer and the four most highly compensated executive officers and summarize their aggregate annual compensation in the last two

completed years and the estimated aggregate compensation for the ensuing year. Such compensation is received from EDI and none from the Company.

	<b>Name and principal position</b>	<b>Year</b>	<b>Salary (P) '000</b>	<b>Bonus (P)</b>	<b>Other Annual Compensation</b>
CEO	<b>Winston S. Co, President</b>				
A	<b>Katherine L. Tan, Treasurer</b>				
B	Kendrick Andrew L. Tan, Executive Director				
C	Glenn Manlapaz, Director for Asia and the Pacific				
D	Edwin Jaranilla, VP-Production				
	Total - President and four most highly compensated executive officer	2021 2022 2023 (estimate)	29,367 34,268 36,917		None None None

The following table identifies the compensation of each of the Board of Directors:

	<b>Name of Director</b>	<b>Per Diem 2021 (P) '000</b>	<b>Per Diem 2022 (P) '000</b>	<b>Per Diem 2023 (P) '000 (estimate)</b>
1	<b>Andrew L. Tan, Chairman</b>	<b>75</b>	<b>75</b>	75
2	<b>Winston S. Co, Director</b>	<b>75</b>	<b>75</b>	75
3	<b>Katherine L. Tan, Director</b>	<b>75</b>	<b>75</b>	75
4	<b>Kendrick Andrew L. Tan, Director</b>	<b>75</b>	<b>75</b>	75
5	<b>Kevin Andrew L. Tan, Director</b>	<b>75</b>	<b>75</b>	75
6	<b>Enrique M. Soriano III, Independent</b>	<b>390</b>	<b>225</b>	285
7	<b>Jesli A. Lopus, Independent Director</b>	<b>360</b>	<b>195</b>	285
[1to7]	<b>Total – Directors' Per Diem</b>	<b>1,125</b>	<b>795</b>	945

The Company's By-Laws stipulates that, except for reasonable per diem, directors, as such, are entitled to receive only such compensation as may be granted to them upon the recommendation of the Corporate Governance Committee and subsequent approval by vote of stockholders representing at least a majority of outstanding capital stock at a regular or special meeting of stockholders. In no case shall the total yearly compensation of directors, as such, exceed 10% of the net income before tax of the Corporation for the preceding year. In the last two completed years, directors received per diem only from the Company.

#### *Employment Contracts and Termination of Employment and Change-in-Control Arrangements*

There are no employment contract between the Company and a named executive officer; and no compensatory plan or arrangement, including payments to be received from the Company, with respect to a named executive officer, that results or will result from the resignation, retirement or any other termination of such executive's employment with the Company and its subsidiaries or from a change-in-control of the Company or a change in the named executive officer's responsibilities following a change-in-control and amount involved, including all periodic payments or installments, exceeds P2.5 million.

#### *Warrants and Options Outstanding held by Directors or Officers*

On December 15, 2014, stockholders holding more than 2/3 of the subscribed and outstanding capital stock of the Company approved an Employee Stock Option Plan (the "Plan") for qualified employees of the Company and its subsidiaries. On August 17, 2021, the BOD approved an Amended Plan which provided certain amendments.

Under the Plan, and Amended Plan, stock options may be granted within ten (10) years from the approval of the Plan by stockholders of the Company owning at least 2/3 of its outstanding capital stock. The exercise price shall be at most a 15% discount from the volume weighted average closing price

("VWAP") of the Company's common shares for the nine months immediately preceding the date of grant; and, for the first batch of options granted, the exercise price shall be at P7.00/share. The Company shall reserve up to 1,000,000,000 common shares representing 5% of the authorized capital stock for issuance pursuant to the Plan.

The Plan shall be administered by the Corporate Governance Committee of the Board, which shall determine the eligible participants of the Plan for a particular calendar year as well as the number of shares to be covered by each option so granted, taking into consideration their position and responsibilities, nature and value of their services and accomplishments, and their present and potential contribution to the success of the Company and subsidiaries, and such other factors as the Committee may deem relevant.

The purpose of the Plan is to enable qualified employees of the Company and subsidiaries to participate in the growth of the group, thereby encouraging long-term commitment and to encourage senior management to develop and train future leaders that will continue business growth and success of the group.

The stock options shall generally vest on the 60<sup>th</sup> birthday or the date of retirement of the option holder ("Option Holder" or "grantee") provided that the Option Holder has continuously served for 11 years after the Option Offer Date or 3 years for Option Holder who has continuously served for at least 20 years before the Option Offer Date, and may be exercised within 5 years from vesting date, subject to the terms and conditions of the Amended Plan.

On November 6, 2015, stock options were granted to qualified employees giving them the right to subscribe to a total of 118 million common shares of the Company at the exercise price of P7.00 per share.

On March 15 and August 25, 2021, stock options were granted to qualified employees to subscribe to 20 million and 55 million common shares of the Company at an exercise price of P10.10 and P10.65 per share, respectively.

On February 11, 2022, stock options were granted to a qualified employee to subscribe to 5 million shares of the Company at an exercise price of P13.95 per share.

No stock options have vested nor exercised as of December 31, 2022.

#### **Item 7. Independent Public Accountants**

Punongbayan&Araullo ("P&A") is the recommended principal auditor for 2023. It audited the Company's consolidated financial statements for the years 2013 to 2022. In compliance with Revised Securities Regulation Code Rule 68, Part I, 3(B)(ix), *Rotation of External Auditors*, which adopted the provisions on long association of external auditors (including partner rotation) with public-interest-entity audit client as prescribed in the Code of Ethics for Professional Accountants in the Philippines, and as adopted by the Company, external auditors or engagement partners are rotated or changed every seven years ('time-on' period). Mr. Romualdo V. Murcia III is the lead engagement partner for 2017-2022.

Representatives of Punongbayan & Araullo are expected to be present at the Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

#### *External audit fees and services*

The combined fees billed by P&A for the audit of the 2022 and 2021 annual financial statements of the Company and its subsidiaries, excluding out-of-pocket expenses, totaled P6.0 million and P5.6 million, respectively. The services are those normally provided in connection with statutory and regulatory filings or engagements.

### *Tax fees and all other fees*

In 2022, P&A was engaged to review the interim consolidated financial statements as of March 31, 2022 and for comparable period in 2021, for which P&A billed P3.5 million. It was also engaged for an expense verification and a vulnerability assessment and penetration testing in relation to EMI's listing in SGX-ST for which P&A separately billed P0.2 million and P0.4 million, respectively. P&A was also engaged for a tax assistance for which it billed P0.3 million.

In 2021, P&A was engaged to review the interim consolidated financial statements as of June 30 and September 30, 2021 and for the interim periods so ended in 2021 and 2020, for which P&A separately billed a total of P6.0 million. It was also engaged to make a tax study relating to its potential listing in Singapore Stock Exchange for which it has billed P0.7 million. There were no similar services in 2020.

### *Approval of services*

The above services have been approved by the Audit Committee through the internal policies and procedures of approval. The Audit Committee is composed of Enrique M. Soriano III as Chairman and Jesli A. Lapus and Kevin Andrew L. Tan as members. The auditors' appointments were endorsed to and approved by the Board of Directors, and then by the stockholders at the annual stockholders' meetings.

### *Changes in and disagreements with accountants on accounting and financial disclosure*

P&A issued an unqualified opinion on the consolidated financial statements. There are no disagreements with them on any matter of accounting principles or practices, financial statement disclosures, and auditing scope or procedure which, if not resolved would have caused the auditors to make reference thereto in its reports.

### *Information Incorporated by Reference*

Financial Statements of the Company and its subsidiaries as of 31 December 2022 as well as the Management's Discussion and Analysis of Operations and Financial Condition for the corresponding periods are included in the Company's Management Report and are incorporated herein by reference.

## **C. OTHER MATTERS**

### **Item 8. Action with Respect to Reports**

The minutes of the Annual Meeting of Stockholders held on 16 May 2022, attached herewith as Annex "B", will be submitted to the stockholders for approval. The Minutes refer to the adoption of stockholder's resolutions pertaining to the following matters: approval of Minutes of the Annual Stockholders' Meeting held 17 May 2021; appointment of independent auditors; ratification of acts and resolutions of the Board of Directors, Board Committees, and Officers; and election of directors.

The approval or disapproval of the Minutes will constitute merely an approval or disapproval of the correctness of the minutes but will not constitute an approval or disapproval of the matters referred to in the Minutes.

### **Item 9. Other Proposed Action**

#### *Ratification of Acts and Resolutions of the Board of Directors, Board Committees and Officers*

The stockholders will be asked to ratify all acts and resolutions of the Board of Directors, Board Committees, and of Management adopted and taken during the period up to the date of the Meeting. These include, among others, the internal procedures for participation in meetings and voting through remote communication or *in absentia*, the appointment of officers in the corporation, opening and maintenance of bank accounts and other bank transactions, approval and issuance of financial

statements, approval of filing an application for secondary listing with the Singapore Exchange Limited, appointment of proxies and nominees, designation of authorized contract signatories and representatives, appointment of attorneys-in-fact, matters covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange, approval of agreements, projects, investments, financing, and treasury-related matters in the ordinary course of business of the Company, and other similar activities of the Company. The acts of the officers were those taken to implement the resolutions of the Board or its committees or made in the general conduct of business.

## **Item 10. Voting Procedures**

### *Vote Required*

In the election of directors, the seven (7) nominees garnering the highest number of votes will be elected as members of the board of directors, provided that there shall always be elected at least two (2) independent directors in the Company's board of directors.

For all the other matters proposed to be acted upon, the vote of a majority of the outstanding capital stock will be required for approval.

### *Method of Counting of Votes*

Each holder of common share will be entitled to one (1) vote with respect to all matters to be taken up during the Meeting; provided, that in the election of directors, each stockholder may vote such number of shares for as many persons as there are directors to be elected or may cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many nominees as he shall see fit; provided further, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

There will be seven (7) persons to be elected to the Company's board of directors, including at least two (2) independent directors. In the event that the number of nominees to the board of directors exceeds the number of board seats, voting shall be done by ballot. However, if the number of nominees to the board of directors does not exceed the number of board seats, voting will be done by a show of hands. Election inspectors duly appointed during the meeting shall be responsible for counting the number of votes, subject to validation by representatives of Punongbayan & Araullo, the Company's external auditors.

**The Company undertakes to provide without charge to a stockholder a copy of the Annual Report on SEC Form 17-A upon written request addressed to Ms. Dina D.R. Inting, Chief Financial Officer and Corporate Information Officer, at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City, Metro Manila, Philippines.**

## SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**Date: 17 April 2023**

**EMPERADOR INC.**

By:

A handwritten signature in blue ink, appearing to read 'Dina D.R. Inting', is written over a faint horizontal line.

**DINA D.R. INTING**

Chief Financial Officer, Corporate Information  
Officer and Compliance Officer

## MANAGEMENT REPORT AS REQUIRED BY SRC RULE 20

### 1. BUSINESS

#### BUSINESS DEVELOPMENT

##### *Overview*

**EMPERADOR INC.** (“**the Company**” or “**the Parent Company**” or “**EMI**” or “**Emperador**”) is a holding company which operates an integrated global business of manufacturing, bottling and distributing distilled spirits and other alcoholic beverages from the Philippines, United Kingdom, Spain and Mexico through its subsidiaries.

At present, EMI and its subsidiaries (collectively referred to as “**the Group**”) has a wide range of products in its portfolio across multiple price segments – from accessible to luxury – and an international reach to at least 102 countries. The Group’s brandy and Scotch Whisky portfolios include some of the oldest and best-recognized brands in the world, including brands with centuries-old legacies. The Group has acclaimed renown as the world’s largest brandy producer, leading the brandy segment in the Philippines and Spain, and the world’s fifth largest Scotch whisky producer (*Scotch Whisky Industry Review 2021*).

Emperador has established its identity in the Philippine alcoholic beverages business as producer of high-quality liquor and innovative products – predominated by its own brand ‘Emperador Brandy’ which was introduced in 1990 through **Emperador Distillers, Inc.** (“**EDI**”), the Philippines’ largest liquor company and the world’s largest brandy producer. This strong presence was further fortified by ensuing offshore acquisitions.

EMI has grown from a Philippine company to a global player with heritage brands under its portfolio. It has enriched its heritage through the acquisition of century-old businesses in Jerez, Spain (known as the world capital of sherry wine and home of the Brandy De Jerez) and in Scotland, United Kingdom (home of Scotch whisky), which themselves were acclaimed as being the first and oldest facility in Spain and the fifth largest Scotch whisky manufacturer in the world, respectively. These were immediately followed by the acquisition of popular brands and half-century-old business in Mexico that traced its roots in Jerez.

Currently, the Group is organized into two business segments –Brandy and Scotch Whisky.

The Company first listed its shares in the Philippine Stock Exchange, Inc. (“**PSE**”) on December 19, 2011. On July 14, 2022, the Company successfully listed on the Main Board of the Singapore Exchange Securities Trading Ltd. (“**SGX-ST**”) - the first PSE-primary listed company to conduct a secondary listing on the SGX-ST<sup>1</sup>. This secondary listing marked the latest step in its ambitious plans for future international growth. The Company’s shares are currently trading in both exchanges under the symbol ‘EMI’.

The Group belongs under the umbrella of **Alliance Global Group, Inc.** (“**AGI**”), the ultimate holding company, a Philippine publicly-listed company trading under the symbol ‘AGI’. AGI is a conglomerate with diversified businesses in real estate development, food and beverage, quick-service restaurants, and leisure-tourism-entertainment. As of December 31, 2022, AGI directly holds 79.48% ownership interest in Emperador.

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<sup>1</sup>On September 19, 2022, EMI joined the Straits Times Index (“**STI**”). STI is a market capitalization weighted index that tracks the performance of the top 30 companies listed on the SGX-ST. EMI is in the PSE Index as well.

## Transformation

The Company was incorporated in the Philippines on November 26, 2001.<sup>2</sup> In 2013, the Company transformed into a holding company and increased its capitalization base to P20 billion.<sup>3</sup> In a series of transactions in August and September 2013, AGI acquired majority control (88% ownership interest in the Company at that time) and the Company concurrently acquired 100% ownership in EDI from AGI. Consequently, the Company thus became a subsidiary of AGI and the immediate parent of EDI (see Note 24.1 to the Consolidated Financial Statements). This acquisition was accounted for as a reverse acquisition of a non-operating shell company<sup>4</sup> wherein the legal subsidiary EDI is deemed as the acquirer and Company, which is the legal parent, is deemed as the acquired. The Company's consolidated financial statements, thus, became a continuation of EDI and its subsidiaries<sup>5</sup>. On August 28, September 16 and September 27, 2013, the Board of Directors (“**BOD**”), stockholders and Philippine Securities and Exchange Commission (“**SEC**”) respectively approved the change in corporate name to ‘Emperador Inc.’. As of December 31, 2022, AGI directly holds 79.48% ownership interest in Emperador.

## International Expansion

On October 31, 2014, Emperador, through its indirect wholly-owned subsidiary, **Emperador UK Limited (“EUK”)**, completed a deal signed on May 9, 2014, for the acquisition of the entire issued share capital of **Whyte and Mackay Group Limited (“WMG” or “Whyte and Mackay”)** from United Spirits (Great Britain) Limited, an indirect wholly-owned subsidiary of United Spirits Limited (“USL”), at an enterprise value of £430 million. Emperador took the reins from the world's liquor giants - USL of India (the world's largest spirits company by volume) which was forced to put Whyte and Mackay up on sale because of UK anti-trust concerns, when London-based Diageo Plc (the world's leading premium drinks manufacturer) gained controlling interest in USL.

On December 4, 2014, with the completion of the Whyte and Mackay acquisition as a condition precedent to its entry, Singapore sovereign wealth fund **GIC Private Ltd. (“GIC”)**, through its private equity arm, **Arran Investment Pte. Ltd. (“Arran”)**, initially invested P17.6 billion in the Company split into 70%-equity and 30%-equity-linked securities (“**ELS**”), which is convertible to equity between 2 to 7 years. Through this initial investment, Arran acquired 7% ownership interest in EMI and AGI's interest was diluted to 81%. In 2017, additional new shares were issued to Arran in consideration for the three-year accrued interest on the ELS. On February 5, 2020, Arran partly converted a portion of its ELS into EMI shares (“Tranche 1 Shares”) which EMI issued from its treasury. On December 3, 2021, Arran elected to exercise its conversion right in respect of the remaining balance of the ELS (“Tranche 2 Shares”). The Company was given an initial period until 28 February 2022 to issue the Tranche 2 Shares (“Conversion Period”). The Conversion Period went through a number of modifications, the latest of which is its extension up to August 12, 2023. While the Tranche 2 shares remain unissued, they shall continue to earn variable interest which is at same rate and terms as the Company's dividends to shareholders. As of December 31, 2022, Arran held 9.5% of EMI's outstanding shares.

On February 29, 2016, EMI, through its indirect wholly-owned subsidiary **Bodegas Fundador S.L.U. (“Bodegas Fundador”)**, acquired Beam Suntory's Spanish brandy and sherry business in Jerez de la Frontera, the brandy capital of Spain. The purchase included the iconic brands of ‘Fundador’, the Philippines' best-selling premium imported brandy; ‘Terry Centenario’, Spain's number one selling brandy; ‘Tres Cepas’, the number one brandy in Equatorial Guinea; and ‘Harveys’, the number one selling sherry wine in the United Kingdom. The all-cash offer was agreed at a value of €275 million. It also included production facilities, ageing cellars, vineyards and blending and bottling facilities. The completion of the purchase marked the birth of the world's biggest brandy company, and a new era began not only for Emperador and Fundador but for the whole brandy and sherry industry in Spain.

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<sup>2</sup> Incorporated under the name of Touch Solutions, Inc. which was already a shell company prior to AGI acquisition.

<sup>3</sup> On July 31, 2013 and September 5, 2013, the Philippine Securities and Exchange Commission approved the change in the Company's primary purpose to that of a holding company and the increase in its capitalization base to P20 billion, respectively.

<sup>4</sup> In line with its transformation into a holding company, the Company disposed of its assets in April 2013.

<sup>5</sup> Except for the capital structure which represents that of the Company.

On December 1, 2016, **Bodega Las Copas S.L. (“BLC”)**, a joint-venture company of Grupo Emperador Spain S.A.U. (“**GES**”) and **Gonzalez Byass, S.A. (“Gonzalez Byass”)**, signed an agreement to acquire the Domecq brandy and wine trademarks and related assets from the Mexican and Spanish subsidiaries of Pernod Ricard S.A. plus the Domecq inventories. The transaction included the Domecq brand portfolio of Mexican brandies ‘Don Pedro’, ‘Presidente’ (the first Mexican brandy) and ‘Azteca de Oro’; and ‘Domecq’ and ‘Brandy Domecq’ brands for Brazil and Colombia (collectively, “**Domecq brand portfolio**”) as well as the winery related to the production of Mexican wines in Ensenada, Mexico, together with the relevant inventories related to the Domecq brands in markets, including Spain, the US, Belgium and the Netherlands. On March 30, 2017, BLC, and the Mexican subsidiaries **Pedro Domecq S.A. de C.V.** and **Bodega Domecq S.A. de C.V.**, completed the sale transaction for €81 million.

On December 20, 2017, with the aim of streamlining the group’s structure and obtaining the greatest efficiency, GES and Gonzalez Byass approved the restructuring of BLC. This allowed the economic and organizational differentiation of the different lines of business by transferring the Domecq brand portfolio to a newly incorporated company, **Domecq Bodega Las Copas S.L. (“Domecq BLC”)**, effective September 1, 2017. The restructuring was implemented by means of, on the one hand, the partial spin-off of BLC, under which BLC transferred to Domecq BLC the majority stake in the Mexican company Pedro Domecq S.A. de C.V., and on the other hand, the acquisition by Domecq BLC of the majority stakes in two other Mexican companies, **Domecq Distribucion de Bebidas SA de CV (then known as Gonzalez Byass de Mexico S.A. de C.V)** and Bodega Domecq S.A. de C.V., and of the Domecq brand portfolio worldwide. In 2019, Pedro Domecq S.A. de C.V. absorbed Bodega Domecq S.A. de CV, due to synergies of merging both companies. In 2021, Pedro Domecq, S.A. de C.V. merged with Domecq Distribución de Bebidas, S.A. de C.V. to maximize the synergies for both companies.

For its part, BLC keeps its main activities - planting, cultivation and exploitation of vineyards in order to produce grapes for distillation, and manufacture, storage, distribution, sale of wine spirits, liquors, spirits and similar – which are developed throughout its Spanish fully owned subsidiaries **Alcoholera de la Mancha Vinícola, S.A.U. (“Alcomasa”)** and **Viñedos del Río Tajo, S.L.U. (“Viñedos”)**<sup>6</sup>, and the remaining stakes in the Mexican companies referred to above.

## **SUBSIDIARIES**

### ***EDI***

**EDI** is the leading brandy manufacturer and distributor in the Philippines, and the largest brandy producer in the world.

It was incorporated on June 6, 2003 and it acquired the brandy manufacturing assets and related brands led by ‘Emperador’ Brandy, from **Consolidated Distillers of the Far East, Inc. (“Condis”)** in January 2007. AGI subsequently acquired full ownership of EDI from **The Andresons Group, Inc. (“TAGI”)** and the Tan Family in February 2007. In the second half of 2013, AGI transferred its full ownership in EDI to EMI. This acquisition of EDI by EMI is accounted for similar to a reverse acquisition of a non-operating shell company, wherein the legal subsidiary, which is EDI, is deemed as the acquirer and the legal parent, which is the Company, is deemed as the acquired. Thus, Emperador’s consolidated financial statements prior to the acquisition date have been prepared as a continuation of the consolidated financial statements of EDI and its subsidiaries (collectively referred to as “**EDI Group**”), except for the capital structure which represent that of the Company.

It was in 1990 that ‘Emperador Brandy’, the Company’s first brandy label, was launched in the Philippines. Since that time the ‘Emperador’ brand has become the number one brandy in the Philippines and in the world based on volume according to the 2020 and 2021 IWSR. Henceforth, the Company continues to innovate its Emperador brand offerings.

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<sup>6</sup> On July 8, 2022, BLC and Viñedos resolved to transfer (split off) the assets and liabilities of BLC related to the planting, cultivation and operation of vineyards, the production, ageing and manufacturing of wine, and the provision of vineyard planting and management services in favor of Viñedos, as the Ecoomic Unit, in exchange for additional equity shares in Viñedos. This transaction was duly registered in the relevant Companies’ Registries in August 2022.

In April 2009, EDI launched flavored vodka and gin beverages under 'The BaR' brand. 'The BaR' became the first flavored vodka and gin products manufactured by a Philippine company. In the third quarter of 2012, EDI introduced 'The BaR' cocktails line primarily targeted at younger alcoholic beverage consumers and female customers. In mid-September 2018, EDI launched 'the gin for the new generation' 'The BaR Premium Gin', infused with flavors and botanicals from the gardens of Andalusia, Spain in Pink Berries, Green Lime and Premium Dry. These variants, especially the Pink Gin, are targeted towards a growing young and social media focused demographics of the country. This line took from a successful global trend of pink products and brought that trend into the Philippine context. In 2020, EDI launched 'The Bar Fruity Mix'.

In 2010, EDI introduced 'Emperador Light', in response to a growing market for alcoholic beverages with lower alcohol content. In March 2013, EDI began selling the 'Emperador Deluxe' brand which is being manufactured in Spain for export to Philippines under a supply agreement with Gonzalez Byass. A couple of months earlier, the acquisition of Bodega San Bruno from one of the largest and oldest liquor and wine conglomerates in Spain allowed Emperador to own one of the world's best brandy stocks that are rare, high quality and aged for more than 40 years in Spain. In 2018, EDI takes on a promotional pair packaging of a mixer, 'Club Mix Lime Juice', a lime drink cordial, and 'Emperador Light' brandy that go perfectly well together as 'LimeLight' and 'GreenLight'. In 2019, 'Emperador Double Light', a lower alcohol premium drink made from imported Spanish brandies finely aged in sherry casks, was launched. 'Emperador Double Light' advocates both mindful drinking, as well as responsible drinking. Despite having lower alcohol content, the product is positioned for social enjoyment, rather than to boost intake. In the same year, EDI also introduced another pair packaging of a mixer using Club Mix Apple Tea cordial and Emperador Light or Double Light or The Bar. In August 2021, 'Emperador Coffee Brandy' was launched bringing more fun to coffee and more enjoyment to brandy. It is a premium brandy liqueur that combines the smoothness of brandy and the rich aroma of coffee with low 40-proof or 20% alcohol by volume (ABV) content. This was launched in international markets in June 2022.

In April 2015, EDI launched the ready-to-drink 'Smirnoff Mule', which is being manufactured and distributed under license from Diageo North America, Inc. A few months later, in October, EDI reintroduced 'Andy Player' whisky. 'Andy Player' is a popular drink in the '80s. During the same year, EDI also began selling the Whyte and Mackay products locally.

In March 2016, EDI assumed the distribution of 'Fundador' brandy in the Philippines. It was also in 2016 when EDI launched 'Tres Cepas Light', a new product of Bodegas Fundador at that time, into the Philippine market. In 2017, EDI started distributing Bodegas Fundador's 'Harveys Bristol Cream' and the then newly-developed 'Fundador Double Light'.

In 2020, EDI launched 'So Nice' ultralight alcohol drink capitalizing on the strong Hallyu (Korean Wave) influence among Filipinos.

In 2022, EDI launched a line of innovative Emperador Premium Tower Cocktails at the on-trade channel expanding options on bar menus and offering a really exciting ingenuity of mixing a bottle of Emperador Light or Original with different flavors which drinkers can easily recreate at home.

EDI has established distribution footprint to at least sixty-one (61) countries since 2020. By end of 2022, EDI was working with distributors in about seventy (70) countries.

EDI also distributes Ernest & Julio Gallo wines and Pik-Nik shoestring-shaped potato snacks (a product of its affiliate in AGI group) as well as New York Club No. 1 Vodka (another product from the said affiliate).

It operates two manufacturing plants in Laguna. The main plant is being leased from its wholly-owned subsidiary **Tradewind Estates, Inc.** ("TEI" or "**Tradewind**") while the annex plant was acquired in May 2012. In 2020, EDI purchased several lots for its main warehouse in Cavite and completed construction in 2021.

EDI owns two distillery plants located in Balayan and Nasugbu, Batangas, both of which are being leased to and operated by its subsidiary **Progreen Agricorp, Inc.** ("**Progreen**").

It has 22 billion shares authorized capital stock, 12.5 billion shares of which were issued and outstanding as of to-date.

### ***Emperador International***

**Emperador International Ltd. (“EIL”)** is a business company incorporated in the British Virgin Islands on December 13, 2006. It is an investment and holding company which is the parent company of the Group’s offshore subsidiaries. Its group is primarily responsible for the offshore investments and properties in Spain and United Kingdom. At present, voting rights to EIL is 84% and 16% directly held by EMI and EDI, respectively. Thus, it is 100% beneficially owned by EMI.

### ***Emperador Spain***

**Emperador Asia Pte Ltd. (“EAsia”)**, a wholly-owned subsidiary of EIL, was incorporated in Singapore. It wholly owns *GES*, a public liability company in Spain, incorporated on September 28, 2011.

**GES** main activities are the production of wines, fortified wines, brandies and all types of alcoholic drinks, as well as the purchase and operation of any type of land and, in particular, vineyards. In 2013, it acquired **Bodega San Bruno, S.L.U. (“BSB”)**, a wholly-owned subsidiary, whose business activities involved the plantation, growing and operation of vineyards. BSB was incorporated on January 10, 2013.

The Spain group acquired vineyard estates in Toledo, called Daramezas and Bergonza, and in Madrid, called Monte Batres, in 2013-2014. And from hereon, the Spain group started growing.

In 2014, GES invested in **BLC**, a 50%-50% joint venture with Gonzalez Byass. Presently, BLC and its wholly-owned subsidiaries are engaged in the planting, cultivation and operation of vineyards, and the conversion and production of alcohol and spirits. The main industrial facilities are located at Jerez de la Frontera in Cadiz and Tomelloso in Ciudad Real.

**Bodegas Fundador**, a wholly-owned subsidiary of GES, incorporated on September 28, 2011 under its former name Brandy Emperador Spain, acquired the Spanish brandy and sherry business from Beam Suntory Inc. on February 29, 2016. The purchase includes Spain’s largest and oldest brandy cellars established in 1730 with sizeable brandy inventory aged more than 50 years; four iconic brands including ‘Fundador Brandy de Jerez’; production and bottling facilities, vineyards, distillery and winery facilities. Bodegas Fundador was consolidated starting March 2016. Bodegas Fundador’s wholly-owned subsidiary is **Harvey’s Cellars, S.L.U.** (formerly Destilados de la Mancha S.L.).

On January 19, 2017, GES through **Complejo Bodeguero San Patricio, S.L.U. (“CBSP”)**, a wholly-owned subsidiary of GES at that time, incorporated on October 11, 2016, acquired the Grupo Garvey brands and associated inventories and casks and real estate properties. Bodegas Garvey, founded in 1780 by the Irish aristocrat William Garvey and based in Jerez de la Frontera, is one of the ancient brandy and sherry companies in Spain. In October 2020, the merger of CBSP (absorbed company) and Bodegas Fundador (surviving company) was registered, the effectivity retroacts to the start of the year, given the confluence of activities of both companies, in order to facilitate the use of common resources, a significant reduction and simplification of operating, administrative and structural costs, thus achieving greater competitiveness in business traffic.

On March 30, 2017, BLC, Pedro Domecq S.A. de C.V. and Bodega Domecq S.A. de C.V. completed the acquisition of the Domecq brand portfolio and related assets, which was signed on December 1, 2016. During the last quarter of 2017, the Domecq brandy portfolio and wine business were integrated into **Domecq BLC**.

**Domecq BLC**, a subsidiary of GES incorporated on December 20, 2017, holds the spun-off Domecq brandy and wine portfolio and related assets and was consolidated starting September 1, 2017. Its wholly-owned subsidiaries in Mexico, **Pedro Domecq SA de CV (“Pedro Domecq”)** and **Bodega Domecq SA de CV** (the latter was absorbed by Pedro Domecq in 2019) were incorporated on March 15, 2017 while **Domecq Distribucion de Bebidas SA de CV** (corporate name changed from

**Gonzales Byass de Mexico SA de CV** in 2018) (absorbed by Pedro Domecq in 2021) was incorporated on October 2, 2001. The first is involved in the manufacturing, bottling and selling of spirits, the second was involved in business management which is now being done by the first, while the third was into the distribution and sale of foods and beverages, which at the time of the merger was mainly for Pedro Domecq. Pedro Domecq is the surviving subsidiary at end-2021.

**Grupo Emperador Gestion, S.L.U.**, a wholly-owned subsidiary of GES, was incorporated on October 11, 2016, with a share capital of €3,000. It provides consulting, management and administration services to the Spain group.

**Stillman Spirits, S.L.U.**, a wholly-owned subsidiary of GES, was incorporated on March 20, 2019, with a share capital of €3,000. It imports UK products into Europe, following UK's exit from the European Union.

#### *Emperador Europe*

**Emperador Europe SARL ("EES")**, a wholly-owned subsidiary of EIL, is a private limited liability company incorporated in Luxembourg in September 2014. The objective of the company is the holding of participations in any form whatsoever and all other forms of investments.

**Emperador Holdings (GB) Limited ("EHGB" or "EGB")**, the ultimate UK parent undertaking and controlling entity, is a wholly-owned subsidiary of EIL. EGB is a private company incorporated under the laws of England and Wales on June 19, 2014. It operates as an investment and holding company and wholly owns EUK. As of December 31, 2019, its authorized called-up share capital totaled 1 thousand shares at £1 per share, all of which were allotted and fully paid up by EIL.

**Emperador UK Limited ("EUK")**, a subsidiary of EGB, is a private limited company incorporated in Scotland on May 6, 2014. It is the immediate parent of WMG. As of December 31, 2019, it has authorized called up share capital of 1,250 shares at £1 per share, all of which were allotted and fully paid up.

**Whyte and Mackay Group Limited ("WMG")** is the smallest consolidating group under EGB. WMG was incorporated on August 7, 2001, in Scotland. It wholly owns **Whyte and Mackay Global Limited ("WM Global")** which was incorporated on December 4, 2018 in Scotland. The main trading entity is WM Global's wholly owned subsidiary, **Whyte and Mackay Limited ("WML")**, which was incorporated on January 20, 1927 in Scotland. WML's principal activity is the production, marketing and distribution of distilled potable alcoholic drinks which include Scotch whisky, vodka, liqueurs and other alcoholic drinks.

WM Global also wholly owns **Whyte and Mackay Warehousing Ltd. ("WMW")**, incorporated in Scotland, and **Whyte and Mackay Americas Ltd, LLC ("WMA")**, incorporated in the United States of America. WMW's principal activity is the warehousing and blending of bulk whisky for related and third-party customers while WMA, a direct subsidiary of WML, was formed to handle Whyte and Mackay's business portfolio in US market. In 2022, WML acquired **St Vincent Street (446) Limited**, the landlord of its bottling premises at Grangemouth. There are also forty-six dormant companies within WMG Group that are retained for branding purposes.

Whyte and Mackay is the fifth largest producer of Scotch whisky in the world by capacity (*Source: Scotch Whisky Industry Review, 2021*) with a history of 175 years and ownership of some of the most iconic Scotch brands in the industry, including British luxury brands 'The Dalmore Single Highland Malt', 'Jura Single Malt', 'Tamnavulin Single Malt', 'Fettercairn Single Malt' and 'Whyte & Mackay Blended Scotch Whisky. The products are distributed in approximately 102 countries across the world including a strong presence in the global travel retail space. Some of these products are now being distributed in the Philippines by EDI.

## **Philippine Subsidiaries**

**Anglo Watsons Glass, Inc. ("AWGI")**, a wholly-owned subsidiary of EDI, was incorporated in the Philippines on July 22, 1999. EDI acquired AWGI from its previous owner, AGI, in 2012. AWGI's business is the manufacture of flint glass containers.

AWGI operates a glass manufacturing plant at the Canlubang Industrial Estate in Canlubang, Laguna, Philippines which runs on a 24-hour shift and has a capacity of 200 metric tons per day. The manufacturing plant is being leased from AGI. It is generally running at full capacity. AWGI currently services mostly the Group's bottling requirements.

**The Bar Beverage, Inc.**, a wholly-owned subsidiary of EDI, was incorporated in the Philippines on August 11, 2008 for the purpose of engaging primarily in the manufacturing, processing, importing and/or exporting, buying, selling, acquiring, holding or otherwise dealing in, any and all kinds of alcoholic beverage products, flavorings, essences, beverages, soft drinks, foodstuffs, goods, wares, merchandise and/or commodities of the same or similar kind as well as products, natural or artificial, of the Philippines or elsewhere.

**Tradewind**, a wholly-owned subsidiary of EDI, was incorporated in the Philippines on September 22, 2000. EDI acquired TEI from its previous owner, Alliance Global Brands, Inc. (a wholly-owned subsidiary of AGI), in March 2016. TEI owns and leases to EDI a manufacturing complex in Sta. Rosa, Laguna which serves as EDI's main plant. On July 4, 2018, TEI acquired controlling interest in **Boozylife Inc. ("Boozy")**, a local e-commerce company engaged in the on-demand delivery of alcoholic and non-alcoholic beverages.

**Alcazar De Bana Holdings Company, Inc. ("Alcazar")**, a wholly-owned subsidiary of EDI, was incorporated in the Philippines on July 20, 2016. It currently wholly owns **Progreen**, a domestic corporation whose primary purpose is to engage in the production, distillation, distribution and trading of alcohol and all types of ethyl alcohol; raw materials including molasses, sugarcane and other agricultural products; alcohol co-products, by-products or end-products; and, in connection thereof, to conduct renewable energy activity; as well as alcoholic beverages, wines, liquors, among others. Progreen operates the two domestic distillery plants in Batangas that it leases from EDI. Progreen started its commercial operations in November 2016. It wholly owns **South Point Science Park, Inc.**, a domestic corporation incorporated to engage in management and maintenance of office, commercial, industrial and institutional developments in a science park, which is engaged in port operations.

**The World's Finest Liquor Inc. ("TWFLI")**, a wholly-owned subsidiary of EDI, was incorporated in the Philippines on May 17, 2022 to engage in, among others, the business of retailing, merchandising, marketing, warehousing, trading, e-commerce or otherwise dealing with all kinds of products, services, goods, chattels, wares, merchandise and commodities of all kinds, including but not limited to alcoholic and non-alcoholic beverages.

**Ocean One Transport, Inc.**, a wholly-owned subsidiary of Progreen, was incorporated in the Philippines on January 11, 2023, for the purpose of engaging in ocean, coastwise and inland commerce, and generally in the carriage of freight, goods, cargo in bulk, passengers, mail and personal effects by water between various ports and to engage generally in waterborne commerce.

## **JOINT VENTURE**

**BLC** is a corporation owned 50% by GES and 50% by Gonzales Byass. In February 2014, with the aim of improving and strengthening its worldwide presence and positioning on the wines and spirits' markets, GES entered into a business collaboration scheme with Gonzalez Byass, with the acquisition by GES of a 50% stake in BLC, with the remaining 50% in the hands of Gonzalez Byass. Later that year, BLC incorporated two fully-owned subsidiaries - **Alcomasa**, focused on the manufacturing of spirits through a distillery in Tomelloso (Ciudad Real) and a bottling center in Jerez de la Frontera, and **Viñedos**, devoted to the planting and farming of several vineyards in Toledo, Spain.

## DESCRIPTION OF BUSINESS

Prior to the introduction of Emperor Brandy in 1990, the **Philippine spirits industry** was dominated by longstanding and well-established gin and rum manufacturers. Through dynamic marketing and by establishing a reputation for product quality, EDI created demand for brandy in the Philippine spirits market following the launch of Emperor Brandy, which has remained as the market leader among the local brandy brands in terms of sales volume since 1990. EDI continues to lead based on the national sales volume of top three domestic spirit manufacturers. Currently, 'Emperor' is the leading Philippine brand in the brandy segment.<sup>7</sup> EDI produces/distributes brandy products that had 98.7% share of the domestic brandy market in terms of sales volume, and 76.6% volume share in terms of total brandy segment in the Philippines (includes imported brandy).<sup>8</sup>

EDI keeps on innovating its product offerings with creative flavors and packaging to suit the discriminating taste of drinkers, especially the youthful ones who are generally seeking variety and sensory experiences. In particular, in 2010, the first light brandy, 'Emperor Light', was introduced to capture the taste preferences of Filipino consumers. In 2018, EDI added excitement to Emperor Light drinkers by pairing Emperor Light with Club Mix Lime Cordial, dubbed as 'LimeLight' and 'GreenLight', and in 2019 introduced another pairing with Club Mix Apple Cordial, which it called 'Apple of My Light'. Also in 2019, EDI launched a smooth and fruity "lighter" drink 'Emperor Double Light', the "*Doble Swabe, Doble Sarap*" drink. Its pleasantly sweet, caramel-vanilla notes become soft and mellow with the addition of ice, creating an unforgettable very smooth and suave sipping experience for younger and lighter drinkers. In August 2021, EDI launched 'Emperor Coffee Brandy', a premium brandy liqueur that combines the smoothness of brandy and the rich aroma of coffee and, in November, EDI rolled out as "*Sarap maka-Feel good*" on TV and digital-online and merchandising campaign at the stores. In 2022, with the gradual resumption of economic activities in first quarter, Emperor geared up for the 'revenge travel' - making up for the lost time and opportunities missed because of the pandemic. Emperor embarked on a TRAVEL LIGHT with EMPI LIGHT campaign encouraging consumers to leave behind worries and fears and instead make things in life 'Light', fun and enjoyable with EMPERADOR LIGHT. Emperor also launched a line of innovative **Premium Tower Cocktails** at the on-trade channel expanding options on bar menus and offering a really exciting ingenuity of mixing a bottle of Emperor Light or Original with different flavors which drinkers can easily recreate at home. Since its nationwide launched in August 2022, **Emperor Premium Cocktails** immediately gained encouraging feedbacks among bar owners and strong following among the young drinkers who are now appreciating the new and exciting ways of enjoying Emperor. Among the favorites that have been gaining traction are "**Empi Honeylemon**", "**Empi Lychee**" and "**Empi Cosmo**" - a mix of berries. And to further dominate the drinking consumption during the holiday season, a line of **Festive Cocktails** was launched with "**Merri Berri**" and "**Forever Fresh**" - our take on the popular-mojito drink has now become another Emperor hit at the on-premise accounts.

With the increasing number of drinkers who are drinking multiple types of alcoholic beverages, EDI's 'The BaR' brand was born in 2009. The BaR is the first flavored vodka, gin and tequila beverages to be produced by a Philippine company. In 2018, 'The BaR Premium Gin' line came out in three variants infused with flavors and botanicals imported from Spain. The most exciting variant is the Pink Gin because of its very millennial pink color, a trend that is fast gaining popularity globally. In 2020, EDI introduced 'The Bar Fruity Mix' and 'So Nice' ultralight alcohol drink that capitalize on the strong Hallyu (Korean Wave) influence among Filipinos.

With the introduction of 'Emperor Deluxe' in 2013, EDI is the first to bring an imported liquor brand produced entirely in Spain that focuses on the Philippine market. And with the purchase of Bodegas Fundador in Spain, EDI took over the Philippine distribution of 'Fundador Brandy', the Philippine best-selling imported premium brandy, beginning March 2016 and launched locally 'Tres Cepas Light' in December 2016, 'Tres Cepas VS' and 'Harveys' in 2017, and 'Fundador Double Light' in 2018.

EDI continues premiumization of its product portfolio with the introduction of the higher-priced single-malt and blended Scotch whisky products in the local market. In October 2015, 'Andy Player Black

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<sup>7</sup> EDI's calculation based in part on data reported by Nielsen through its Retail Index Service for Wines & Spirits Category for the period ending December 2022, for the Total Domestic Brandy and Total Brandy. (Copyright © 2022. The Nielsen Company)

<sup>8</sup> Ibid footnote <sup>7</sup>

Blended Whisky' was launched, with the aim of cultivating a whisky-drinking culture in the local market. Currently, the Philippine whisky sector is so small and Emperador believes, whisky can bring new business.

EDI has extensive nationwide distribution network that provides it with a distinct competitive advantage. Its distribution network is operated through sales offices and distribution outlets throughout the Philippines. In addition, EDI employs its own sales and distribution force and vehicles fleet. EDI employs a majority of its sales force in-house that enables EDI to work closely with its customers and develop strong relationships with them. It continually seeks ways to expand the reach of its distribution network.

The COVID-19 pandemic has brought challenges to the business that EDI has coped up with, adapting to changing trends, complying with government-mandated protocols as business continues.

The **Scottish whisky industry** is a homegrown industry that dates back to the 15<sup>th</sup> Century and has long been considered a cornerstone of the UK economy. In 2022, the value of Scotch whisky exports grew 37% to £6.2 billion, up £1.68 billion compared to 2021 and £1.28 billion compared to pre-pandemic 2019. During a year of significant economic headwinds and global supply chain disruption, the Scotch Whisky industry continued to be an anchor of growth, supporting investment and job creation across Scotland and the UK - exceeding £6 billion in export value for the first time is a milestone – as the industry benefited from full re-opening of hospitality businesses in key global markets, the return of global travel retail and continued premiumization trend.<sup>9</sup> Scotch whisky is considered the world's number one internationally traded spirit. (Source: Scotch Whisky Association)

The Whyte and Mackay business traces its history to the docks of Glasgow, Scotland in 1844. By the late 19<sup>th</sup> century, Glasgow was famous for its shipbuilding, pioneering its craft all over the world. It was at this time that James Whyte and Charles Mackay began to marry the best whiskies of Scotland with the intention of creating the smoothest and most distinctive blend of Scotch Whisky. In 1960, the Dalmore distillery, which has been producing exceptional single malt whisky since 1839, was acquired; and by 1965 'Whyte & Mackay' became the fifth most popular brand in Scotland. This achievement was followed by a successful redoubling of efforts in the export markets. Whyte and Mackay is considered the fifth largest maker of Scotch whisky in the world and owns some of the most iconic Scotch brands in the industry. The products are sold in at least 102 countries mainly in Europe, Asia and North America, with presence in the global travel retail space.

Whyte and Mackay is headquartered in Glasgow and has significant malt and grain production capability from its four malt distilleries and one large grain distillery. It also owns a bottling facility with a capacity of 7 million cases per annum. In 2019, Whyte and Mackay was again awarded with the International Wine and Spirits Competition ("IWSC") Scotch Producer of the Year; it also received the same award in 2017 highlighting the extremely high-quality liquids the business produces.

The year 2022 was another excellent year for Whyte and Mackay with the business performing strongly despite the various continued challenges as the world recovers from the COVID-19 pandemic alongside global supply chain disruptions and increasing costs. The business continued to grow internationally and it enjoyed exceptional growth in the UK driven by off-premise and e-commerce channels. Internationally, Asia remained a strong driver of growth supported by great results across Europe and North America. The Global Travel Retail channel continues to grow as travel opens up again following the easing of COVID-19 restrictions. In terms of supply chain, Whyte and Mackay maintained industry leading service levels by adapting ways of working to comply with various social distancing and segregation rules. On December 8, 2022, many of the biggest names in the industry gathered at The Balmoral Hotel in Edinburgh, for the Whisky Magazine Icons of Whisky Scotland Awards 2023 and the World Whiskies Awards Scotland 2023. Whyte & Mackay's Gregg Glass (The Dalmore Master Whisky Maker) took home the prize of Master Distiller/Master Blender of the Year. Having joined Whyte and Mackay in 2016, Glass has made a huge impact and is renowned for his innovative and hands-on approach to whisky making. Involved in every aspect of the process – even from acorn to glass through Whyte and Mackay's innovative Scottish Oak Programme – Glass is credited with the rejuvenation of the Jura and Fettercairn distilleries and in 2017 launched Whisky Works, the brand's independent innovation wing.

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<sup>9</sup> According to Mr. Mark Kent, Chief Executive of SWA, on a February 10, 2023 article.

'The Dalmore', its luxurious brand, was again the major growth driver as the brand continued to excel at the apex of the single malt category. The year 2022 saw more rare releases entering the market to allow consumers expanded opportunities to experience this brand and its exceptional liquids, together with the continued success of the core range. The launch of the Luminary range was a particular highlight. The continued demand for these new releases demonstrates how highly this luxury brand is regarded.

'Jura', the second largest profit-contributor brand continues to show some real consumer momentum across UK and Europe in particular.

Jura is now the largest single malt brand in the UK Grocery market, by both value and by volume. The signature series of Jura Journey, 10 and 12 year-old age statement whiskies have consistently shown they can compete strongly in the very competitive mainstream chain retail. Jura 18 has earned endorsement from leading voices in the industry, and targets the specialist liquor store channel alongside Jura 21 Year Old. The new regional exclusive for Asia, Jura 12 Sherry Cask is building on a strong launch, by extending distribution in additional markets.

The third Single Malt brand, 'Tamnavulin', has enjoyed significant success, becoming the fastest growing Single Malt in the Top 25 (IWSR).. This classic Speyside Single Malt has gained share across all the regions of the world where it has been launched and enjoyed particular success in UK and Europe with new products. Again, a number of special cask finish releases have supported the core range of Double Cask and Sherry Cask to gain shelf space within the competitive price point, and drive recruitment through a broad offer of flavour-led expressions. In 2022 the special expressions continued to roll out to additional European Markets.

'Fettercairn' is the fourth single malt brand which was re-launched in 2019 – a Highland Single Malt Distillery, producing rare, limited edition expressions, alongside a permanent collection of 12, 28, 40 and 50 Year Old, and new in 2022 Fettercairn 18 Year Old, which won industry Production Innovation of the Year (Spirits Business), and led to our Master Whisky Maker being crowned Distiller of the Year. Scotland (Icons of Whisky).

The distillery is also the site for Fettercairn Forest; a replanting of an ancient forest which forms part of the commitment to develop a sustainable future for responsibly sourced Scottish oak.

An ultra-premium proposition, reinforced by elevated packaging reflective of the exceptionally refined whisky has enjoyed widespread acclaim. The Warehouse Collection, offers different expressions of Fettercairn's tropical house style. The fourth release – Warehouse 2 Batch 4, again drove excitement with whisky connoisseurs, and reinforced brand credentials, with strong commercial performance. Each bottle bears the iconic Unicorn emblem, the crest of the Distillery's founders, and the brand represents significant growth potential.

Within Blends, 'Whyte and Mackay' enjoyed another exceptional year – a stand out performer - in the highly competitive UK blended whisky market - as it continued to gain share across the critical Grocery and Convenience channels. 'John Barr' continues to gain momentum internationally with a particular focus on the US and chain liquor stores, which represents potential source of growth for the long-term.

In 2021, Whyte and Mackay very tightly managed costs and capital investment to ensure it is spending effectively and within the various restrictions imposed. However, investment in brands did return to some degree as different ways of connecting with consumers were explored. It continued to invest to improve the efficiency and flexibility of its operations and had continued to invest in barrels, to ensure the spirit quality remains at the highest levels, and liquid, to support future sales.

In summary, Whyte and Mackay has responded well to post-pandemic trading environment and continued to trade very successfully despite the global challenges of 2022 and emerged strongly to continue on its excellent long term growth trajectory.

In the extreme south of the Iberian Peninsula, between the Atlantic Ocean and the rivers Guadalquivir and Guadalete, lies the **Marco de Jerez**. More than 7,000 hectares of vineyards that for centuries have been the cradle of the wines and brandies of Jerez, jewels of universal oenology.

**Jerez** is known as the world capital of sherry wine. It has been a center of viticulture since winemaking was introduced to Spain by the Phoenicians in 1100 BC. The Moors conquered the region in 711 and introduced distillation which led to the development of brandy and fortified wine. Sherry became very popular in Great Britain. **Brandy de Jerez** is a brandy that is produced only in the region of Marco de Jerez, a small area that has a unique climate in terms of sun, wind, humidity and earth that enhance the production and ageing of our brandys and sherrys in the west side of Andalusia, Spain. The name brandy is derived from the Dutch word “brandewijn” which means burnt wine while the term “holanda” is derived from Holland where most of exports went. Brandy de Jerez is produced by distilling wine, and generally contains 35-60% alcohol per volume. The creation of brand names for Brandy de Jerez occurred during the nineteenth century on the initiative of Sherry firms who were pioneers in the sale of brands which exist today, not only in Spain but in other countries worldwide.

Founded in the year 1730, Bodegas Fundador is the oldest brandy and sherry company in Spain. Bodegas Fundador started with wine cellars that produced exceptional sherry wines for all over the world. In 1778, it expanded its vineyards by acquiring the historic Macharnudo Castle of the Macharnudo District in Jerez, home of ‘El Majuelo’ – a 268-hectare vineyard where the best quality of vines can be found. ‘El Majuelo’ has a special micro-climate that is the heart and the footstone for ‘Fundador Brandy’. ‘Fundador Brandy’ was born in 1874 when Pedro Domecq aged exceptional quality holandas through the traditional criadera and solera system in sherry-soaked American oak barrels discovering a golden liquid with an incredible aroma. ‘Fundador’ was the pioneer of “Brandy de Jerez” and has grown, over the centuries, to be Spain’s most recognized and largest export brandy. The versatility and size of Bodegas Fundador encompass a large and varied spectrum of well-known products aside from ‘Fundador Brandy’. Bodegas Fundador also produces other brandies such as ‘Terry Centenario’, Spain’s top-selling brandy, and ‘Tres Cepas’, Guinea’s best-selling brandy, as well as ‘Harveys’, the number 1 sherry in the world.

Taking age-old traditions to contemporary markets worldwide, Bodegas Fundador through its vineyards and cellars in Jerez, Spain and its distillery in Tomelloso, Spain, produce around 2 million nine-liter cases yearly for different markets around the world. In 2005, they were recognized as the best winery of the year, and in 2017 and 2019, the best fortified wine producer of the year, both by the IWSC. The year 2019 has been another highlight year for Bodegas Fundador as it continues to reap awards. ‘Fundador Supremo 18YO’ was recognized as the “Best Brandy in the World”, while ‘Harveys Oloroso VORS’ garnered the Best Sherry accolade, from IWSC for 2019. Bodegas Fundador has been nominated in 2020 and 2022 for the best brandy producing winery in the world by the IWSC, the annual wine and spirits competition founded in 1969 by German winemaker Anton Massel.

Bodegas Fundador continues to expand its foothold around the world, as it partners with distributors in key markets such as Spain, UK, USA, Mexico, Italy and Canada. In Spain, ‘Terry Centenario’ maintain its clear leadership, performing better in the category. Vermut Marinero also continues its expansion, increasing its distribution and visibility in the Spanish market, and bringing the winery closer to new market trends.

In 2022, Fundador completed the launch of the Fundador Sherry Cask Solera in the main countries, leveraging on the differential value of its Sherry Cask, a range of products that builds the premium image within the brandy segment with a contemporary liquid capable of satisfying the most demanding palates. In addition to completing the redesign of the Classic range with the adaptation of the new Doble Madera (Solera Reserva) and Triple Madera (Solera Gran Reserva) which will be launch in the key markets, completing the scale of DO de Jerez, and which will help to create a coherent image under the umbrella of Sherry Cask in 2023. Fundador Sherry Cask Solera, advance in the market bringing on new partners and distribution and assuring new news of the brand that generate visibility and word of mouth marketing.

Since 2020, despite the difficulties caused by the pandemic around the world, the brandy and sherry brands of Bodegas Fundador have continued to maintain their sales and leadership in some key markets. Covid-19 pandemic changed the alcohol consumption trend specially in territories where

social drinking is not allowed. The brandy and sherry categories of Bodegas Fundador are aligned to this new demand space where the consumption at home is in full growth.

The strategy of linking 'Terry Centenario' with coffee in Spain is still helping the brand health. This campaign has positioned 'Terry Centenario' as the perfect drink to mix with coffee, putting the brand in the consumer's mind. 'Terry White Brandy', the new drink to reach awareness and consideration among millennials, continues to expand. According to most recent Nielsen updated data released in January 2022 (MAT ON'22 all channels Volume share), 'Terry Centenario' is the leading brand of the Brandy Category in Spain, with a market share of 26%. 'Terry Centenario' also continues to build brand awareness in USA market through a premiumization communication plan.

'Harveys' maintains its position as the Best-Selling Sherry worldwide, leading the category and exploring new ways of consumption. UK, USA and Canada markets present a growth for Harveys in a Sherry Category.

'Fundador Sherry Cask Solera' is making success in some markets such as UK where the brand was officially launched in 2021 and continues to perform and rolls out in 2022 within the brandy category in Mexico, where the product experience a double-digit growth and USA where the launch was delayed but the roll up continues during 2023. 'Fundador Light' is available now in some markets such as US and Canada. 'Fundador Supremo' continues to build brand awareness in Asia, USA, and Spanish market through a premiumization communication plan.

In 2022, the International Wine Challenge Competition awarded 'Harveys Very Old Amontillado V.O.R.S.' with a double gold as well as "Harveys Very Old Pedro Ximénez V.O.R.S".. For the fourth time, International Wines and Spirit Competition ("IWSC") nominated Bodegas Fundador for the "World's best Brandy Producer of the Year" award. Bodegas Fundador's Premium range also obtained gold medals for its Palo Cortado & Pedro Ximénez in the IWSC 2022 reinforcing the quality image of its sherries.

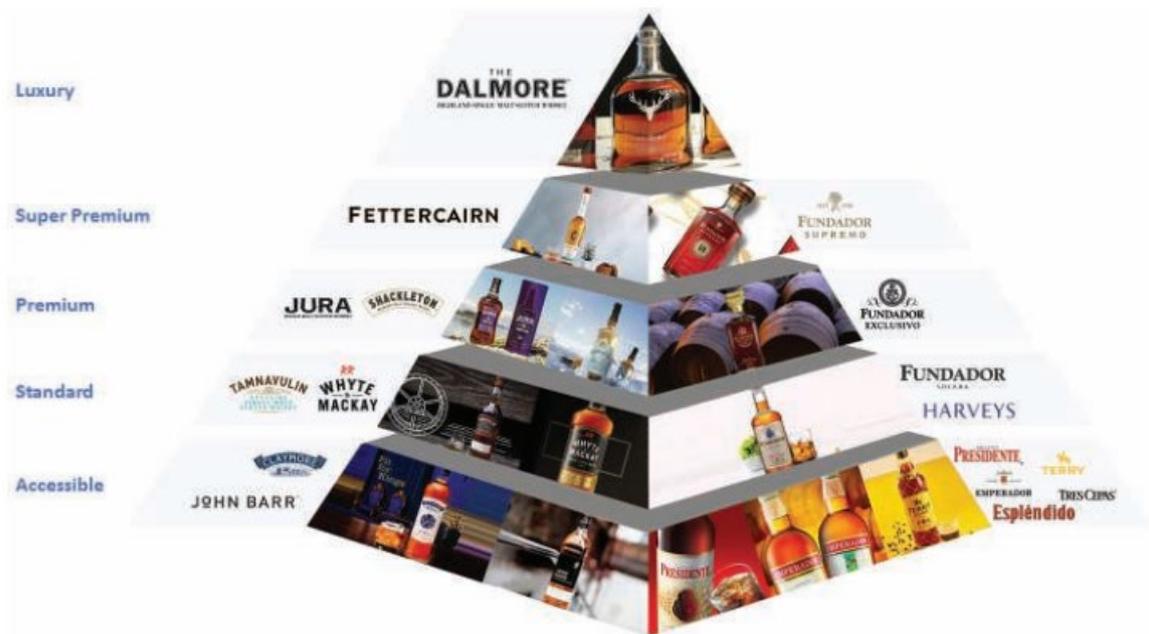
Fundador Sherry Cask Solera and Fundador Sherry Cask Doble Madera, in its first year of competition obtained a Gold Medal in the renowned CWSA competition, as well as Fundador Supremo 18; confirming the quality of the Sherry Cask collection.

Bodegas Fundador operates as a global brandy and sherry company. The global brandy and wine business is further fortified by the Domecq trademarks that fall under Spain and Mexico and have commercial reach to South America, particularly Brazil and Colombia, and USA. The group has more than 70% [80% in 2019] of revenues coming from Spain, Philippines and Mexico, and the rest coming from other European, American and African markets. Strategic growth will be brands-led but will be supported by private label business.

To improve and strengthen its worldwide presence and positioning on the wines and spirits' markets, GES, in 2014, entered into a business collaboration scheme with Gonzalez Byass, with the acquisition by GES of a 50% stake in BLC, with the remaining 50% in the hands of Gonzalez Byass, and later that year with the incorporation of two fully owned subsidiaries of BLC, Alcoholera de la Mancha Vinícola, S.A.U. ("**Alcomasa**"), focused on the manufacturing of spirits through a distillery in Tomelloso (Ciudad Real) and a bottling center in Jerez de la Frontera, and Viñedos, devoted to the planting and farming of several vineyards in Toledo.

In 2017, once again a business collaboration with Gonzales Byass took place with the formation of a new company joint venture equally owned by GES and Gonzalez Byass, Domecq BLC, who manages the business related to the Pedro Domecq brand portfolio, and three (now two) Mexican subsidiaries called Pedro Domecq S.A. de C.V., Bodega Domecq S.A. de C.V. (absorbed in 2019 by Pedro Domecq S.A. de C.V.) and Domecq Distribucion de Bebidas SA de CV (known as Gonzalez Byass de Mexico at that time and absorbed by Pedro Domecq, S.A. de C.V. in 2021).

The Emperador group's brand portfolio is well diversified and extends across a broad range of price points within both the Scotch whisky and brandy segments, from accessible and standard brands such as John Barr, Tamnavulin, Emperador and Presidente, to premium and super premium labels such as Fettercairn, Fundador Exclusivo and Supremo, and up to the luxury segment with The Dalmore, as shown below:



## PRODUCTS / New Products

The Group manufactures its own brands:

'**Emperador Brandy**', the first brandy label, was launched in 1990 in the Philippines and is currently the leading local brandy in the country. In 2010, '**Emperador Light**' was introduced in response to a growing market for alcoholic beverages with lower alcohol content and targeted at younger alcoholic beverage consumers. In March 2013, EDI introduced '**Emperador Deluxe Spanish Edition**', a premium brandy imported from Spain that is created specifically to appeal to the Philippine palate. The sin tax regime on liquor, which started on January 1, 2013, leveled the playing field for imported liquors and provided a prime opportunity to introduce 'Emperador Deluxe' to the Philippine market. In June 2019, a lighter variant was introduced, the '**Emperador Double Light**' for that '*dobleng saya, dobleng tagumpay*' feeling. This lower alcohol, lower calories smooth fruity drink targets the younger generation of drinkers who are growing more mindful about health and wellness trends. From time to time, Emperador offers innovative products to add excitement in consumers' drinking. In August 2021, '**Emperador Coffee Brandy**' was launched bringing more fun to coffee and more enjoyment to brandy for that '*sarap maka-feel good*' feeling.

In 2019, 'Emperador Brandy' won the silver medal in the Distilled San Diego Spirits Competition, while 'Emperador Light' won the bronze medal. At the 2016 International Review of Spirits, organized by Beverage Testing Institute in Chicago, **Emperador Solera Brandy** won the silver award (highly-recommended), with added special recognition as "Best Buy", by garnering 89 points while 'Emperador Light' received the bronze award (recommended) with 83 points. The "Best Buy" recognition is an added excellence award given only to the spirits or wines that provide uncommon value. 'Emperador' is the only Filipino brandy to be included as one of the best brandies in the world with 'Solera' and 'Emperador Light'.

The premium and imported lines, '**Emperador Deluxe Special Reserve**' and '**Emperador Grand Supreme**' are retail store exclusives.

'**Andy Player Whisky**', a popular drink in the '80s, was revived in October 2015. The whisky blend has a unique character, rich aroma and complex taste which include orange marmalade and maple syrup.

'**The BaR**' was initially launched in 2009. 'The BaR' is marketed as a ready-to-serve flavored alcoholic beverage with low alcohol content. In 2018, '**The BaR Premium Gin**', infused with botanicals from Spain that gives it a delicious burst of flavor not found in local gin products, was launched. This world-class premium gin line comes in three variants: **Pink** with flavors of mixed berries, **Lime Gin** infused with lime flavors, and **Premium Dry** infused with imported botanicals. The Bar Premium Gin is not only far better but also different. It is dubbed as 'the gin for the new generation'. In August 2020, '**The Bar Fruity Mix**' was launched as more young Filipino drinkers appreciate light alcoholic beverages, while recognizing the strong Hallyu (Korean Wave) influence as an opportunity to relate to these young drinkers. 'The Bar Fruity Mix' is a fruit-forward and ultra light alcohol that comes in two flavors – Pink Grapefruit and Green Grape.

'**So Nice**' is an ultralight alcohol that gives consumers a refreshing and flavorful drinking experience. This clear, colorless, distilled spirit is available in three variants – green grape, grapefruit and original. It was launched in November 2020 catering to Filipino youth who prefer a lighter drink at an affordable price.

'**The New York Club No. 1 Vodka**' is an extremely smooth vodka produced and bottled in the USA. Evoking the vibrancy of New York City's nightlife, this vodka is so crisp, so clean, so smooth. It is distilled six times from the finest ingredients for that extra smoothness, and filtered to perfection, making a versatile drink for every occasion.

'**Smirnoff Mule**', a ready-to-drink blend of Smirnoff Vodka ginger beer, and lime, was launched on April 28, 2015. It is a classic iconic drink that delivers a smooth, full flavored refreshment with a unique ginger taste. It is known as 'Mule' because of its mix of premium vodka, ginger beer and lime, creating a ginger kick effect. The "Stubbornly Refreshing" drink is being manufactured and distributed in the Philippines, under license from Diageo North America, Inc. To date, Smirnoff Mule is the number one product in the ready-to-drink category.

'**Charles & James Light**' was introduced to the Philippine market in August 2022. Imported from Scotland under Whyte and Mackay, Charles & James is a Light Blended Whisky that is distilled and aged in oak barrels and expertly crafted for exceptional richness. It is smooth and light at 25% ABV, specifically made for the Filipino palate. Charles and James Light is a stepping stone to the world of whisky.

'**Zabana Philippine Rum**' is an award-winning brand of rums created by Filipino master blenders from the purest sugarcane sourced across the country. Its rums range from entry level (Zabana 8 and Blanco), mid-level (Zabana XO and White), premium (Zabana Small Batch Tropical Spiced Rum, Sherry Oak Cask, and 1997), to ultra-premium (Zabana Single Barrel). Over the years, these rums have accumulated a number of recognition from award-giving bodies such as Cathay Pacific Hong Kong International Wine & Spirit Competition, International Spirits Challenge, Monde Selection, and SIP Awards.

EDI also imports and distributes the Group's products from the distilleries in Spain and Scotland. In 2015, EDI introduced its Scotch Whisky variants in the local market. It also began distributing 'Fundador Brandy', the Philippine best-selling imported premium brandy, in March 2016 and launched locally 'Tres Cepas Light' in December 2016. EDI also started distributing 'Harveys Bristol Cream' and the newly developed '**Fundador Double Light**' in 2017.

EDI also distributes '**Pik-Nik**' brand shoestring potato snacks and **Ernest and Julio Gallo wines**. The 'Pik-Nik' brand is owned by AGI Group .

**Scotch whisky** is Scotland's leading indigenous product and is now established as the leading international spirit drink, making it one of Britain's most important exports. It is a distilled spirit made (distilled and matured) in Scotland using *only* cereals, water and yeast. Most whiskies mature far longer than the legal minimum of three years, and the maturation period varies for different whiskies. The age statement on a bottle reflects the amount of time the youngest whisky in that bottle has spent maturing in a cask.

Whyte and Mackay has built on its foundations as a leader in the Scotch Whisky industry.

The award-winning whisky makers' collection now features 3 Single Malt Scotch brands with real momentum in their respective segments, ranked in the top twenty worldwide, by industry authority The IWSR. Worldwide, Tamnavulin and Jura are the number 1 and number 2 Fastest Growing Single Malt Scotch brands. In the UK - the home of Scotch Whisky - Jura became the Number 1 Single Malt Brand, by both volume and value (Nielsen). Whyte and Mackay became the Number 1 Scotch Whisky producer in the UK Off Trade (Nielsen).

The Dalmore continues to enjoy exceptional performance, a 'Masterpiece in the Making'. The Dalmore 'Decades' concluded in Q1 2022, having featured a once-in-a-lifetime collection of whiskies celebrating whisky making artistry across six decades. The campaign broke records for Sotheby's Asia, achieving \$1.1M at auction. The collection secured prestigious features in Paris, Los Angeles, London, Taipei and Shanghai. The Dalmore 'Decades' set a new standard in luxury spirits marketing, with a boutique in Hainan, elite performance on Tmall and Whyte and Mackay's first Non-Fungible Tokens (NFTs) partnership. In 2022 The Dalmore launched The Luminary Collection, a partnership with renowned Japanese architect Kengo Kuma and design institution V&A Dundee – Scotland's first design museum. The innovative product harnessed Japanese and Scottish Oak Casks, to mature the rare 48 Year Old whisky, as a tribute to the two luminaries behind the project Kengo Kuma and Richard Paterson OBE. A collectible Limited Edition was developed by their proteges Master Whisky Maker Gregg Glass and Maurizio Mauciolla, which sold at pace in global outlets.

The Dalmore Master Whisky Maker Mr Gregg Glass, was awarded the honour of Distiller of the Year, Scotland, by the prestigious Icons of Whisky Awards 2023 (Awarded December 2022).

The Dalmore's Richard Paterson, was awarded as Officer of the Order of the British Empire (OBE) by Queen Elizabeth II celebrating his visionary contribution to the industry over the past five decades. The "Most Excellent Order of the British Empire" is an order of British Chivalry created in 1917 by King George V. Titles in the Order are awarded to members of the public for significant contributions in their field of work (Scotch Whisky Industry).

WMG offers Single Malt and Blended Scotch whiskies, liqueurs and vodkas, under the following key brands:

**'The Dalmore Single Malt Scotch Whisky'** sits at the apex of the category in which it competes. It is positioned as a luxury brand, at the pinnacle of the luxury spirits category. The Dalmore's powerful stag emblem is built on a heritage that is rooted in the saving of King Alexander III of Scotland from being gored by a raging stag with a single arrow in 1263 by an ancestor of Mackenzie clan. The grateful king granted him the right to bear a stag's head in his coat of arms and so every bottle of The Dalmore is adorned with this noble emblem: a stag's head with twelve points to its antlers, signifying 'royalty'. The Mackenzie family ran the Dalmore distillery from the mid 1800's until Whyte and Mackay took over. It is considered the most revered single malt whisky in the world. 'The Dalmore Principal Collection' consists of six expressions positioned as Accessible (The 12, Port Wood Reserve, The 15, Cigar Malt Reserve, The 18, King Alexander III) and Aspirational (The 25). Positioned at the apex is 'The Dalmore Constellation Collection' which is a rare ensemble of unique vintage single malts from the Highland distillery and the Dalmore Decades, a once-in-a-lifetime collection of whiskies. 'The Dalmore' is renowned for rare editions that have sold for industry redefining prices, including the most expensive bottle ever sold in a retail store. The rare and aged collection includes The Dalmore 20 Year Old, The Dalmore 21 Year Old, The Dalmore 30 Year Old, The Dalmore 35 Year Old, The Dalmore 40 Year Old, The Dalmore 45 Year Old, The Dalmore 50 Year Old, and The Dalmore 60 Year Old.

The Dalmore Vintage Collection launched, with an Asia Exclusive, in 2021, expanding to global markets in 2022. The Collection celebrates the whisky making artistry for which the brand has become renowned.

**'The Dalmore Quintessence'** is the first and only single malt whisky in the world with five red wine cask finish. Master Distiller Richard Paterson travelled to California to hand select the five different casks in which this exceptional whisky would be matured; Zinfandel, Pinot Noir, Syrah, Merlot and Cabernet Sauvignon, each bringing their individual nuances to create a totally unique single malt.

**'Luminary'** collection of rare, limited-edition single malts presented by exceptional talent from the worlds of whisky and architectural design, curated in partnership with V&A Dundee, Scotland's design museum was created and launched in 2022. In the same year, two limited editions were also released - **'The Dalmore 2003 Vintage'** and **'The Dalmore 2007 Vintage'**.

**'Jura Single Malt Scotch Whisky'** is a premium Scotch whisky that is considered an accessible single malt whisky. It is produced at the only distillery on the Isle of Jura, a very remote island off the west coast of Scotland. This brand is built upon a captivating island environment and its "A long way from ordinary" banner encapsulates the very special nature of this island single malt.

**'Jura 12 Sherry Cask'** is an Asian exclusive, initially launched in Taiwan. Casks are hand selected from Jerez for the very best Sherry casks. A full finish in our Oloroso Sherry combines well with our Jura Spirit and account for 75% of the balanced flavour of our 'Jura Sherry Cask'. It is rich, fruity, and vibrant - with notes of chocolate, almond, and ripe plum.

**'Jura 12 Years'** A modern classic aged 12 years. Reassuringly rich with sherry sweetness. Matured in American white oak ex-bourbon barrels for 12 years and finished in Oloroso Sherry casks from Jerez, Spain. This 12-year old has refined succulent tropical aromas of chocolate, walnut, and citrus fruit.

**'Jura 14 Year Old Rye Cask'** is a 2022 release from Jura Whisky and celebrates Jura's bright community spirit; a close-knit group of around 212 warm and welcoming individuals, inspired by life on their island and all those who have a hand in making it. Matured in American White Oak ex-bourbon barrels, this spirit was then further matured in hand selected American rye whisky barrels to add depth and complexity with layered spice, aromatic, herbal and floral characteristics. The rye casks add distinctive layers of cinnamon, vibrant vanilla, cacao and warm honey flavours.

**'Tamnavulin Single Malt Scotch whisky'** was launched in 2016, initially in the UK. The Tamnavulin Distillery was built in 1966 and was acquired by WMG in 1993. 'Tamnavulin' is the epitome of a Speyside malt; rich, smooth, elegant and refreshing. Tamnavulin is the Gaelic translation for 'Mill on the Hill,' named in part after the 16th century woollen mill which sits on the site of the distillery. This Speyside is double cask. Matured in American Oak Barrels and finished in Amoroso Oloroso Sherry casks for a rich, full-bodied, sweet and mellow taste. EDI started distributing this product in the Philippines in 2018. **'Tamnavulin Single Malt Scotch Whisky Vintage Collection'** rare range with expressions from the years 2000, 1979, 1973 and 1970, together with a new Tempranillo finish was launched in 2018 for Global Travel Retail.

**'Tamnavulin Sherry Cask Edition'** is matured in American Oak Barrels and enhanced by a finesse in three different sherry casks. This classic revelation from the Speyside Valley is marked with notes of vanilla pod, glazed nectarines, and hints of sticky toffee pudding.

**'Tamnavulin White Wine Cask Edition'** showcases the distinctive orchard fruit character of the Speyside distillery, which complements the flavours enhanced by the white wine finish. In line with Tamnavulin's tradition of double matured whiskies, this expression began its life in American White Oak barrels, before undergoing its second maturation in Sauvignon Blanc white wine casks.

**'Fettercairn'** comes from Fettercairn Distillery which was founded in 1824 and acquired by WMG in 1973. The arch and the unicorn are two symbols that are heavily associated with the long history of the Fettercairn Distillery. This distillery has huge potential and over the coming years the range and distribution will be expanded. It will celebrate 200 years in 2024, and is enjoying significant success as an ultra-premium Single Malt Scotch Whisky. **'Fettercairn Single Malt'** was re-launched in 2018 with a new packaging with the lead expression 12year old supported by rare releases of 28year old, a 40year old, and a 50year old, all four showcasing the iconic unicorn symbol. New expressions of 16 year old and 22 year old were successfully launched in 2020 as we build a full age range portfolio. **'Fettercairn Warehouse'** batches were launched in 2022.

**'Fettercairn 18 Years Old'** (ABV 46.8%) was awarded Industry Production Innovation of the Year (Spirits Business), as the first release 100% finished in responsibly sourced native Scottish Oak, an industry landmark.

**'Whyte and Mackay Blended Scotch Whisky'** is produced using a unique triple maturation process that ensures a smoother, richer taste. In 2019, a new innovative product, **'Whyte and Mackay Light'**, was launched in the UK to allow consumers to enjoy a great whisky taste whilst consuming lower units of alcohol. At 21.5% ABV, this product is a first in the UK and it received widespread acclaim for quality and for the important messaging it represents. This new lighter spirit drink has been enriched by sweet Sherry casks and freshly emptied Bourbon barrels and tastes great – smooth with a subtle hint of smoke and perfectly enjoyed straight over ice, or with your favorite mixer.

**'Woodsman Blended Scotch Whisky'** was launched in 2018 as a more contemporary proposition for younger consumers. It was designed to work well with mixers and with its modern bottle design it has attracted new consumers into the Blended Scotch market. Woodsman invested in consumer marketing in 2022 with a creative targeted to recruit consumers from Bourbon and affordable Blended Whisky. The campaign was awarded Best Brand Partnership (Radio X) 2022.

**'Shackleton'** is a new Blended Malt brand launched in 2017. It was inspired by a 1907 whisky which was extracted after 100 years under ice. A conservation team carefully extracted crates of whisky left behind by renowned polar explorer Sir Ernest Shackleton. Whyte and Mackay master blender Richard Paterson carefully selected 20 of the finest highland malts to recreate the antique whisky supplied to the British Antarctic Expedition. It has hints of vanilla, ginger and licorice on the nose, with a taste of demirara sugar, manuka honey and dried pineapples, and a whisper of bonfire smoke in the finish.

**John Barr, Cluny and Claymore** are all blended Scotch whiskies, a combination of malt whiskies and grain whiskies from a number of different distilleries.

**'Glayva'**, a liqueur made from a blend of aged Scotch whiskies, a selected range of spices, Mediterranean tangerines, cinnamon, almonds and honey. It has a deep golden colour and a distinctive flavor. In 2022 Glayva launched a new consumer campaign in the UK, driving consumer recruitment by putting the award-winning flavour proposition front and centre.

From **Bodegas Fundador**, the following iconic brands manufactured and distributed from Spain are under EMI Group beginning March 1, 2016:

**'Fundador'** is a Brandy de Jerez, the brandy capital of Spain. Fundador means the 'founder', as it was the first Spanish brandy to be marketed, this happened in 1874 by Pedro Domecq Loustau. It is sold in over 70 countries worldwide, and the no. 1 imported premium brandy in the Philippines. The brand has an excellent range ending with the high premium brand **'Fundador Exclusivo'** and Sherry Cask Collection – The Fundador Supremo'.

**'Fundador Supremo'** is a Solera Gran Reserva Collection aged in our Sherry Cask, unique in the world and which has belonged to our winery for centuries. A unique creation which represents a true innovation within the category of Brandy de Jerez. The 'Sherry Cask Collection' by Fundador Supremo reveals the depth of the most luxurious flavours provided by time in wood, thus creating an Ultra-Premium category Brandy.

The ageing in Sherry Casks, unique in the world and of very high value, which have contained very old Oloroso, Amontillado or Pedro Ximénez, give the brand the exclusivity and originality it deserves.

A huge list of awards from 2016, since the collection was launched, has been successfully delivered year after year. In 2016, 'Fundador Supremo 15 YO' got the Best Brandy of the Year by China Wines and Spirits Awards, and a year later, 'Fundador Supremo 18YO' got the same recognition. In 2019, IWSC awarded 'Fundador Supremo 18YO' as the Best Brandy in the World. San Francisco Wines and Spirits Competition ("SFWSC") has awarded several times the expressions with Double Gold Medal. After 3 consecutive years of obtaining the Double Gold Medal in SFWSC, 'Fundador Supremo 18 YO Oloroso' was awarded with the Platinum Medal at the 2021 SFWSC, the only Brandy de Jerez awarded with a Platinum Medal. This amount of recognition reinforces the quality and the know-how of these particular expressions, confirming how Fundador has become the icon of Spanish brandy in the global market.

**'Fundador Light'** is currently the best-selling 'Fundador' in the Philippines, having a balanced and clean aroma with a fragrance of wood seasoned sherry and a smooth light taste of brandy from our cellars in Jerez.

**'Fundador Double Light'** is an exceptional spirit from sherry casks in our cellars in Jerez. It guarantees double smoothness and double satisfaction in every bottle with a lower alcohol by volume of 25.8% compared to 28% of 'Fundador Light'. It is the ultimate expression of 'Fundador Light' with a different concept. It has more ageing profile and character that is an effect of the double casks.

**'Fundador Double Wood'** is a Brandy de Jerez Solera Reserve, inspired in the brandies originally crafted in the 19th century, where the prolonged aging makes the holandas acquire the most important and unique characteristics of wood.

**'Fundador Triple Wood'** is a Brandy de Jerez Solera Gran Reserve obtained through a very long ageing process that triples the standards of brandy production. A unique expression that reveals the depth of the elements contributed by the wood to a powerful bouquet from the long periods of aging.

**'Fundador Sherry Cask'** is a Sherry Cask Solera and Solera Reserva, which is the classic Fundador version's update. After almost 40 years, its image and liquid were refreshed in 2021 through a simultaneous launch in Spain, UK, Italy, México and USA, whose result is Brandy perfect to drink neat or mix with Cola, a perfect serve elaboration created by Simone Caporale and Marc Álvarez from SIPS Drinkery House (#37 in The World's 50 Best Bars). Aged in Sherry Casks that have previously contained Sherry wine, this Brandy is the combination of experience and innovation that has the credibility to reinvent the Brandy category.

**'Terry Centenario'** is the largest brandy in Spain. Centenario means centenary, and it evokes the change to the twentieth century when the Terry family started producing brandies in its bodegas in Puerto de Santa María. It is a premium and distinguished brand with the iconic net and the unique logo of the Terry Horse. 'Terry Centenario' is the leading brand of the Brandy Category in Spain, with 25,5% market share, twice the share of the second best-selling in the category (Nielsen MAT 2022).

**'Terry White'**, a new expression, a new category, a new Classic "White Brandy" was born in 2017 to renew the brandy category in Spain by shaking the market through a modern concept of a white spirit. Through mixology platform, this disruptive concept was launched to a fashionable position for a spirit drink for a future halo of Brandy de Jerez.

**'Tres Cepas'** is a market leader in Equatorial Guinea. In the beginning, Domecq had three brands, Una Cepa (One vine), Dos Cepas (Two vines) and Tres Cepas (Three vines), that were in increasing order of quality and age. It is a premium brand result of a special selection of wines distilled aged in sherry oak casks by the traditional Criadera and Solera system. In 1902, the brand Tres Cepas was launched in the market and started to be a successful brand. The year 2016 saw the renaissance of the brand in the Philippines, and a special expression of **'Tres Cepas Light'**, with a different concept and bottle, was launched in December at a very affordable introductory price. Tres Cepas Spirit is a delicate selection of wines distilled carefully aged in Bodegas Fundador's wineries in Jerez, smooth with mineral notes and beautiful amber tone. In 2017, **'Tres Cepas VS'** was launched. It is an ultimate expression, as the master blended carefully tasted the oldest soleras and selected barrels with special characters and notes to make a unique blend for this Very Special Tres Cepas.

**'Harveys'** is the number 1 selling Sherry Wine in the world and the leader in the UK (IWSR 2020). It is a recipient a Double Gold Medal award in CWSA in 2018. The CWSA is the biggest and most prestigious wine and spirits competition in Hong Kong. It holds Royal warrant in UK which distinguishes it as the only sherry wine that can be served to the Queen in Buckingham Palace since 1895. It is also the unique Spanish Company that supplies to the Royal Household. This brand was registered in Bristol by the Harvey family in 1886 and was the first cream Sherry to be marketed.

**'Harveys Bristol Cream'** is a unique blend of sherries combining the character and body of aged olorosos with the aroma and finesse of finos and amontillados. A proprietary blend of three sherry types: Fino, Amontillado and Oloroso, all created from the Palomino grape. "Everyday's A Holiday" with Harveys Bristol Cream®, taken alone or with fruit or used as ingredient to desserts and baking.

**'Harveys Very Old Amontillado 30-Year Old V.O.R.S.'** was awarded with a Amontillado Trophy in 2020 by the International Wine Challenge ("IWC"), by bagging the "The Best Wine in the world" in 2016, while **'Harveys V.O.R.S. Palo Cortado'** was awarded by the IWC with a "Trophy Champion 2020 the Sherry". Also in 2019, the IWSC awarded as "The best Sherry in the world" to **'Harveys Rich Old Oloroso Sherry 30 Year Old V.O.R.S.'** and **'Harveys Pedro Ximenez 30 Year Old V.O.R.S.'** Obtain the same year a trophy and Gold Medal by the IWC. Harveys launched in 2013 an ultimate expression Signature by Harveys which is a **'12-Year Old Cream Sherry'**, this product was awarded the gold medal by the SFWSC in 2018. **'Harveys Aperitivo'** is a sherry-infused seasonal *tipple*. Exclusive to the UK, 'Aperitivo' comes in two flavors – Pink and Orange. Harveys Orange is a delicious blend of two grape varieties – Palomino and Muscatel – with an aroma of bitter orange, tangerine and aromatic herbs while Pink is made of three grape varieties – Palomino, Muscatel and Tintilla de Rota (a local rare red wine) – and has a subtle aroma of red fruits and flowers.

**'Vermut Marinero by Garvey'** was launched in Spain in 2021, entering a new unexplored category. This product proposal is very different from other competitors: a red vermouth with a touch of Atlantic salt, elaborated from the most selected sherry wines and characterized by a smoothness and a flavour resulting from the Palomino Fino grape macerated with seaweed. A product totally unique and 100% suited for the aperitif moment.

From the ***Domecq brands of brandies and wines*** come these Mexican brandies, which are also distributed in USA. In Brazil, 'Domecq Brandy' is a strong brand which covers all market in Brazil.

**'Presidente'** was the first Mexican brandy, launched in 1958. It is produced from a blend of the best grapes of the Hermosillo region of Mexico.

**'Presidente Light'** was brought in from Spain and launched in the Philippines in 2022. Presidente Light Brandy boasts of notes of caramel, toffee, dried raisins, orange marmalade with a very subtle hint of chocolate. A light brandy that is very smooth on the palate.

**'Don Pedro'** has been more than 50 years in the market, launched during the 1960s. Its name celebrates the company's founder, Don Pedro Domecq.

**'Azteca De Oro'** has been more than 36 years in the market. These brands are also distributed in USA. In Brazil, 'Domecq Brandy' is a strong brand which covers all market in Brazil.

Vendors may sell the products at higher or lower prices than EDI's suggested retail prices, depending on outlet margin requirements and their operating costs. The Government does not regulate the price of alcoholic beverages in the Philippines. However, manufacturers of alcoholic beverages in the Philippines are required to pay an excise tax on alcohol production based on the percentage of alcohol contained in the beverage and net retail price.

## **MARKETING, SALES AND DISTRIBUTION**

The Group's products are distributed in at least 102 countries globally. Promotion strategy depends upon the brand and considers price, communication, and promotional activities.

EDI products are marketed, sold and distributed in the Philippines through its extensive nationwide distribution network that provides it with a distinct competitive advantage. In particular, EDI's grassroots selling and marketing network covers the plethora of hole-in-the-wall or mom-&-pop stores in the country. Marketing has also expanded outside the traditional platforms to reach into the digital space platform. EDI local products are now available in at least 70 countries outside the Philippines.

Bodegas Fundador operates as a global brandy and sherry company. The global brandy and wine business is further fortified by the Domecq trademarks that fall under Spain and Mexico and have commercial reach to South America, particularly Brazil and Colombia, and USA.

Whyte and Mackay's overriding objective is to operate as a global branded drinks company which delivers sustainable rates of growth and returns that increase overall shareholder value. The Group operates in the UK and increasingly in international markets including the Travel Retail sector. Whyte and Mackay continues to invest across the business for future growth. It maintains a strong level of

Strategic Marketing support across its expanding brand portfolio and increased its commercial resources in key disciplines and geographies. Moreover, Whyte and Mackay invested in the assets of the business to improve efficiency and flexibility and has continued to invest in barrels, ensuring its spirit quality remains at the highest levels

The commercial activities of the beverage alcohol industry globally began reactivating in the second half of 2022 - at the cue of most geographies lifting Covid 19 restrictions. Both on- and off-trade establishments have reverted to pre-pandemic operations. Travel retail likewise has begun servicing passengers gearing for long overdue overseas trips. Though very late, Mainland China eventually followed suit in the last quarter of 2022.

The Company attributes its leading position to: (i) strong brand equity gained through brand building; (ii) targeted marketing; and (iii) local distribution network and, now a global reach.

### **Brand Equity**

The Company believes that branding is a critical factor in a consumer's choice of beverage. Active brand promotion and advertising are essential tools to build image and market share, and establish consumer brand loyalty. EDI continually increases its market share by promoting its brands as distinct and unique with the objective to convey its unique and enduring message to promote its image and products. Marketing strategies focus on emphasizing 'Emperor Brandy's premium value image to consumers as well as the taglines: "*Sa Totoong Tagumpay*" ("*To true success*"), "*Gawin Mong Light*" ("*Make It Light*"), "*Tagumpay Araw-araw*" ("*Reward Every Day*"), "*Doble Swabe, Doble Sarap*" ("*Double the Smoothness and Double the Character*") and "*Sarap maka-Feel Good*" ("*Good Vibes*"). EDI markets its brandies as a drink for the celebration of life successes through values of diligence, perseverance and responsibility. Its labeling includes a lion and a bullfighter wherein the lion symbolizes power and success while the bullfighter symbolizes grace and superiority. Emperor Deluxe carries the imagery of luxury and class. It is marketed as an affordable luxury for everyday consumption.

In 2018, Emperor Light celebrated its success with the 'Galing ng Pilipino' thematic campaign that paid tribute to the enduring spirit of every Filipino and the qualities that make the Filipino truly a cut above the rest: *Magaling. Ibang Klase ang Talino. May sipag na angat sa iba*. The campaign was anchored on an original song entitled "*Ating Tagumpay*," and endorsed by one of the country's biggest celebrities. The song encouraged Filipinos to celebrate everyday milestones and to continue doing great things, the lyrics of which were even posted and has taken over EDSA Billboards during its launch. The campaign ran up to mid-2019.

In 2020 which was a time with so much uncertainty, the formidable 'Emperor Light' has stepped up and took a proactive stance utilizing purposeful platforms to spark hope and positivity and encourage everyone to celebrate life, that life will always continue to give us everyday moments—no matter how small or simple they may be—that are worth celebrating. As the lockdown eased, a jingle-based thematic campaign "*Mag-Celebrate Tayo Mul!*" was released on television, radio airwaves and online platforms. The powerful and inspiring part of the song goes "*Ilang selebrayon na ang ating nalampasan. Pero heto tayo nagkakaisa pa rin, panatag ang loob na ito'y lilipas din. Magcelebrate din tayo ng sama-sama*". This Emperor spirit of hope and good cheer went viral online as more people from social media were inspired to create their cover song of the jingle while many were enamored by the hopeful message of the campaign.

'Emperor Light' plays an active role digitally in amplifying WHO and DOH advisories on safety-precautions, social distancing and proper hygiene through creative posts and contents on Facebook tagged as #BeatCovid19 and #TagumpayNatinTo throughout the quarantine. Dr. Tan leads the pack with his MASK-Tagumpay social challenge tagged as #RockWithMasks and #WeHealAsOne calling everyone to wear-mask, practice social distancing and stay-at-home. 'Emperor Light' continues to uplift the human spirit amidst these tough times as more encouraging online posts via #BalitangTagumpay that spread good news, breakthroughs and positive vibes were put in place. The brand through its popular song "*Ating Tagumpay*" released a video honoring the courage and heroism of all frontliners in medical, police and military, delivery personnel and from other fields during this health crisis. It also pays tribute to the selfless sacrifice and commitment of these modern-day-heroes during the celebration of National Heroes Day. 'Emperor Light' continues to spread encouragement

online as well as on-ground as it also extends free disinfectant alcohols and face shields through consumer promotions, a way to help manage the outbreak in the communities.

Towards the end of 2020, Emperador kept up in ensuring consumers' health and safety with the launch of a notable campaign "*Ingat-Angat, Drink Safely*" in collaboration with the government's Inter-Agency Task Force on the Management of Emerging Infectious Diseases (IATF-EID). This online video was a reminder to celebrate the holidays while ensuring strict safety standards on drinking safely and responsibly. With the reopening of the economy, this campaign is also geared for rebuilding consumer confidence and economic recovery with health and safety still as a priority. EDI continued to echo the same message for 2021.

The versatility and size of Bodegas Fundador encompasses a large and varied spectrum of well-known products, allowing it to take age old tradition to contemporary markets. 'Fundador', which means "Founder", is the first and original Spanish brandy. It is aged through the Criadera and Solera System in American Oak casks, previously seasoned with sherry and distilled alcohol. Legend tells that Pedro Domecq Lustau received an order of 500 barrels containing "Holanda". At the moment of the payment, the order was not attended and the "Holandas" were stored back in barrels that had previously contained sherry. After more than five years, it was discovered that the liquid's color had changed into a golden amber one and that it had gained in aroma due to the time spent in the barrels that had previously contained sherry. Out of this chance, and after improving the distillation and aging processes, the first Spanish brandy 'FUNDADOR' was born in 1874.

'Terry Centenario' is most important Spanish brandy, a symbolic legacy of its heritage. Terry Bodegas and Brandies currently enjoy great prestige and recognition at both an international and national level. With their yellow mesh and Carthusian horses emblem, 'Terry Centenario' and 'Terry 1900' are unmistakable symbols of the most traditional Brandy producers in the Jerez triangle. Centenario means centenary, and it evokes the change to the twentieth century when the Terry family started producing brandies in its bodegas in Puerto de Santa María. It is a premium and distinguished brand with the iconic net and the unique logo of the Terry Horse. A new expression and a new Classic White Brandy is created in 'Terry White', to renew the brandy category in Spain by shaking the market through a modern concept of a white spirit. Through mixology platform, 'Terry White' is launched in this disruptive concept to a fashionable position for a spirit drink for a future halo of Brandy de Jerez.

'Tres Cepas' is a particular brandy that was known as "One Vine" ("una cepa"), "Two Vines" ("dos cepas") and "Three Vines" ("tres cepas") that were increasing in quality, character and age. It is a premium brand result of a special selection of wines distilled aged in sherry oak casks by the traditional Criadera and Solera system.

'Harveys' is one of the largest wineries in Jerez and 'Harveys Bristol Cream' is its most famous brand worldwide. 'Harveys' was founded in 1796 in Bristol (England) by the merchant William Perry, who stored wines mainly imported from Spain and Portugal in some ancient cellars dating from the 13th century. In 1822 John Harvey joined the company as an apprentice and took control; to give it its current name; in 1871. Harveys Bristol Cream is the result of a meticulous selection comprised of 30 wines aged in American oak casks using the traditional system of soleras and criaderas.

It is the most sold brand of Jerez wine in the world, available in more than 70 countries and a market leader in the United Kingdom, USA and Canada. It is also the unique Spanish company supplying to Her Majesty The Queen Elizabeth II of England since 1895.

Very Old Rare Sherry (VORS) are the pinnacle of the sherry range; the most luxurious expressions, certified by Jerez's Regulating Council to be over 30 years old, a distinction only given to Amontillado, Palo Cortado, and Pedro Ximénez.

Domecq brands are marketed by associating them with Mexican identity and emphasizing them with social history.

The key brands in Whyte and Mackay are well defined. The Dalmore Single Malt Scotch Whisky is a brand of supreme quality that is positioned at the apex of the category in which it competes. Truly a luxury brand, The Dalmore's stag iconography is built on a heritage that is rooted in the saving of King Alexander III of Scotland from a raging stag in 1263 by an ancestor of the Mackenzie clan. The

grateful king granted him the right to bear a stag's head in his coat of arms and so every bottle of The Dalmore is adorned with this noble emblem: a stag's head with twelve points to its antlers, signifying 'royalty'.

For the past 180 years, The Dalmore has been a masterpiece in the making. Now led by 2023 Distiller of the Year (Scotland) Master Whisky Maker Mr Gregg Glass, the brand celebrates the illustrious moments in its continuing history as it unveiled a once-in-a-lifetime selection of six exceptional single malt whiskies that tell the story of The Dalmore's relentless pursuit of excellence through six decades—The Dalmore Decades, the campaign for which concluded in first quarter of 2021. The Dalmore Decades No.6 Collection was auctioned by Sotheby's in Hong Kong last October 2021 and was sold for a record-breaking amount of US\$ 1.12 million especially setting the pace for the luxury spirits category. In 2022, the Dalmore and V&A Dundee partnered to create 'The Luminary' Series in World-First Collaboration. In the same year, The Dalmore also launched two Limited Editions – Vintage 2003 and Vintage 2007.

Jura Single Malt Scotch Whisky' is a premium Scotch whisky that is smooth, bright, and vibrant – just like the islanders who made it. The beachside distillery is located in the heart of a tiny island community of only 212 residents. Jura is reflective of the community that crafts exceptional whisky. It is "*more than a whisky*" - the banner that encapsulates the very special nature of this island single malt.

In 2021, Jura Whisky pledged support to the 28th Jura Music Festival through sponsorship. [Jura Music Festival is the annual celebration of traditional Scotch music which has been taking place on the island of Jura since 1994. It is a charitable organization and in line with its 'constitution' the Festival seeks to provide opportunities for young people to learn and improve their music based skill and help them refine and develop those skills in the future.] The 2021 Jura Music Festival was very different from previous years and every effort ensured that it is brought to life and is much more than a festival. There were opportunities to meet members of the Jura community and discover more about Jura Distillery and its remarkable whiskies.

In 2022 Jura launched a landmark Islanders' Expression, a celebration of the creative spirit of the islanders. Acclaimed environmental artist Amy Dunnachie, resident on Jura, collaborated to create a Limited Edition, available exclusively in Global Travel Retail.

'Tamnavulin Single Malt Scotch whisky' is the epitome of a Speyside malt; rich, smooth, elegant and refreshing with a sherry finish. Tamnavulin is the Gaelic translation for 'Mill on the Hill,' named in part after the 16th century woollen mill which sits on the site of the distillery.

'Fettercairn' is a highland malt with the main brand symbol being the unicorn. This brand was re-launched in 2018 with new packaging and a new range of ages.

Fettercairn Distillery unveiled an exciting new project in 2021 to replant an ancient forest as it sets its sights on producing its own single estate Scottish oak matured malt whiskies. With over 13,000 sessile *Quercus petraea* and *Quercus robur* oak saplings planted next to the Distillery, the Fettercairn Forest is part of a wider commitment by Whyte & Mackay to develop a sustainable future for responsibly sourced Scottish oak for each Distillery. The Distillery laid down whiskies in responsibly sourced, native Scottish Oak. In 2022 the Scottish Oak Programme won the acclaimed Industry Production Innovation of the Year (Spirits Business), with its first commercial proposition: Fettercairn 18 Scottish Oak. Reflecting commitments to the local environment, and new unexpected journeys in flavour-led whisky making Fettercairn 18 is an annual release Limited Edition, and enjoyed commercial success on launch. It led to the Master Whisky Maker being crowned Distiller of the Year, Scotland 2023 (Icons of Whisky).

Fettercairn Distillery has unveiled the third and fourth releases in its hugely popular and sought-after Warehouse 2 Collection, an inspired small batch series created to celebrate the hidden gems within its 14 dunnage warehouses and to showcase their commitment to enlightened whisky making.

The 'Whyte & Mackay Blended Scotch whisky' brand has had new packaging introduced and launched a new communication campaign to reinforce its unique Triple Maturation process that delivers a smoother, richer taste which have both been well received. Whisky & Mackay Blend

continues to invest in consumer communication to drive consumer awareness in the UK, where it is a Top 3 Brand (Nielsen).

### ***Targeted Marketing***

To maximize market penetration, EDI supports both traditional advertising and marketing as well as proprietary market research tools. It uses multiple consumer research agencies and methodologies to assess consumer insight, trend, behavior and preferences, and markets its products accordingly. The brands are also marketed through an integrated 360-degree marketing campaign including the traditional above-the-line media, such as television and radio commercials, print and digital advertisements, including social media initiatives for Facebook and Twitter, below-the-line promotions, such as influencers, local events, tastings, fairs, and sponsorships. In addition, management supports creativity and innovation in product marketing by encouraging managers to take ownership of strategic geographic areas. Its creative consumer research has qualitative and quantitative aspects and includes face-to-face interviews and information gathering exercises with consumers at local neighborhood events and gatherings.

The Scotch single malts are marketed internationally designed to reinforce the brands' core positioning, talking to a well-defined consumer target in each market.

Globally, the portfolio quickly adapted to the pandemic by shifting marketing activities online and developing series of campaigns focusing on engaging and connecting with consumers in the digital space. The brands held a series of online tastings, virtual distillery tours, and partnerships with e-commerce websites.

The flagship brands of Bodegas Fundador: 'Fundador', 'Tres Cepas' and 'Terry' brandies are marketed internationally using a combination of digital communication and activation, as well as more traditional ways of retail activations and marketing on site. Communication is driven to focus on the key positioning of the brands and the well-defined target consumers. On the other hand, 'Harveys' is marketed internationally adapting the range of products to the characteristics of each national market, using a combination of digital and traditional marketing approaches, focusing on the different core positioning of each range, that have specific target consumers.

### ***Sales and Distribution Network***

The Company has an extensive sales and distribution network which is one of its key strengths that will continue to drive its future growth. Products are sold through general trade, modern trade, on-premise, self-owned stores and online platforms.

EDI has a nationwide distribution network operated through sales offices and distribution outlets strategically located in the country, which supply national and regional customers, hypermarkets, supermarkets, wholesalers, traders, grocery outlets, convenient stores, and local neighborhood small sari-sari, stores. It continually seeks ways to expand the reach of its distribution network, especially in the fast-growing regions of Mindanao and the Visayas. It employs its own sales and distribution force and vehicles fleet for direct delivery service. It uses direct sales vehicles such as cash vans to cover sari-sari stores across the country. Cash vans sell the brands directly to these small retailers on a cash-only basis, where the average transaction is for two cases. Other accounts get credit terms which vary from the standard 30 days to 60 days for key accounts.

The Company believes that the day-to-day interaction its sales team has with its trade partners is essential to maintaining product availability as well as access to its consumers.

EDI builds its on-premise sales operations to expand its market to hotels and restaurant businesses in the Philippines, given the expansion of its pouring brands and world class brands. Considering the shift in purchasing behavior during the COVID-19 pandemic, EDI also made its products available in different e-commerce channels such as Lazada, Shopee and Panda Mart, to name a few.

The Company has a standard volume-based pricing model that is applied evenly across all customer segments and discounts are offered on large volume transactions.

Emperador local brands have established international distribution to at least 70 countries by end-2021.

The WMG business has a strong, international Route to Market. In UK, a dedicated sales team covers all trade channels and customers. It also has a dedicated Global Travel Retail team which manages its brands in a channel that is critical for single malt whisky equity building and sales. In other markets Whyte and Mackay has established a network of distribution partners that represent the brands in each territory. The goal is to develop long term partnerships with a strong local distributor in every market, with selection based on strength and commitment in the channels offering the greatest opportunity in each market. In 2016, Whyte and Mackay appointed E&J Gallo as their exclusive importer into the USA for certain key brands.

The Dalmore opened its first flagship store in the Philippines in Uptown Bonifacio, an exclusive retail store that houses some of the rarest and most expensive whisky collection in the Philippines. The Keeper's Den, a by-invite only lounge within the store, is also open to its VVIPs to enjoy their 'Dalmore' bottles along with their guests. As of end 2022, there are sixteen (16) retail stores in the Philippines. The Dalmore also extended its flagship store and opened the Cigar Lounge. The Dalmore Cigar Lounge curates the 'Dalmore' classics: the King Alexander III (the only single malt in the world with six different finishes — spirits matured in ex-bourbon casks, Matusalem oloroso sherry butts, Madeira barrels, Marsala casks, Port pipes and Cabernet Sauvignon wine barriques); the Quintessence (with five wine finishes: Zinfandel, Merlot, Cabernet Sauvignon, Syrah and Pinot Noir); and The Dalmore 25. One can pair The Dalmore Cigar Malt Reserve with Cuban cigars (Cohiba Robusto, Cohiba Esplendidos, Hoyo de Monterrey Epicure No. 1, Montecristo No. 2, Partagas Serie E No. 2, and Romeo Y Julieta Short Churchill) which are also available at the lounge.

Bodegas Fundador has a small team that sells to distributors around the world. It partners with the best players in the distribution market, having long term agreements with country and regional wine and spirit distributors in place.

In 2016, EDI took over the distribution of Fundador in the Philippines, while Whyte and Mackay took over the distribution in UK and Canada. This combination assures a deep sell-out market presence around the world.

In 2018, the first Fundador Café was created in the Philippines which is located at Venice Grand Canal at McKinley Hill. It offers hot and cold drinks and blended ones infused with Fundador products and sweets with Harvey Bristol Cream variances.

In January 2022, Asia's first-ever brandy museum opened its doors in Iloilo City. It is an immersive museum where visitors will have a unique journey of senses through a faithful recreation of the Fundador bodega in Spain. The tour is capped at the museum cafe where guests can enjoy the barista's take on popular beverages spiked with Emperador Coffee Brandy.

In December 2022, the first outdoor liquor park of its kind in Asia opened in McKinley West in Taguig City, near Forbes Park. The 4,000sqm McKinley Whisky Park is bringing a whole new whisky experience to patrons through a curated selection of whisky products and concoctions, along with a wide array of food choices, games, and entertainment that could be enjoyed in an open-air setting.

The map below shows the Emperador group's global reach



## SOURCES AND AVAILABILITY OF RAW MATERIALS

The principal raw materials for the manufacture of the alcoholic beverage products are grapes from the Group's vineyards and from various suppliers, wine, grain and malts, distilled neutral spirit, brandy distillates (made from grapes), and water. It also requires a regular supply of glass bottles and packaging materials. Raw materials are sourced from subsidiaries and third-party suppliers. All of the water for blending in our Philippine operations is sourced from two deep wells located in the Santa Rosa, Laguna manufacturing facility. The facilities in Laguna are located on top of one of the best fresh water supplies in the Philippines. There is also a filtration system for the water it uses at its Laguna facilities.

EDI sources its bottles from AWGI, which produces a majority of the new glass bottles while the rest are imported or sourced using recycled returned bottles. EDI sources final packing materials such as carton boxes and closures from at least three different suppliers. AWGI canvasses suppliers twice a year to seek the most competitive prices for its raw materials. While terms for different suppliers vary, AWGI generally orders raw materials to meet its projected supply requirements for one year and prices are subject to review on an annual basis. For imported raw materials, new purchase orders for supplies are generally sought two months prior to the expiration of existing purchase orders. For raw materials sourced in the Philippines, orders are finalized one month before existing orders terminate. At least three suppliers are maintained for major raw materials. In addition, major raw materials' suppliers typically maintain a warehouse in close proximity to the plant to cover possible delays in shipments and to prevent delivery interruptions.

For production facilities in Scotland, the UK is the major source of cereals and dry goods such as bottles, labels, closures and cartons while casks are sourced from USA (previously used for bourbon maturation) and from Spain (previously used for sherry maturation).

For production facilities in Spain, grapes come from own vineyards and from third parties as needed. For Mexico, grapes are sourced from various suppliers and *aguardientes* from Spain, Chile, Argentina and Australia.

The Group has not experienced and does not anticipate any significant difficulty in obtaining adequate supplies of raw materials and dry goods at satisfactory prices under its supply arrangements. There have been recent disruptions in global supply chains that extended lead times but these do not have material adverse impact on operations. AWGI is able to manufacture enough glass bottles to meet the Company's requirements. Whyte and Mackay and Bodegas Fundador have long-term relationships with their suppliers to meet the current business requirements or source new providers.

## DEPENDENCE ON A SINGLE OR FEW CUSTOMERS

The Company is not dependent upon a single customer or a few customers, the loss of any or more of which would have a material adverse effect on the Company and its subsidiaries taken as a whole. There is also no single customer that accounts for, or based upon existing orders will account for, more than 10% of the total Group sales taken as a whole.

## TRANSACTIONS WITH AND/OR DEPENDENCE ON RELATED PARTIES

The Group has transactions with related parties such as AGI, subsidiaries, key management and other related parties under common ownership. These transactions generally comprise:

- Purchase of raw materials – EDI imports raw materials and finished goods through Andresons Global, Inc., a company beneficially owned by the Tan family. EDI also imports from Alcoholera dela Mancha Vinicola, SL, a wholly owned subsidiary of BLC. These purchases are typically payable within 30 days.
- Leases of Properties -

- EDI has a lease contract with its wholly-owned subsidiary TEI covering certain manufacturing facilities including, among others, production building, storage tanks for raw materials and a water treatment area. EDI paid TEI a refundable security deposit.
  - EDI and AWGI lease their head office spaces from Megaworld Corporation. EDI paid Megaworld a refundable security deposit.
  - EDI's subsidiary, AWGI, leases the glass manufacturing plant from AGI.
  - EDI leases out its distillery plants to Progreen.
- Management services – Progreen has a management contract with Condis in relation to the operation, management and maintenance of their respective distillery and bottling plants.
  - Sale of finished goods – These sales are done arms' length in the normal course of business and settled through cash within three to six months.
  - Advances – EDI grants advances to officers and employees as well as to related parties. AGI also makes advances for offshore investment purposes. These advances are generally unsecured, and payable upon demand in cash.

For a more detailed discussion of related party transactions concerning the Group, see Note 23 to the Group's audited consolidated financial statements filed with this report.

## INTERESTED PERSON TRANSACTIONS

In view of the secondary listing of the Company with the Singapore Exchange Securities Trading Limited ("SGX-ST") the Company adopts Interested Person Transactions Policy ("IPT Policy") to comply with Chapter 9 of the listing manual of the SGX-ST ("SGX Listing Manual"), relating to Interested Person Transactions ("IPTs").<sup>10</sup>

Pursuant to said policy, the Company must disclose the aggregate value of IPTs entered into during the financial year under review in its annual report. The Company is required to maintain a list of interested persons (which will be reviewed by a senior finance staff of the Company on a quarterly basis and updated as necessary) and will disclose the list to the relevant staff of the Group to enable the identification of the interested persons on a quarterly basis or as and when there are updates. Additionally, a register will be maintained to record all IPTs (incorporating the basis, amount and nature, on which they are entered into). The Related Party Transaction Committee will review all IPTs on at least a quarterly basis to ensure that the transactions are on arm's length commercial terms and are not prejudicial to the Company and minority Shareholders. The annual internal audit plan will also incorporate a review of all IPTs entered into. The Related Party Transaction Committee will review internal audit reports to ascertain that the guidelines and procedures established to monitor IPTs have been complied with.

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<sup>10</sup> EMI is subject to limited regulatory oversight by the SGX-ST. Under the Listing Manual, as a foreign issuer with a secondary listing on the SGX-ST, EMI is generally not be required to comply with the provisions of the SGX-ST Listing Manual, except for Chapter 9 on Interested Person Transactions, Chapter 10 on Significant Transactions and Chapter 13 on Trading Halt, Suspension and Delisting. Please see SGX Group website for a copy of the Rulebook at [sgx.com](http://sgx.com).

The aggregate value of IPTs entered into the Company in 2022 (the financial year under review), excluding transactions less than SG\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual, is as follows:

Name of interested person	Aggregate value	Aggregate value <sup>1</sup>
<b>Associates of Dr. Tan</b>	710.6	–
Sale of services	567.5	–
Sale of finished goods	0.2	–
Purchase of raw materials and spare parts	82.9	–
Purchase of services	60.0	–
<b>AGI subsidiaries and associates</b>	942.9	–
Sale of services	47.1	–
Sale of finished goods	237.3	–
Purchase of finished goods	523.8	–
Lease transactions	122.6	–

<sup>1</sup>The Company has not obtained a general mandate from shareholders for interested person transactions under Rule 920 of the Listing Manual.

## INTELLECTUAL PROPERTY

EDI owns registered trademarks, which are of material importance to the success of its business since they have the effect of developing brand identification and maintaining consumer loyalty. EDI's principal trademark is 'Emperador', which it purchased from Condis in 2007, in addition to associated patents, copyrights and goodwill and bottle designs for its brandy products. Its trademark for 'Emperador' has a fresh period of ten years expiring in 2025 after its renewal in 2015 with the Philippine Intellectual Property Office ("**Philippine IPO**"). It also registered the trademark for 'The BaR' flavored alcoholic beverage products in 2008, while the trademark for 'Emperador Deluxe' was registered with the Philippine IPO in 2015 for a period of ten years. The new Andy Player trademark is registered in 2015 for a period of ten years.

EDI trademarks for its brands, 'Emperador' brandy, 'Andy Player', 'The Bar' and 'Zabana', are also registered in more than 30 countries, including the European Union, USA, Canada, Australia, Japan, Vietnam, Taiwan, Hong Kong, Indonesia, Singapore, Laos, Cambodia, and Myanmar.

Whyte and Mackay owns approximately 700 trademarks worldwide, which include trademarks for its products: 'The Dalmore', 'Isle of Jura', 'Whyte & Mackay', 'Shackleton', 'Tamnavulin', 'Glayva', 'Claymore', 'John Barr' and 'Cluny' brands.

GES owns 9 registered trademarks in Spain and BFSL around 850 registered trademarks worldwide for its brands 'Fundador', 'Tres Cepas', 'Terry Centenario' and 'Harveys'. On January 19, 2017, GES acquired trademarks of well-known brands 'San Patricio', a dry Fino Sherry, and 'Espléndido' brandy.

In 2017, DBLC acquired trademarks in two main geographies, Mexico and Spain. Registered in Mexico are trademarks for brandies 'Presidente', 'Don Pedro' and 'Azteca de Oro', wines and canes in

Mexico and brandies in USA; and in Spain are trademarks for brandies 'Brandy Domecq and 'Don Pedro' in Brazil and Colombia and sherry wine in Benelux.

Trademarks are typically renewed every 10 to 20 years cycles, depending on the validity term of the particular trademark.

## **REGULATORY AND ENVIRONMENTAL MATTERS**

Philippine local government legislations require a license to sell alcoholic beverages and prohibit the sale of alcoholic beverages to persons under 18 years of age or within a certain distance from schools and churches.

Advertising and marketing of alcoholic beverages are regulated by the **Ad Standards Council ("ASC")**, the advertising industry body in-charge of screening and regulating content of advertising materials across all medium. The Company strictly follows the alcohol advertisement regulations issued by the ASC, in advertising its products in all platforms. The Company ensures that its communications target only those of legal drinking age and advocates to its consumers that the Company's high-quality products should be enjoyed responsibly.

Approvals from the **Food and Drug Administration ("FDA")** are required before the Company can manufacture a new product. In addition, all new products must be registered with the BIR prior to production.

The Company is in compliance, and not aware of any material deviation, with all applicable regulatory, environmental, health and safety regulations. All the products are registered and approved by FDA. The Company monitors compliance of all stages of its production process with pertinent hygiene practices to ensure the high quality of its finished products. The Biñan Laguna production plant has been issued with a Good Manufacturing Practice ("GMP") certificate from the FDA on June 2, 2021(valid until October 3, 2025), while the Santa Rosa Laguna production plant received its GMP certificate on April 19, 2022 (valid until June 6, 2026).

WMG has an environmental policy which commits it to ensure that its activities are conducted in ways which comply with the law and, so far as is reasonably and commercially practicable, do not harm the environment. Its five distilleries and associated warehouses are extensively regulated under Customs and Excise licenses and regulations, Environmental Agency regulations on water abstractions, effluent discharges, air emissions and Health and Safety legislation.

Whyte and Mackay is in compliance, and not aware of any material deviation, with all applicable regulatory, environmental, health and safety regulations.

Bodegas Fundador has a firm commitment to guarantee the transformation and care of our planet based on respect for a sustainable economy, a lasting environment and a fair society. These principles are part of our Corporate Social Responsibility policy where, among other objectives, we intend to satisfy the needs of all our stakeholders such as shareholders, employees, customers, the environment, administrations, suppliers, etc., as the fundamental basis of our own process of transformation and, at the same time, collaborating to create a fairer and more sustainable environment and society.

Our commitment to the planet, the environment and society is solid and determined, as reflected in our own strategic plan, management systems, values, objectives and corporate policies, as well as most importantly: the participation, involvement and efforts of all the employees of Bodegas Fundador.

Bodegas Fundador is aware that its raw materials come from nature and its processes can result in environmental impacts on soil, water and air. Its activities would not be feasible without the support of the environment in which it operates and therefore consider it necessary to preserve the environment for its business to be viable long term. By that, it is its main interest to take care and respect the environment as one of the pillars of its business culture.

Bodegas Fundador builds this business culture through management systems that constitute the unifying axis from which it articulates a process of continuous improvement in key business aspects: the safety and health of employees, with the standard ISO 45001, quality of products with the standard ISO 9001, and the environment with the standard ISO 14001, corporate social responsibility, with IQnet SR10, food safety with three of the most demanding standards in the industry, FSSC 22000, IFS and BRC food safety management systems, providing consumers assurance that our products are made under the strictest of quality controls that guarantee safety, accumulating more than 20 years of experience in these standards.

In 2011, Bodegas Fundador began the implementation of its own Lean Management program. It was incorporated into Bodegas Fundador operations, a model of management born in Japanese automation industry, whose results have been such that the model has finished transcending the barriers of this industry to other sectors of activity with equally successful outcome. Through the implementation of Lean program, it gets continuous and sustainable improvement in (among others) aspects such as safety and health, quality, the environment, the commitment of employees, team work or the efficiency of the processes, which synergize with other management systems mentioned above.

### **ENVIRONMENTAL MATTERS IN THE PHILIPPINES**

The operations of the businesses of the Company are subject to various laws, rules and regulations that have been promulgated for the protection of the environment

#### ***Philippine Environmental Impact Statement System***

The Philippine Environmental Impact Statement System (the “**EISS Law**”) established under **Presidential Decree No. 1586**, which is implemented by the DENR, is the general regulatory framework for any project or undertaking that is either (i) classified as environmentally critical or (ii) is situated in an environmentally critical area. The DENR, through its regional offices or through the Environmental Management Bureau (“**EMB**”), determines whether a project is environmentally critical or located in an environmentally critical area and processes all applications for an ECC.

The law requires an entity that will undertake any such declared environmentally critical project or operate in any such declared environmentally critical area to submit an EIS which is a comprehensive study of the significant impacts of a project on the environment. The EIS serves as an application for the issuance of an ECC, if the proposed project is environmentally critical or situated in an environmentally critical area; or for the issuance of a Certificate of Non-Coverage, if otherwise. An ECC is a Government certification that, among others: (i) the proposed project or undertaking will not cause significant negative environmental impact; (ii) the proponent has complied with all the requirements of the EISS Law in connection with the project; and (iii) the proponent is committed to implement its approved Environmental Management Plan (“**EMMP**”) in the EIS. The EMMP details the prevention, mitigation, compensation, contingency and monitoring measures to enhance positive impacts and minimise negative impacts and risks of a proposed project or undertaking.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures. Project proponents are also required to establish an EMF when an ECC is eventually issued. The EMF is to support the activities of the team monitoring the project proponent’s compliance with ECC conditions, EMMP and applicable laws, rules and regulations.

#### ***The Clean Water Act***

**Republic Act No. 9275** or the Clean Water Act and its implementing rules and regulations provide for water quality standards and regulations for the prevention, control, and abatement of pollution of the water resources of the country. The Clean Water Act requires owners or operators of facilities that discharge regulated effluents (such as wastewater from manufacturing plants or other commercial facilities) to secure a discharge permit from the DENR which authorises the owners and operators to discharge waste and/or pollutants of specified concentration and volumes from their facilities into a body of water or land resource for a specified period of time.

The discharge permit specifies the quantity and quality of effluents that the holder of the permit is allowed to discharge as well as the validity of the permit. The discharge permit is valid for a maximum period of five years from the date of its issuance, renewable for five-year periods thereafter. The Department may, however, renew the discharge permit and keep it valid for a longer period if the applicant has adopted waste minimisation and waste treatment technologies, consistent with incentives currently provided, and has been paying the permit fees on time. The DENR, together with other Government agencies and the different local Government units, is tasked with implementing the Clean Water Act and with identifying existing sources of water pollutants, as well as strictly monitoring pollution sources which are not in compliance with the effluent standards provided in the law.

### ***The Water Code***

**Presidential Decree No. 1067**, or “The Water Code of the Philippines”, requires a water permit for the appropriation or use of natural bodies of water. Use or appropriation of water includes, among others, the utilisation of water in factories, industrial plants and mines, including the use of water as an ingredient of a finished product. Appropriation of water without a water permit, when one is required, is subject to the imposition of the corresponding penalties imposed by the Water Code and its implementing rules and regulations.

### ***The Clean Air Act***

Pursuant to **Republic Act No. 8749** or the Clean Air Act of 1999 and its implementing rules and regulations, enterprises that operate or utilise air pollution sources are required to obtain a Permit to Operate from the DENR with respect to the construction or the use of air pollutants. Said permit shall cover emission limitations for the regulated air pollutants to help maintain and attain the ambient air quality standards. A permit duly issued shall be valid for the period specified therein but not beyond one year from the date of issuance unless sooner suspended or revoked. It may be renewed by filing an application for renewal at least thirty days before the expiration date and upon payment of the required fees and compliance with requirements. The issuance of the permit does not, however, relieve the permittee from complying with the requirements of the Clean Air Act and its implementing rules and regulations.

### ***Other Environmental Laws***

Other regulatory environmental laws and regulations applicable to the businesses of the Company include the following:

- **Republic Act No. 6969** or the **Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990**, which regulates, restricts or prohibits the (i) importation, manufacture, processing, handling, storage, transportation, sale, distribution, use and disposal of chemical substances and mixtures that present unreasonable risk or injury to health or the environment, and (ii) entry as well as transit into the Philippines, or the keeping or storage and disposal of hazardous wastes which include by-products, side-products, process residue, contaminated plant or equipment or other substances from manufacturing operations. Under this law, before any new chemical substance or mixture can be manufactured, processed or imported for the first time, the manufacturer, processor, or importer shall first submit information pertaining to the: (i) name of chemical substance or mixture; (ii) its chemical identity and molecular structure; (iii) proposed categories of use; (iv) estimate of the amount to be manufactured, processed or imported; (v) processing and disposal thereof; and (vi) any test data related to health and environmental effects which the manufacturer, processor or importer has. The said law is implemented by the DENR.
- **Republic Act No. 9003** or the **Ecological Solid Waste Management Act of 2000**, which provides for the proper management of solid waste which includes discarded commercial waste and non-hazardous institutional and industrial waste. The said law prohibits, among others, the transporting and dumping of collected solid wastes in areas other than prescribed centres and facilities. The National Solid Waste Management Commission, together with other Government agencies and the different local Government units, are responsible for the implementation and enforcement of the said law.
- **Republic Act No. 11898** or the **Extended Producer Responsibility (EPR) Act of 2022** lapsed into law on July 23, 2022, and amended Republic Act No. 9003 or the Ecological Solid

Waste Management Act of 2000. It is an Act institutionalizing the extended producer responsibility on plastic packaging waste. Through EPR, “obliged enterprises,” or through their Producer Responsibility Organizations, will have to recover or offset their generated plastic product footprint by 20 percent (20%) in 2023 to 80 percent (80%) by 2028. The EPR Law covers plastic packaging such as single or multi-layered plastics such as sachets, rigid plastic packaging products like food and drink containers, single use plastic bags, and polystyrene. Penalties for the non-compliance of EPR duties range from P5 million to P20 million, or “twice the cost of recovery and diversion of the footprint or its shortfall, whichever is higher”.

- **Republic Act No. 4850** or the law creating the **LLDA** was issued to promote and accelerate the balanced growth of the Laguna de Bay Region. The LLDA is mandated to manage and protect the environmentally critical Laguna de Bay Region. It is empowered to pass upon and approve or disapprove all plans, programmes, and projects proposed by local government offices or agencies within the region, public corporations, and private persons or enterprises where such plans, programmes, and projects are related to the development of the region. The jurisdiction and scope of authority of the LLDA comprises the towns of Rizal and Laguna Provinces, the towns of Silang, General Mariano Alvarez, Carmona, Tagaytay City in Cavite, Lucban, Quezon, City of Tanauan, the towns of Sto. Tomas and Malvar in Batangas, Cities of Marikina, Pasig, Taguig, Muntinlupa, Pasay, Caloocan and Quezon, and the town of Pateros in Metro Manila. Accordingly, any person, natural and juridical, with existing and/or new development projects and activities within these areas is required to secure an LLDA clearance, which is issued upon submission of an application and the supporting financial documents.
- **Presidential Decree No. 856** or the Code on Sanitation of the Philippines (the “**Sanitation Code**”), which provides for sanitary and structural requirements in connection with the operation of certain establishments such as industrial and food establishments. Food establishment is defined as any establishment where food or drinks are manufactured, processed stored, sold, or served. Under the Sanitation Code, which is implemented by the Philippine Department of Health, no person, firm, corporation, or entity shall operate a food establishment without first obtaining a sanitary permit. The permit shall be valid for one year, and shall be renewed every year.

The following are the **significant applicable laws and regulations**, to all of which the Group is compliant:

### **PHILIPPINE REGULATIONS**

#### **Foods, Drugs and Cosmetics Act**

**Republic Act No. 3720** (“**R.A. No. 3720**”), known as the “Food, Drug, and Cosmetic Act”, was passed into law on June 22, 1963. Executive Order 175, series of 1987 later amended the title of the law to read, “*An Act To Ensure the Safety and Purity of Foods and Cosmetics, and the Purity, Safety, Efficacy and Quality of Drugs and Devices Being Made Available to the Public, Vesting the Bureau of Food and Drugs with Authority to Administer and Enforce the Laws Pertaining thereto, and for Other Purposes*”. R.A. No. 3720 was further amended in 2009 by Republic Act No. (“**R.A. No. 9711**”) or “The Food and Drug Administration (FDA) Act of 2009”. R.A. No. 3720 was enacted as part of the government’s policy of ensuring that safe and good quality of food is available to the people of the Philippines and to regulate the production, sale and trade of food in such a way as to protect the health of the people. **R.A. No. 3720, as amended**, establishes standards and quality measures in relation to the manufacturing and branding of food products to ensure the safe supply thereof to and within the Philippines.

The FDA under the DOH administers and enforces R.A. No. 3720, as amended, among other laws on safety and good quality of food. The FDA requires both a licence to manufacture food products, as well as individual certificates of registration for each product to be manufactured or sold in the Philippines.

R.A. No. 3720, as amended, defines “food” as any processed substance which is intended for human

consumption and includes drink for man, beverages, chewing gum and any substances which have been used as an ingredient in the manufacture, preparation or treatment of food. Due to the nature of the business and operations of EDI, it is required to obtain a licence from the FDA.

R.A. No. 3720 covers both locally manufactured and imported products and establishes standards as well as quality measures for food. A comprehensive enforcement framework was set up, which is deemed as necessary to ensure a pure and safe supply of food in the country.

R.A. No. 3720 prohibits, among others, (i) the manufacture, importation, exportation, sale, offering for sale, distribution or transfer, non-consumer use, promotion, advertisement or sponsorship of food products which are adulterated or misbranded or which, although requiring registration pursuant to R.A. No. 3720, are not registered with the FDA; and (ii) the manufacture, importation, exportation, transfer or distribution of any food product by any person or entity without a licence to operate from the FDA. Any person found in violation of any of the provisions of R.A. No. 3720 shall be subject to administrative penalties or imprisonment or both. Furthermore, the FDA has the authority to seize such food products found in violation of R.A. No. 3720 as well as ban, recall and withdraw any food product found to be grossly deceptive, unsafe, or injurious to the consuming public.

**Republic Act No. 11032 (“R.A. No. 11032”)**, known as “Ease of Doing Business and Efficient Government Service Delivery Act of 2018” may impact on the amount of time it takes to acquire Licences to Operate, Certificates of Product Registration, and any other permits and registrations relevant to the business which it will receive from the FDA. This law streamlines the systems and procedures of government services and prescribes processing time of three working days for simple transactions, seven working days for complex transactions, and 20 working days for highly technical applications. The maximum period set by this law for all government agencies is 20 working days for “applications or requests involving activities which pose danger to public health, public safety, public morals, public policy, and highly technical application” with one extension allowed, if the same is provided for in the citizen’s charter of the relevant government agency.

#### ***FDA Rules and Regulations***

Under Department of Health Administrative Order No. 0029-14 or the Rules and Regulations on the Licensing of Food Establishments and Registration of Processed Food, all food establishments are required to obtain a Licence to Operate (“**LTO**”) from the FDA. An LTO and other requirements specified in the Food Safety Act and its implementing rules and regulations are necessary for establishments engaged in the manufacturing, importation, exportation, sale, offer for sale, distribution, transfer, use, testing, promotion, advertisement, and/or sponsorship of alcoholic beverages. An initial LTO is valid for a period of two years, while a renewed licence is valid for five years. The FDA also requires a Certificate of Product Registration (“**CPR**”) for the distribution, supply, sale, offer for sale, or use of processed food products. A CPR covering a particular health product constitutes prima facie evidence of the registrant’s marketing authority for said health product in connection with the activities permitted pursuant to the registrant’s LTO.

The operation of a food business without the proper authorisation from the FDA is prohibited and punishable with a fine. The closure of the establishment may also be imposed as a penalty upon the finding of a commission of a prohibited act.

Finally, the FDA issues authorisation based on the risk categorisation of food establishments and food products. It also conducts post-market surveillance and product monitoring based on the risks presented by the food products. In this regard, the FDA follows a classification list based on the Codex Alimentarius General Standard of Food Additives and the United Nations Food and Agriculture Organization Risk Categories, wherein processed food products are classified according to microbiological risk: (a) Low Risk Food — foods that are unlikely to contain pathogenic microorganisms and will not normally support their growth because of food characteristics, and foods that are unlikely to contain harmful chemicals; (b) Medium Risk Food — foods that may contain pathogenic microorganisms but will not normally support their growth because of food characteristics; or food that is unlikely to contain pathogenic microorganisms because of food type or processing but may support the formation of toxins or the growth of pathogenic microorganisms; and (c) High Risk Food — foods that may contain pathogenic microorganisms and will support the formation of toxins or the growth of pathogenic microorganisms, and foods that may contain harmful chemicals. Alcoholic beverages are classified as Low Risk Foods.

### ***The Food Safety Act***

**Republic Act No. 10611** otherwise known as the Food Safety Act of 2013 (“**Food Safety Act**”) aims to protect the public from food-borne and water borne illnesses and unsanitary, unwholesome, misbranded or adulterated foods; enhance industry and consumer confidence in the food regulatory system; and achieve economic growth and development by promoting fair trade practices and sound regulatory foundation for domestic and international trade. The same law created the Food Safety Regulation Coordinating Board responsible for monitoring and coordinating the performance and implementation of the mandates of the Department of Agriculture (“**DA**”), the DOH, the Department of Interior and Local Government and the local government units in food safety regulation.

Under the Food Safety Act, the DOH and DA set the mandatory food safety standards. Foods imported into the country must come from countries with an equivalent food safety regulatory system and shall comply with international agreements to which the Philippines is a party.

Food business operators are primarily responsible in ensuring that the food satisfies the requirements of food laws relevant to their activities in the food supply chain and that control systems are in place to prevent, eliminate or reduce risks to consumers. Non-compliance with the provisions of the Food Safety Act may result in the imposition of fine and a suspension of the appropriate authorisation, as warranted.

### ***Consumer Act of the Philippines***

**Republic Act No. 7394**, known as the Consumer Act of the Philippines (the “**Consumer Act**”), the provisions of which are principally enforced by the DTI, seeks to: (a) protect consumers against hazards to health and safety, (b) protect consumers against deceptive, unfair and unconscionable sales acts and practices; (c) provide information and education to facilitate sound choice and the proper exercise of rights by the consumer; (d) provide adequate rights and means of redress; and (e) involve consumer representatives in the formulation of social and economic policies.

This law imposes rules to regulate such matters as: (a) consumer product quality and safety; (b) the production, sale, distribution and advertisement of food, drugs, cosmetics and devices as well as substances hazardous to the consumer’s health and safety; (c) fair and honest consumer transactions and consumer protection against deceptive, unfair and unconscionable sales acts or practices; (d) practices relative to the use of weights and measures; (e) consumer product and service warranties; (f) compulsory labelling and fair packaging; (g) liabilities for defective products and services; (h) consumer protection against false, deceptive and misleading advertisements and fraudulent sales promotion practices; and (i) consumer credit transactions.

The Consumer Act establishes quality and safety standards with respect to the composition, contents, packaging, labelling and advertisement of products and prohibits the manufacture for sale, offer for sale, distribution, or importation of products which are not in conformity with applicable consumer product quality or safety standards promulgated thereunder. Like Republic Act No. 8762, the Consumer Act also prohibits the manufacture, importation, exportation, sale, offering for sale, distribution or transfer of food products which are adulterated or mislabelled. In connection therewith, the Consumer Act provides for minimum labelling and packaging requirements for food products to enable consumers to obtain accurate information as to the nature, quality, and quantity of the contents of food products available to the general public. The Consumer Act likewise prohibits false, deceptive, or misleading advertisements and sales promotions and deceptive sales and acts and practices in connection with food products. Any person who violates the provisions of the Consumer Act shall be subject to administrative fines or imprisonment or both at the discretion of the court. Should the offence be committed by a juridical person, the chairman of the board of directors, the president, general manager, or the partners and/or the persons directly responsible therefor shall be penalised. Under the Consumer Act, the DOH also has the authority to order the recall, ban, or seizure from public sale or distribution of food products found to be injurious, unsafe or dangerous to the general public.

The Consumer Act provides for the following minimum labelling requirements for consumer products sold in the Philippines: (a) the correct and registered trade name or brand name; (b) the duly registered trademark; (c) the duly registered business name; (d) the address of the manufacturer, importer, and repacker of the consumer product in the Philippines; (e) the general make or active

ingredients; (f) the net quantity of contents, in terms of weight, measure or numerical count rounded off to at least the nearest tenths in the metric system; (g) the country of manufacture, if imported; and (h) if a consumer product is manufactured, refilled or repacked under licence from a principal, the label shall so state the fact.

The DTI is tasked with implementing the Consumer Act with respect to labels and packaging of consumer products other than food products, and regulates product labeling, proper and correct description of goods, product labels with foreign characters/languages, data/information on product contents and origins and other similar matters. With respect to the packaging and repackaging of food products, such activities are regulated by the DOH and the FDA. Establishments engaged in these activities are required to comply with, among others, the current guidelines promulgated by the DOH on good manufacturing practice in manufacturing, packing, repacking, or holding food.

### ***The Intellectual Property Code***

To encourage the transfer and dissemination of technology, prevent or control practices and conditions that may in particular cases constitute an abuse of intellectual property rights having an adverse effect on competition and trade, all technology transfer arrangements shall comply with the provisions of **Republic Act No. 8293**, or the Intellectual Property Code of the Philippines. Technology transfer arrangements refer to contracts or agreements involving the transfer of systematic knowledge for the manufacture of a product, the application of a process, or rendering of a service including management contracts; and the transfer, assignment or licensing of all forms of intellectual property rights.

The law provides for several prohibited clauses in the technology transfer agreement which, on its face, may be considered to have an adverse effect on competition and trade. These include, among others, provisions such as: a) those which impose upon the licensee the obligation to acquire from a specific source capital goods, intermediate products, raw materials, and other technologies, or of permanently employing personnel indicated by the licensor; b) those pursuant to which the licensor reserves the right to fix the sale or resale prices of the products manufactured on the basis of the licence; c) those that contain restrictions regarding the volume and structure of production; and d) those which prevent the licensee from adapting the imported technology to local conditions, or introducing innovation to it, as long as it does not impair the quality standards prescribed by the licensor.

The law also provides for several mandatory provisions, to wit:

- (1) That the laws of the Philippines shall govern the interpretation of the same and in the event of litigation, the venue shall be the proper court in the place where the licensee has its principal office;
- (2) Continued access to improvements in techniques and processes related to the technology shall be made available during the period of the technology transfer arrangement;
- (3) In the event the technology transfer arrangement shall provide for arbitration, the Procedure of Arbitration of the Arbitration Law of the Philippines or the Arbitration Rules of the United Nations Commission on International Trade Law or the Rules of Conciliation and Arbitration of the International Chamber of Commerce shall apply and the venue of arbitration shall be the Philippines or any neutral country; and
- (4) The Philippine taxes on all payments relating to the technology transfer arrangement shall be borne by the licensor.

Technology transfer arrangements that conform to the foregoing need not be registered with the Documentation, Information and Technology Transfer Bureau. Non-conformance, however, shall automatically render the technology transfer arrangement unenforceable, unless said technology transfer arrangement is approved and registered with the Documentation, Information and Technology Transfer Bureau in exceptional or meritorious cases where substantial benefits will accrue to the economy, such as high technology content, increase in foreign exchange earnings, employment generation, regional dispersal of industries and/or substitution with or use of local raw materials, or in the case of Board of Investments, registered companies with pioneer status.

### **Data Privacy Act**

**RA No. 10173**, otherwise known as the Data Privacy Act of 2012 or DPA, was signed into law on August 15, 2012, to govern the processing of all types of personal information (*i.e.* personal, sensitive, and privileged information) in the hands of the government or private natural or juridical person through the use of Information and Communications System or ICT, which refers to a system for generating, sending, receiving, storing or otherwise processing electronic data messages or electronic documents and includes the computer system or other similar device by or which data is recorded, transmitted or stored and any procedure related to the recording, transmission or storage of electronic data, electronic message, or electronic document. While the law expressly provides that it does not apply to certain types of information, including those necessary for banks and other financial institutions under the jurisdiction of BSP to comply with the AMLA and other applicable laws, the said law applies to all other personal information obtained by banks for other purposes.

It mandated the creation of a National Privacy Commission, which shall administer and implement the provisions of the DPA and ensure compliance of the Philippines with international standards set for data protection. The Philippines recognizes the need to protect the fundamental human right of privacy and of communication, while ensuring free flow of information to promote innovation and growth. It also identifies the vital role of information and communications technology in nation building and its inherent obligation to ensure that personal information in ICT in the government and in the private sector are secured and protected.

The DPA seeks to protect the confidentiality of “personal information”, which is defined as “any information, whether recorded in material form or not, from which the identity of an individual is apparent or can be reasonably and directly ascertained by the entity holding the information, or when put together with other information would directly and certainly identify an individual”. The law provides for certain rights of a data subject or an individual whose personal information is being processed. The law imposes certain obligations on “personal information controllers” and “personal information processors”. It also provides for penal and monetary sanctions for violations of its provisions.

Intended to protect the privacy of individuals, the DPA mandates companies to inform the individuals about how their personal information are collected and processed. It also ensures that all personal information must be (a) collected and processed with lawful basis, which includes consent, and only for reasons that are specified, legitimate, and reasonable; (b) handled properly, ensuring its accuracy and retention only for as long as reasonably needed; and (c) discarded properly to avoid access by un authorized third parties.

The DPA IRR took effect on September 9, 2016, mandating all Philippines companies to comply with the following: (a) appointment of a Data Protection Officer; (b) conduct of a privacy impact assessment; (c) adoption of a privacy management program and privacy policy; (d) implement privacy and data protection measures; and (e) establish a breach reporting procedure. In addition, companies with at least 250 employees or access to sensitive personal information of at least 1,000 individuals are required to register their data processing systems with the National Privacy Commission. The DPA IRR, furthermore provides the only instances when data sharing is allowed, to wit: (a) data sharing is authorized by law, provided that there are adequate safeguards for data privacy and security, and processing adheres to principles of transparency, legitimate purpose and proportionality; (b) in the private sector, data sharing for commercial purposes is allowed upon (i) consent of data subject, and (ii) when covered by a data sharing agreement; (c) data collected from parties other than the data subject for purpose of research shall be allowed when the personal data is publicly available; and (d) data sharing among government agencies for purposes of public function or provision of a public service shall be covered by a data sharing agreement.

### **Philippine Competition Act**

**Republic Act. No. 10667**, or the Philippine Competition Act (“**PCA**”), is the primary competition policy of the Philippines. This is the first anti-trust statute in the Philippines and it provides the competition framework in the Philippines. The PCA was enacted to provide free and fair competition in trade, industry and all commercial economic activities. To implement its objectives, the PCA provides for the creation of a Philippine Competition Commission (the “**PCC**”), an independent quasi-judicial agency with powers to conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, the PCC must apply for a

warrant with the relevant court. It aims to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial economic activities.

The PCA prohibits and imposes sanctions on:

- (1) anti-competitive agreements between or among competitors, which restrict competition as to price, or other terms of trade and those fixing price at an auction or in any form of bidding including cover bidding, bid suppression, bid rotation and market allocation and other analogous practices of bid manipulation; and those which have the object or effect of substantially preventing, restricting or lessening competition;
- (2) practices which are regarded as abuse of dominant position, by engaging in conduct that would substantially prevent, restrict or lessen competition; and
- (3) merger or acquisitions which substantially prevent, restrict or lessen competition in the relevant market or in the market for goods or services, or breach the thresholds provided in the Implementing Rules and Regulations (“**IRR**”) without notice to the PCC.

The PCA provides for mandatory notification to the PCC when notification thresholds are met. Prior to Republic Act No. 11494 also known as the Bayanihan to Recover as One Act (“**Bayanihan 2 Act**”), when the value of a transaction exceeds ₱2.4 billion, and where the size of the ultimate parent entity of either party exceeds ₱6 billion, then such transaction must be notified to the PCC. Notification is also mandatory for joint venture transactions if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2.4 billion; or (b) the gross revenues generated in the Philippines by the assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2.4 billion.

Under the PCA and the IRR, a transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of 1% to 5% of the value of the transaction. Criminal penalties for entities that enter into these defined anti-competitive agreements include: (i) a fine of not less than ₱50 million but not more than ₱250 million; and (ii) imprisonment for two to seven years for directors and management personnel who knowingly and willfully participate in such criminal offences. Administrative fines of ₱100 million to ₱250 million may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the **PCC** or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

Section 4(eee) of Republic Act No. 11494 or the Bayanihan 2 Act exempts from compulsory notification all mergers and acquisitions with transaction values below ₱50 billion if entered into within two years from the effectivity of Bayanihan 2 Act, or from 15 September 2020.

Under the PCC Resolution No. 22-2020 adopting the rules implementing Section 4 (eee) of the Bayanihan 2 Act, mergers and acquisitions shall still be subject to compulsory notification when: (a) both the transaction value and the size of the ultimate parent entity of either party is at least ₱50 billion; and (b) the transaction is entered into prior to the effectivity of the Bayanihan 2 Act and exceeds the thresholds applicable.

Additionally, the Bayanihan 2 Act suspends PCC’s power to *motu proprio* review mergers and acquisitions for one year from the effectivity of the law. However, transactions entered into prior to the effectivity of the Bayanihan 2 Act which has not yet been reviewed by the PCC; and transactions pending review by the PCC prior to the effectivity of the Bayanihan 2 Act shall not be covered by the exemption from the PCC’s power to review transactions *motu proprio*. Further, mergers and acquisitions entered into during the effectivity of the Bayanihan 2 Act may still be reviewed by the PCC *motu proprio* after one year from the effectivity of the law.

Any voluntary notification shall constitute a waiver to the exemption from review.

EMI, as a leading player in the Philippine alcohol industry, takes into account the provisions of RA 10667 and its implementing rules and regulations and ensures that its business decisions and

operations are within the parameters set forth by the Philippine Competition Act and that its business objectives are aligned with the constitutional goals for the national economy.

### ***Retail Trade Liberalization Act***

On 10 December 2021, President Rodrigo Duterte signed into law **Republic Act (RA) No. 11595**, otherwise known as An Act amending Republic Act No. 8762 or the Retail Trade Liberalization Act of 2000 or RTLA which took effect on 21 January 2022. On 9 March 2022, the Department of Trade and Industry (DTI), in coordination with National Economic and Development Authority (NEDA) and the Securities and Exchange Commission (SEC), issued the Implementing Rules and Regulations (IRR) to RA 11595. The new law lowers the required paid-up capital for foreign retail enterprises and eases restrictions on foreign retailers to engage in retail trade in the country. Foreign retailer means a foreign national, partnership, association, or corporation of which more than forty percent (40%) of the capital stock outstanding and entitled to vote is owned and held by such foreign national, engaged in retail trade.

Some of the salient provisions introduced by RA 11595 are:

- It removed the categories under the RTLA and lowered the minimum paid-up capital requirements for foreign retailers. The minimum paid-up capital required of a foreign retailer is Twenty-Five Million Pesos (Php25,000,000.00). Further, the foreign retailer's country of origin must provide reciprocity to Filipinos.
- For foreign retailers having more than one (1) physical store, the new law decreased the minimum investment per store to Ten Million Pesos (Php10,000,000.00)
- Foreign retailers that prequalified prior to the effectivity of the new law whose foreign ownership exceeds eighty percent (80%) are no longer required to publicly offer thirty percent (30%) of their shares of stocks in the Philippines.
- Foreign retailers should determine the nonavailability of a competent, able, and willing Filipino citizen before engaging the services of a foreign national. Foreign retailers are also encouraged to have a stock inventory of products that are made in the Philippines.

### **Occupational Safety and Health Standards Law**

**Republic Act No. 11058** or the Occupational Safety and Health Standards Law

was signed into law on August 17, 2018. It mandates employers, contractors or subcontractors and any person who manages, controls or supervises the work, to furnish the workers a place of employment free from hazardous conditions that are causing or are likely to cause death, illness or physical harm to the workers. It also requires to give complete job safety instructions or orientation and to inform the workers of all hazards associated with their work, health risks involved or to which they are exposed, preventive measures to eliminate or minimize the risks and steps to be taken in cases of emergency. An employer, contractor or subcontractor who willfully fails or refuses to comply with the Occupational Safety and Health Standards shall be administratively liable for a fine. Further, the liability of the employer, project owner, general contractor, contractor or subcontractor, if any, and any person who manages, controls or supervises the work, shall be solidary.

### ***Other Regulations Particular to the Alcoholic Beverage Industry***

#### ***Presidential Decree No. 1619***

The law prohibits the sale of volatile substances that induce intoxication, including alcoholic beverages, to minors without the consent of their parents or guardians. For alcoholic beverages that contain at least 30% alcohol (or 60 proof), it is entirely prohibited to sell to minors. Any person found in violation of the law may be punished by imprisonment and fine.

#### ***FDA Circular No. 2019-006***

Pursuant to the provisions of the Food Safety Act, the FDA issued FDA Circular No. 2019-006 on the Guidelines on Commercial Display, Selling, Promotion, and Advertising of Alcoholic Beverages and Beverages that Contain Alcohol, providing for the following guidelines:

(1) All alcoholic beverages, regardless of type of packaging, shall only be displayed in designated conspicuous area in all convenience stores, supermarkets, hypermarkets, groceries and other food retailing stores with prominent signage "ALCOHOLIC BEVERAGES". Other beverages

with alcohol regardless of level of alcohol content like alcopop (flavoured beverage with alcohol content) shall likewise be displayed in this same designated area. These beverages shall not be displayed together with other products like juice drinks and must not be accessible to children;

(2) Owners or operators of sari-sari stores which may not have enough space to designate an area for alcoholic beverages and other beverages with alcohol content shall be responsible to ensure that subject beverages as mentioned in Item no. (2) above are not sold to minors (below 18 years old); and

(3) Promotional and advertising materials on alcoholic beverages and beverages with alcohol content (regardless of amount) shall clearly state or inform consumers that such beverages contain alcohol, and therefore not to be promoted and advertised to be sold to and consumed by minors. Packaging and labelling materials shall not be appealing to children.

Sanctions and penalties over violations of any of the provisions of this FDA Circular shall follow the Food Safety Act and its implementing rules and regulations.

### **Excise Tax Law**

The Company's alcohol products are subject to excise taxes which are currently substantially pass on to consumers and form part of the sales prices.

Excise taxes apply to alcohol products such as distilled spirits, wines and fermented liquors, which are manufactured or produced in the Philippines for domestic sales or consumption or for any other disposition, including imported items. The excise tax imposed by law is in addition to Value Added Tax ("VAT").

*Spirits or distilled spirits* are substances known as ethyl alcohol, ethanol or spirits of wine, including all dilutions, purifications and mixtures thereof, from whatever source, by whatever process produced, and includes whisky, brandy, rum, gin and vodka, and other similar products or mixtures. *Proof spirits* are liquors containing one-half of their volume of alcohol with a specific gravity of 0.7939 at 15°C. A *proof litre* is a litre of proof spirits.

On 22 January 2020, Republic Act No. 11467 (R.A. No. 11467), which amended certain provisions of the Philippine Tax Code including the provisions on excise taxes on alcohol products, was signed into law. Pursuant to R.A. No. 11467, excise taxes on distilled spirits shall be levied, assessed and collected as follows:

1. Effective on January 1, 2020:
  - An ad valorem tax equivalent to 22.0% of the net retail price (excluding the excise tax and VAT) per proof; and
  - In addition to the ad valorem tax, a specific tax of ₱42.00 per proof liter.
2. Effective on January 1, 2021:
  - An ad valorem tax equivalent to 22.0% of the net retail price (excluding the excise tax and VAT) per proof; and
  - In addition to the ad valorem tax, a specific tax of ₱47.00 per proof liter.
3. Effective January 1, 2022: =
  - An ad valorem tax equivalent to 22.0% of the net retail price (excluding the excise tax and VAT) per proof; and
  - In addition to the ad valorem tax, a specific tax of ₱52.00 per proof liter.
4. Effective January 1, 2023 =
  - An ad valorem tax equivalent to 22.0% of the net retail price (excluding the excise tax and VAT) per proof; and
  - In addition to the ad valorem tax, a specific tax of ₱59.00 per proof liter.
5. Effective January 1, 2024 =
  - An ad valorem tax equivalent to 22.0% of the net retail price (excluding the excise tax and VAT) per proof; and

- In addition to the ad valorem tax, a specific tax of P66.00 per proof liter.

6. Effective January 1, 2025, the specific tax of P66.00 per proof liter shall be increased by six percent (6%) every year thereafter, while the ad valorem tax shall remain the same.

Medicinal preparations, flavoring extracts, and all other preparations, except toilet preparations, of which, excluding water, distilled spirits form the chief ingredient, are subject to the same tax as the chief ingredient.

The tax shall be proportionally increased for any strength of the spirits taxed over proof spirits, and the tax shall attach to this substance as soon as it is in existence as such, whether it be subsequently separated as pure or impure spirits, or transformed into any other substance either in the process of original production or by any subsequent process.

The net retail price shall mean the price at which the distilled spirits is sold on retail in at least five (5) major supermarkets in Metro Manila, excluding the amount intended to cover the applicable excise tax and the value-added tax. For distilled spirits which are marketed outside Metro Manila, the net retail price shall mean the price at which the distilled spirits is sold in at least five (5) major supermarkets in the region excluding the amount intended to cover the applicable excise tax and the value-added tax. This shall initially be provided by the manufacturer through a sworn statement and shall be validated by the Bureau of Internal Revenue (BIR) through a price survey. The net retail price shall be determined by the BIR through a biannual price survey under oath.

The suggested net retail price means the net retail price (excluding excise tax and value-added tax) at which locally manufactured or imported distilled spirits are intended by the manufacturer or importer to be sold in major supermarkets or retail outlets in Metro Manila for those marketed nationwide, and in other regions, for those with regional markets. At the end of three months from the product launch, the BIR will validate the suggested net retail price of the new brand against the net retail price and determine the correct tax on a newly introduced distilled spirits. After the end of nine months from such validation, the BIR shall revalidate the initially validated net retail price against the net retail price as of the time of revalidation in order to finally determine the correct tax on a newly introduced distilled spirits.

Understatement of the suggested net retail price by as much as 15.0% of the actual net retail price results in the manufacturer's or importer's liability for additional excise tax equivalent to the tax due and the difference between the understated suggested net retail price and the actual net retail price.

Wines are levied, assessed and collected an excise tax of P50 per liter effective January 1, 2020, increasing by 6% every year thereafter. [Previously, specific tax rate increased by 4% every year from January 1, 2014.]

Manufacturers and importers of distilled spirits and wines, within 30 days from the effectivity of R.A. No. 11467 and within the first five days of every third month thereafter, submit to the BIR a sworn statement of the volume of sales and removals for each particular brand of distilled spirits sold at their establishment for the three-month period immediately preceding.

Any manufacturer or importer who misdeclares or misrepresents in the sworn statement any pertinent data or information shall, upon final findings by the BIR that the violation was committed, be penalized by a summary cancellation or withdrawal of the permit to engage in business as a manufacturer or importer of distilled spirits or wines. Any corporation, association or partnership liable for any of the acts or omissions in violation of the provision on excise tax for distilled spirits or wines will be fined treble the amount of deficiency taxes, surcharges and interest which may be assessed. Any person liable for, or who wilfully aids or abets a personally liable for, any of the acts or omissions prohibited under the excise tax laws will be criminally liable and penalized under the National Internal Revenue Code of 1997, as amended (the "Philippine Tax Code"). Non-nationals will be deported immediately after serving the sentence.

#### ***Excise Tax on Sweetened Beverages***

**Republic Act 10963** or the Tax Reform for Acceleration and Inclusion ("TRAIN") Law, which amends

certain provisions in the Philippine Tax Code, took effect on January 1, 2018. Section 150-B of the Philippine Tax Code, as amended, imposes the following excise taxes on sweetened beverages effective January 1, 2018: (a) a tax of ₱6 per litre on sweetened beverages using purely caloric sweeteners, and purely non-caloric sweeteners, or a mix of caloric and non-caloric sweeteners; provided, that this tax rate shall not apply to sweetened beverages using high fructose corn syrup and sweetened beverages using purely coconut sap sugar and purely steviol glycosides; and (b) a tax of ₱12.00 per litre on sweetened beverages using purely high fructose corn syrup or in combination with any caloric or non-caloric sweetener.

On July 25, 2018, the BIR issued Revenue Regulations (RR) No. 20-2018, which seeks to implement the new taxes on sugar-sweetened beverages. Under RR 20-2018, sweetened beverages were defined as “non-alcoholic beverages of any constitution (liquid, powder, or concentrates) that are pre-packaged and sealed in accordance with the Food and Drug Administration standards that contain caloric and/or non-caloric sweeteners added by the manufacturers.”

The particular products covered by the new excise tax were the following: sweetened juice drinks; sweetened tea; all carbonated beverages; flavored water; energy and sports drinks; other powdered drinks not classified as milk, juice, tea, and coffee; cereal and grain beverages; as well as other non-alcoholic beverages that contain added sugar, while products using purely coconut sap sugar and purely steviol glycosides were exempt from the excise tax, as long as these “comply with specifications as stated in the Philippine National Standard/Bureau of Agricultural and Fisheries Products Standards 76:2010 ICS 67.180 or latest updated standards.

The Company’s sweetened non-alcoholic products, Club Mix Lime Juice and Club Mix Apple Tea, are covered.

### ***Philippine BIR Issuances***

To implement R.A. No. 10351, the BIR issued Revenue Regulation (“RR”) No. 17-2012 on December 26, 2012. Among others, RR No. 17-2012 provides that for purposes of tax classification, alcohol or tobacco products, whether imported or domestically manufactured in the Philippines, shall be taxed according to their individual brand name (whether or not with prefix or suffix), color and/or design of label (such as logo, font, picturegram, and the like), manner and/or form of packaging or size of container of the product. RR No. 17-2012 also provides that all cigarettes whether packed by hand or packed by machine shall only be packed in twenties (20s), and through other packaging combinations which shall result to not more than 20 sticks of cigarettes: provided, that, in case of cigarettes packed in not more than 20 sticks, whether in five sticks, 10 sticks and other packaging combinations below 20 sticks, the net retail price of each individual package of 5s, 10s, etc. shall be the basis of imposing the tax rate prescribed under R.A. No. 10351.

The BIR also issued RMC No. 3-2013 on January 9, 2013, which clarified that “ethyl alcohol, ethanol, or spirits of wine, including all dilutions, purifications and mixtures thereof” were separate and distinct distilled spirits from “whisky, brandy, rum, gin and vodka.” Consequently, both groups of distilled spirits should be subject to separate and distinct excise taxes. However, on February 15, 2013, the BIR issued RMC No. 18-2013, which amended RMC No. 3-2013 insofar as ethyl alcohol is concerned. RMC 18-2013 provides as follows:

The importation of ethyl alcohol or ethanol intended for re-sale or for the manufacture of compounded liquors shall be subject to excise tax unless the importer thereof is a holder of a Permit to Operate as importer of ethyl alcohol or ethanol or as a manufacturer of compounded liquors, as the case may be, duly issued by the BIR and has posted a surety bond, in addition to the importer’s bond prescribed under Section 160 of the Philippine Tax Code;

In case of domestic sale of ethyl alcohol or ethanol by duly registered manufacturers thereof, otherwise known as distilleries, the sale and delivery of ethyl alcohol or ethanol directly to manufacturers of compounded liquors shall be subject to excise tax, unless a surety bond shall be posted by the distillery, in addition to the manufacturer’s bond prescribed under Section 160 of the Philippine Tax Code. Moreover, the sale and delivery of ethyl alcohol or ethanol without the payment of the excise tax to be used as raw material in the manufacture of compounded liquors shall not be allowed unless the buyer thereof is a holder of a Permit to Operate as manufacturer of compounded liquors duly issued by the BIR;

The removal of ethyl alcohol or ethanol from distilleries for purposes of rectification shall be conditionally tax-exempt and the excise tax due on the rectified alcohol shall be paid by the rectifier pursuant to the provisions of Section 137 of the Philippine Tax Code and its implementing rules and regulations. In case the rectifier shall remove and deliver the rectified alcohol to manufacturers of compounded liquors, such removal shall not be subject to excise tax provided that a surety bond in an amount similar to that provided for distilleries shall have been posted by the rectifier;

The duly registered importer of ethyl alcohol or ethanol intended for resale shall be liable to the excise tax on sale and delivery thereof to persons or entity other than to manufacturers of compounded liquors;

All existing manufacturers of compounded liquors are now liable to pay the excise tax on every removal of compounded liquors from its place of production pursuant to R.A. No. 10351, and are required to post an initial manufacturer's bond prescribed under Section 160 of the Philippine Tax Code equivalent to the excise due on the total volume of compounded liquors that have been actually removed from the place of production in the immediately previous year of operation;

With respect to the tolling, bottling and other sub-contracting agreements prescribed under Section 21 of R.R. No. 03-2006, the owner of the alcohol products shall be the person liable to pay the excise tax before removal thereof from the place of production of the toller or sub-contractor; and

The excise tax that has already been paid on ethyl alcohol or ethanol pursuant to RMC No. 3-2013 shall not be entitled to tax credit/refund or shall not be deducted from the total excise tax due on compounded liquors.

### **Biofuels Act**

In 2007, the Philippine enacted Republic Act No. 9367, entitled "An Act to Direct the Use of Biofuels, Establishing for this Purpose, The Biofuel Program, Appropriating Funds Therefor, and For Other Purposes", otherwise known as the Biofuels Act of 2006, which provides for the mandatory use of biofuels. RA 9367 mandates that there shall be a minimum 1% biodiesel blend and 5% bioethanol blend by volume in all diesel and gasoline fuels, being distributed and sold in the country, provided that the biodiesel and bioethanol blends conform to the standards set forth under the Philippine National Standards. In order to encourage investments in the biofuels industry, the government, in addition to applicable incentives and benefits under the existing laws, rules and regulations, provided for an incentive scheme which includes 0% specific tax on local and imported biofuels component per liter of volume, VAT exemption on the sale of raw material used in the production of biofuels, exemption from wastewater charges for water effluents for the production of biofuels and potential financial assistance from government financial institutions.

At present, the government, through the Sugar Regulatory Administration, Department of Energy, BIR and Bureau of Customs, is working hand in hand with the private sector to further develop the biofuels industry, with the vision of producing enough biofuels for local and international distribution.

### **Revised Corporation Code**

Republic Act No. 11232 or the Revised Corporation Code ("**Revised Corporation Code**") was signed into law on February 20, 2019 and became effective on March 8, 2019. Among the salient features of the Revised Corporation Code are:

- corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the Philippine SEC that it elects to retain its specific corporate term under its current Articles of Incorporation;
- the Code allows the creation of a "One Person Corporation" ("**OPC**"), which is a corporation composed of a single stockholder, provided that, only a natural person, trust or an estate may form such. No minimum authorized capital stock is also required for an **OPC**, unless provided for under special laws;
- material contracts between the Corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same;

- the right of stockholders to vote in the election of directors or trustees, or in shareholders meetings, may now be done through remote communication or *in absentia* if authorized by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or *in absentia* are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or *in absentia*, the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option; and
- in case of transfer of shares of listed companies, the Commission may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the Commission.

The Revised Corporation Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

## **UK REGULATIONS**

### **Scotch Whisky Regulations 2009**

The Scotch Whisky Regulations 2009 (“SWR”) came into force on November 23, 2009, replacing the Scotch Whisky Act 1988 and the Scotch Whisky Order 1990. Whereas the previous legislation had only governed the way in which Scotch Whisky must be produced, the SWR also set out rules on how Scotch Whiskies must be labelled, packaged and advertised, as well as requiring Single Malt Scotch Whisky to be bottled in Scotland, labelled for retail sale, from November 23, 2012. The SWR make clear that Scotch Whisky must be wholly matured in Scotland (i.e. it may not be matured in any country other than Scotland). They also require that all maturation must take place in an excise warehouse or in another permitted place regulated by Her Majesty’s Revenue and Customs (“HMRC”). HMRC is appointed by the SWR as the competent authority for verification of Scotch Whisky.

Permitted place is defined in Regulation 4 of the SWR and includes any place to which spirits in an excise warehouse are moved for:

- Re-warehousing in another excise warehouse;
- Such temporary purposes and periods as HMRC allow;
- Scientific research and testing;
- Storage at other premises where under the Customs and Excise Acts goods of the same class or description may be kept without payment of excise duty; and
- Such other purpose as HMRC may permit.

It is only if all maturation of Scotch Whisky takes place under some form of HMRC control that they will be able to certify that the spirit is Scotch Whisky and, if any age is claimed, that the Scotch Whisky has been matured in the permitted size of oak casks for the period claimed.

The SWR also provide that the only type of whisky that may be manufactured in Scotland is Scotch Whisky. This is to prevent the existence of two “grades” of whisky in Scotland - one “Scotch Whisky” and the other “Whisky – product of Scotland”. This is to ensure protection of “Scotch Whisky” as a distinctive product.

Regulation 3(2) defines five categories of Scotch Whisky. The relevant category description must appear clearly and prominently on every bottle of Scotch Whisky sold:

1. Single Malt Scotch Whisky – A Scotch Whisky distilled at a single distillery (i) from water and malted barley without the addition of any other cereals, and (ii) by batch distillation in pot stills. From 23 November 2012, Single Malt Scotch Whisky must be bottled in Scotland.
2. Single Grain Scotch Whisky - A Scotch Whisky distilled at a single distillery (i) from water and malted barley with or without whole grains of other malted or unmalted cereals, and (ii) which does not comply with the definition of Single Malt Scotch Whisky.

3. Blended Scotch Whisky - A blend of one or more Single Malt Scotch Whiskies with one or more Single Grain Scotch Whiskies.
4. Blended Malt Scotch Whisky - A blend of Single Malt Scotch Whiskies, which have been distilled at more than one distillery.
5. Blended Grain Scotch Whisky - A blend of Single Grain Scotch Whiskies, which have been distilled at more than one distillery.

Regulation 8 of the SWR makes it compulsory for every Scotch Whisky to bear on the front of the bottle and on any individual packaging the category to which the Scotch Whisky belongs. The category must appear as prominently as other description of the Scotch Whisky.

It is an offence to promote a Scotch Whisky as belonging to a category to which it does not belong. Regulation 6 of the SWR makes it illegal to label, package, sell or advertise any drink as “Scotch Whisky” or “Scotch” in such a way as to suggest indirectly that the drink is Scotch Whisky when it does not qualify as such.

Regulation 7 of the SWR also makes it illegal to export any type of Scotch Whisky in an oak or other wooden cask. It is permitted to continue to export Scotch Whisky in bulk using inert containers such as appropriate plastic drums or steel containers.

However, Regulation 7 of the SWR also makes it illegal for Single Malt Scotch Whisky to be exported from Scotland other than in a bottle labelled for retail sale.

SWR provided added legal protection for the traditional regional names with Scotch Whisky production, i.e., ‘Highland’, ‘Lowland’, ‘Speyside’, ‘Campbeltown’, and ‘Islay’. These names can only appear on whiskies wholly distilled in those regions. A distillery name must not be used as a brand name on any Scotch Whisky which has not been wholly distilled in the named distillery. Labelling must not by any other means mislead consumers as to where the Scotch Whisky has been distilled. It is permissible to use other Scottish locality or regional names provided the Scotch Whisky has been entirely distilled in that place.

The SWR maintain the long standing rule on the use of age statements, i.e. the only age which may be stated is the age of the youngest Scotch Whisky in the product. When distillation or vintage year will be used, then only one year may be mentioned together with the year of bottling or age statement which must appear in the same field of vision as the year of distillation or vintage, and all of the whisky in the product must have been distilled in that vintage year.

There are a range of enforcement measures available for breach of the SWR from warning notices to criminal prosecutions. Provisions are also included for civil enforcement by interested parties.

### **Excise duty**

Total duty and excise tax payment makes up about 70% of the average price of a bottle of whisky. The rate is £28.74 of Spirit Duty per litre of pure alcohol and so the Spirit Duty you pay on a 1 litre bottle of 40% ABV is 40% of £28.74, or £11.50. The freeze on spirits duty remains until August 2023.<sup>13</sup>

The Scottish Government has implemented a minimum price per unit of alcohol on product sold in Scotland, which resulted in a significant increase to the price of a standard blended Scotch Whisky. The minimum is 50p per unit of alcohol which means the minimum retail selling price (“RSP”) for a 1L bottle of 40% ABV whisky is £20. A similar policy has been introduced in Wales; but nothing has progressed in England yet. The Scotch Whisky Association continues to call for a review of the alcohol duty system to deliver fairness for Scotch Whisky which is a unique UK product.

### **USA Tariffs**

On October 18, 2019, the U.S. began to impose additional tariffs on certain products imported from the European Union (including the UK). In particular, Single Malt Scotch Whisky imported into the

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<sup>13</sup> *In the Spring Budget of 2023, the Chancellor increased duty across all four alcohol categories. The duty rate on spirits will rise to £31.64 per litre of pure alcohol, meaning that of the £15.22 average price of a bottle of Scotch Whisky, £11.40 is collected in taxation through duty and VAT. The tax burden on the averaged priced bottle of Scotch Whisky has risen from 70% to 75%. Source: Scotch Whisky Association's Newsroom article dated March 15, 2023 in its website.*

U.S. had to pay an import tariff in addition to the existing ones of 25% ad valorem, that is, 25% of the value of the product declared in customs.

The U.S. suspended tariffs on UK goods, including Single Malt Scotch whisky, for four months starting March 4, 2021. In June 2021, a UK-U.S. deal on future aerospace subsidies was agreed which suspended the 25% tariff on single malt Scotch Whisky for a further five years. If the 25% tariff were re-imposed, we expect that its impact on our financial results would be limited and we would work with our importers and distributors to minimize disruption to our business.

***Commercial and Cooperation Agreement between the European Union and the European Atomic Energy Community, on the one side, and the United Kingdom of Great Britain and Northern Ireland, on the other side***

The EU and the UK signed a commercial and cooperation agreement on December 24, 2020 (the “**Commercial and Cooperation Agreement**”), in force on 1 January 2021, in order to regulate their relationships due to the Brexit, with regard to trade of goods and services, digital trade, intellectual property, public procurement, aviation and road transport, energy, fishing, coordination of social security, judicial cooperation and police in criminal matters, thematic cooperation and participation in European Union programmes.

As of January 1, 2021, the UK leaves has now left the Single Market and the Customs Union of the EU.

As a result, it no longer benefits from the principle of the free movement of goods. Even with the new agreement in place, companies will face new trade barriers, which will lead to increased costs, new controls and will require adjustments to integrate supply chains from the EU and UK.

Both Parties have agreed to create an ambitious free trade area without tariffs or quotas applied to products, with regulatory and customs cooperation mechanisms, as well as provisions to guarantee a level playing field for open and fair competition, as part of a larger partnership economical.

The provisions set out in the Commercial and Cooperation Agreement do not govern trade of goods between the EU and Northern Ireland, since these will be governed by the Protocol on Ireland and Northern Ireland included in the Exit Agreement of the UK (“**Brexit**”).

In particular with regard to any pending applications for registered trademarks in the EU, as a result of Brexit, no corresponding UK rights will be automatically created from EU trademark applications, so it will be necessary to file a UK application.

***UK Competition Act 1998***

Our Company’s activities in the UK are subject to the provisions of the Competition Act 1998 (“**CA 98**”).

Consistent with the competition/antitrust laws of many other countries, the CA 98 prohibits:

- agreements between undertakings that have the object or effect of restricting competition; and
- the abuse of a dominant market position.

The CA 98 applies throughout the UK, including Scotland.

The prohibitions under the CA 98 are broadly the same as those that apply under European Union (“**EU**”) competition law. As a result of Brexit, EU competition law no longer applies in the UK. However, the UK has retained into UK competition law various EU “block exemptions”. These include the Vertical Agreements Block Exemption, which applies to distribution and other vertical agreements. The Vertical Agreements Block Exemption expires on 31 May 2022 and the UK’s principal competition authority, the Competition and Markets Authority (“**CMA**”), is consulting on how competition law should apply to vertical agreements after that date.

## **Advertising**

Advertising and marketing in the UK is subject to the **Advertising Codes of Practice**, which comprises the UK Code of Non-broadcast Advertising and Direct & Promotional Marketing, the rule book for non-broadcast advertisements, and The UK Code of Broadcast Advertising. The Advertising Codes of Practice applies to all advertisements (including teleshopping, content on self-promotional television channels, television text and interactive TV ads) and program sponsorship credits on radio and television services licensed by Ofcom.

WML is also bound by specific rules contained within the Advertising Codes of Practice that relate directly to marketing communications for alcoholic drinks (that is drinks with a strength above 0.5% ABV). The spirit, not just the letter, of the codes apply with the general principle being that marketing communications for alcoholic drinks should not be targeted at people under 18 and should not imply, condone, or encourage immoderate, irresponsible or anti-social drinking.

Breaching of the Advertising Codes of Practice can lead to a public adjudication by the regulator, the Advertising Standards Authority, as well as the removal or amendment of material and other trade related sanctions. In extreme circumstances, serious breaches can lead to referral to Trading Standards, the local authority departments within the UK that enforce consumer protection legislation.

WML also subscribes to voluntary codes that relate to social responsibility and self-regulation in the alcohol industry, including Drinkaware (an independent charity working to reduce alcohol misuse and harm in the UK that promotes information to consumers about consumption of alcohol) and the Portman Group (a voluntary code membership that promotes good practice and compliance with labelling and advertising of alcohol).

## **SPANISH REGULATIONS**

### **Brandy de Jerez Regulations**

The Andalusian Regional Department of Agriculture, Fisheries and Rural Development has approved the **Order dated June 28, 2018**, which contains the new Technical File regarding the Geographical Indication of “Brandy de Jerez”, replacing the former Order dated February 9, 2015. This regulation contains the technical specifications of the products, compliance with which, must be verified to enable use of the protected name. On the other hand, the new Operational Regulation of the Regulatory Board of “Brandy de Jerez” has been approved by an **Order dated February 16, 2018** issued by the Andalusian Regional Department of Agriculture, Fisheries and Rural Development, replacing the former Order dated June 13, 2005.

The Geographic Indication “Brandy de Jerez” is protected in the European Union, in accordance with its registration as a protected geographical indication, as per regulation (EU) no. 2019 /787 relating to the definition, description, presentation, labelling and protection of the geographic indication of spirit drinks.

The following EU Regulations amending Regulation (EU) 2019/787 have been adopted in 2021:

COMMISSION DELEGATED REGULATION (EU) 2021/1334 of May 27, 2021 amending Regulation (EU) 2019/787 of the European Parliament and of the Council as regards allusions to legal names of spirit drinks or geographical indications for spirit drinks in the description, presentation and labelling of other spirit drinks

COMMISSION DELEGATED REGULATION (EU) 2021/1335 of May 27, 2021 amending Regulation (EU) 2019/787 of the European Parliament and of the Council as regards the labelling of spirit drinks resulting from the combination of a spirit drink with one or more foodstuffs.

COMMISSION DELEGATED REGULATION (EU) 2021/1465 of July 6, 2021 amending Regulation (EU) 2019/787 of the European Parliament and of the Council as regards the definition of allusions to legal names of spirit drinks or geographical indications for spirit drinks and their use in the description, presentation and labelling of spirit drinks other than the spirit drinks to which allusion is made

In order to be considered a Brandy de Jerez, it must be made according to the methods set down by the Regulating Council. The area of production and ageing of Brandy de Jerez must be exclusively within the Sherry triangle, which is defined by the boundaries of Jerez de la Frontera, Sanlúcar de Barrameda and El Puerto de Santa María, and bottling must be carried out exclusively in the wineries that are registered and authorized by the Regulating Council. Its production process is based on the solera system (suelo or floor) in oak butts previously seasoned with sherry. Different types of sherry give the brandy a different flavor. The traditional ageing system of criaderas (nurseries) and soleras (suelo or floor) must be used.

In Jerez, it is possible to use wine spirits of a higher degree of alcoholic content provided that the distillate or holandas does not exceed a maximum of the 50% of the alcoholic content of the finished product. The holandas must always represent 50% minimum of the final brandy.

Brandy de Jerez can be classified into three categories as per its period of ageing:

1. Brandy de Jerez Solera – ageing for more than six months expressed in UBEs (Basic Ageing Unit)
2. Brandy de Jerez Solera Reserva - ageing for more than one year expressed in UBEs.
3. Brandy de Jerez Gran Reserva - ageing for more than three years expressed in UBEs.

Spanish Royal Decree 164/2014, of March 14, which establishes complementary rules for the production, designation, presentation and labeling of certain spirits.

### **Sherry Regulations**

The Protected Designation of Origin Jerez-Xérès-Sherry is protected in the European Union, in accordance with its registration as a Protected Designation of Origin, as per regulation (EU) no 1308/2013 relating to establishing a common organisation of the markets in agricultural products.

The Delegated Regulation (EU) 2019/33 of the Commission, of October 17, 2018, which completes Regulation (EU) No. 1308/2013 of the European Parliament and the Council, regulates applications for protection of appellations of origin, geographical indications and traditional terms of the wine sector, the opposition procedure, restrictions on use, amendments to the specifications, cancellation of protection, as well as labeling and presentation. It has replaced former Commission Regulation (EC) N. 607/2009 of July 14, 2009, which established certain provisions for the application of Council Regulation (EC) No 479/2008, which regulated also protected designations of origin and geographical indications, traditional terms, the labeling and presentation of certain wine products.

The new Delegated Regulation (UE) 2019/934 of March 12, 2019 supplementing Regulation (EU) No 1308/2013 of the European Parliament and of the Council regarding wine-growing areas where the alcoholic strength may be increased, authorized oenological practices and restrictions applicable to the production and conservation of grapevine products, the minimum percentage of alcohol for by-products and their disposal, and publication of OIV files.

The Andalusian Regional Department of Agriculture, Fisheries and Rural Development has approved the Order dated August 2, 2013, which contains the Product Specification regarding the Protected Designation of Origin “Jerez-Xérès-Sherry”. This regulation contains the technical specifications of the products, compliance with which, must be verified to enable use of the protected name.

The Andalusian Regional Department of Agriculture, Fisheries, Water and Rural Development has approved by Order of 4 October 2022, the applications for ordinary amendments to the specifications of the Protected Designation of Origin 'Jerez-Xérès-Sherry'.

On December 8, 2023, the new European wine labelling regulation comes into force in accordance with Regulation (EU) 2021/2117 which amends the CMO (Regulation (EU) 1308/2013). It establishes as compulsory mentions the nutritional information on the physical and electronic label (except for the energy value, which must always be on the physical label) and the list of allergens, which must always be on the physical label.

### ***Spanish excise duty***

Total duty and excise tax payment made up about 60% of the average price of a bottle of brandy (which are in the range of more than 36° alcoholic degrees). For Spirits (less than 36° alcoholic degrees), taxes represent about 50% of the average price of a bottle. For Sherry Wines, we are in two ranges again, less than 15° alcoholic degrees on 20% of the final prices and higher on 23% of a final price of a bottle of Sherry Wine. These ratios were updated at the end of 2016 by the Spanish Government, at a 5% increase from 2015.

The regulations governing special taxes are Law 38/1992, of December 28, on Special Taxes and Royal Decree 1165/1995, of July 7, which approves the Regulation on Special Taxes.

By order HAC / 998 of September 23, 2019, the Spanish Ministry of Finance has modified the accounting of products subject to Special Manufacturing Taxes, whose entry into force was on January 1, 2020 with extension until December 31, 2020.

On the other hand, Order HAC/626 of July 6, 2020, has modified the Order HAC / 1271 of December 9, 2019, has approved the rules of development of the provisions of article 26 of the Regulation of Special Taxes, approved by Royal Decree 1165/1995, of July 7, on the new fiscal seals planned for derived beverages (Brandy and Spirits), whose entry into force has been on January 1, 2020.

Finally, Royal Decree 399/2021, of June 8 amends in its First Final Provision the Regulation on Excise Duties, approved by Royal Decree 1165/1995, of July 7. The first paragraph of letter a) of section 2 and section 11 are amended, and section 12 and the last paragraph of section 13 of article 26 of the Regulation of Excise Duties, approved by Royal Decree 1165/1995 are repealed: Placement of the seals in any visible place on the container in such a way that they cannot be reused and allowing the reading of the electronic security code that they incorporate, as well as the request for the electronic cancellation of the security codes for the deactivation of tax marks.

### ***Amendment of the Food Chain Law***

In 2021 the Spanish Food Chain Law has been amended by Law 16/2021 of December 14, in order to include the provisions of an EU Directive on unfair commercial practices in relations between companies in the agricultural and food supply chain. Among others, it requires from now onwards that the agreed price of the sale of products always covers production costs, to sign written contracts with regard to commercial transactions of more than 2,500 euros, broadens the catalog of prohibited unfair commercial practices and reinforces the sanctioning procedure.

### ***Spanish Competition Act***

Spanish Act 15/2007, of 3 July on the Defense of Competition (“**Spanish Competition Act**”) and its regulation approved by Royal Decree 261/2008 of 22 February provides competition rules in Spain. Spanish Competition Act prohibits agreements between undertakings that have the object of effect of restricting competition and the abuse of a dominant market position which are consistent with the competition provisions included in Article 101, 102 et seq. of the Treaty on the Functioning of the European Union (“**TFEU**”). In particular, Article 1 of the Spanish Act 15/2007, of 3 July, on Defense of Competition has the same purpose than the article 101 of the TFEU, precluding all the agreements and concerted practices between undertakings, whether “horizontal” (between parties operating at the same level of the economy, often actual or potential competitors) or “vertical” (between parties operating at different levels), which may affect trade and which have as their object or effect the prevention, restriction or distortion of competition within the Spanish market.

Agreements, decisions or concerted practices that are contrary to Article 1 of the Spanish Competition Act or Article 101 TFEU are illegal and void (unless an exemption applies).

In this regard, an agreement can be individually exempt from the general prohibition if it: (i) contributes to improving the production, commercialization, and distribution of goods and services, or to promoting technical or economic progress; (ii) allows consumers a fair share of benefits; (iii) does not impose on the undertakings concerned restrictions which are not indispensable to the attainment of these objectives; and (iv) does not provide the parties with the possibility of eliminating competition in respect of a substantial part of the products or services.

The Spanish Competition Act also introduces a leniency program in Spain, from which those

companies that participate in a cartel can benefit.

As regards vertical agreements, in order to avoid the prohibition of such legal provision, and without prejudice of the singular application of the criteria of Article 1, paragraph 3 (equivalent to Article 101.3 TFEU), it is directly applicable the Block Exemption Regulation on Vertical restraints (“**BER**”) approved by the Commission Regulation 330/2010 of 20 April 2010, on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of vertical agreements and concerted practices. BER will expire on 31 December 2022 and it will be replaced by a new EU regulation which draft is currently under review.

Block Exemption applies to restrict sales by wholesalers to end users and to allow wholesalers to sell to certain end users in that territory. to agreements (i) where both parties, the supplier and the buyer, meet the market share threshold of 30%; and (ii) that do not contain hardcore restrictions. As a general rule, the following constitute hardcore restrictions: prices fixing (except for recommendation prices), restrictions on passive sales (with some exceptions for selective distribution); restrictions on active sales (unless they concern the operation of an exclusive distribution system); restrictions of cross supplies; restrictions on components sales as spare parts to end-users. As regards territory restrictions, on the one hand, they are permitted in selective and exclusive distribution, on the other hand, suppliers are allowed.

Likewise, Spanish Competition Act sets out a merger control regime which is comparable in most respect to the Regulation (EC) no 139/2004 on the control of concentrations between undertakings (“**EUMR**”). In particular, each of them requires prior regulatory approval with respect to any concentration between undertakings that “*may potentially restrict competition*” (i.e. if certain turnover/market share thresholds are met).

As provided by both, Spanish Competition Act and EUMR, an economic concentration requires prior clearance by the relevant competition authority if the concentration “*may potentially restrict competition*” and, in particular, this requirement is deemed to be met if the concentration exceeds certain thresholds.

Pursuant to Spanish Competition Act, there are two alternative thresholds:

- Aggregate turnover of the Parties (as defined in paragraph 8(i)(a) above) in Spain exceeds €240 million in the last financial year, provided that each of at least two of such undertakings obtain in Spain a turnover exceeding €60 million; or
- The concentration results in an acquisition or increase of the Parties’ market share of at least 30% in the relevant market, except where the aggregate turnover in Spain does not exceed €10 million and provided that the Parties do not have, in aggregate or separately, a market share of at least 50% in any of the affected markets.

Provisions of TFEU and EUMR are directly applied in Spain as it is a member state of the EU. Finally, Article 3 of the Spanish Competition Act prohibits acts of unfair competition that affect public interest by distorting free competition.

Furthermore, the main Spanish trade practice rules are contained in the Act 7/1996 of 15 January, on Retail Trade Organization, and the Act 3/1991 of 10 January, on Unfair Competition, both amended by Act 29/2009 of 30 December, on implementation the Directive 2005/29/EC (“**Spanish Unfair Competition Act**”).

Regardless the different types of unfair competition practices set forth by the Spanish Unfair Competition Act (i.e. confusion, discredit, comparative acts, imitation, etc.), in general any of the parties would have carried out an unfair practice if it had executed “*any conduct objectively contrary to the demands of good faith and fair dealing*”, provided that: on the one hand, the conduct had been contrary to professional diligence; and on the other hand, the conduct had possessed the capacity to significantly or potentially distort the economic behaviour of the average member of the group targeted by the practice.

### **Advertising**

The advertising activity in Spain is subject to a wide range of regulations, both at national and regional level. In particular, the alcoholic beverages industry is one of the most regulated sectors in terms of

advertising, along with tobacco and underage advertising, aimed to protect public health, in an attempt to address the abuse of alcoholic beverages by promoting moderate and responsible consumption. Consequently, advertising alcoholic beverages has greater limitations when it comes to conducting advertising campaigns through the existing available media platforms.

The Spanish alcohol related advertising regulation applicable to all the Spanish territory are the following: (a) Law 34/1988, of November 11, 1988, on General Advertising (“**General Advertising Law**”); and (b) Law 7/2010, of 31 March 2010, on General Audio-visual Communication (“**General Audio-visual Communication Law**”).

Both General Advertising Law and General Audio-Visual Communication Law include provisions for the purposes of (a) preventing the advertising of alcoholic beverages over 20° alcoholic degrees by television or where the sale or consumption of such alcoholic beverages is not allowed; (b) allowing the advertising of alcoholic beverages under 20° alcoholic degrees by television only during the time between 8:30 p.m. and 6 a.m. of the following day; and (c) preventing the advertising of alcoholic beverages under 20° alcoholic degrees by any advertising media platform when it is directed at minors, encourages immoderate consumption or associates consumption with improved physical performance, social success or health.

Any breach of the General Audio-visual Communication Law may result in fines depending on whether the relevant breach is deemed minor, serious or very serious. Likewise, pursuant to the General Advertising Law certain third parties will be entitled to claim, among others, the cessation of the advertising allegedly deemed as unlawful and also damages arising therefrom in case of willful misconduct.

## **OTHER REGULATIONS**

### **GDPR**

The EU General Data Protection Regulation (“GDPR”) replaces the Data Protection Directive 95/46/EC and is designed to: harmonize data privacy laws across Europe; protect and empower all European Union (EU) citizens data privacy; and reshape the way organizations across the region approach data privacy.

The GDPR was approved and adopted by the EU Parliament in April 2016. The regulation took effect after a two-year transition period and came into force on May 25, 2018. The GDPR not only applies to organizations located within the EU but also applies to organizations located outside of the EU if they offer goods or services to, or monitor the behavior of, EU data subjects. It applies to all companies processing and holding the personal data of data subjects residing in the EU, regardless of the company’s location. Organizations can be fined up to 4% of annual global turnover for breaching GDPR or €20 Million for the most serious infringements.

Whyte and Mackay and Bodegas Fundador have put policies in place, consistent with GDPR requirements, well before the deadline of May 25, 2018, and these continue to be reviewed regularly.

In Spain, the Protection of Personal Data and the Guarantee of Digital Rights, which realigns the Spanish legal regime with the GDPR. The Company’s Spanish group ensured that the company policy in place are consistent with the organic law and data protection audits are made every year.

In the UK, the **Data Protection Act 2018** realigns the UK legal regime with the GDPR and ensures that the UK continues to be compliant with GDPR post-Brexit.

## **RESEARCH AND DEVELOPMENT**

The Group develops new products and regularly seeks to expand its existing product lines. The Group researches new processes and tests new equipment to maintain and improve the quality of its beverages. EDI has a research and development team who conducts extensive research and

development for new products, line extensions for existing products and for improved production, quality control and packaging, as well as consumer preferences, habits and trends.

Likewise, WMG is committed to research and development activities in order to secure its position as one of the market leaders in the production, marketing and distribution of Scotch whisky, vodka, liqueurs and other alcoholic drinks.

Bodegas Fundador is deeply engaged on new product development worldwide succeeding in making its products adapt to specific market preferences.

While research and development is important to the Group, the amounts spent on research and development activities in percentage to total revenues in each of the last three years are minimal.

## EMPLOYEES

The following table sets out the full-time employees of the Company as of December 31, 2022.

<b><i>EDI Group (Philippines)</i></b>	2044
<b><i>Whyte and Mackay (Scotland)</i></b>	658
<b><i>GES (Spain)</i></b>	193
<b><i>Domecq BLC (Mexico)</i></b>	118
<b>TOTAL</b>	<b>3013</b>

The Group intends to hire additional employees if the present workforce becomes inadequate to handle operations.

AWGI has a renewed five-year collective bargaining agreement with its production employees covering the period up to January 15, 2025, while Progreen entered into a five-year collective bargaining agreement with its rank-and-file employees assigned in the Balayan production plant covering the period up to October 31, 2025. The employees also agree to follow certain grievance procedures and to refrain from strikes during the term of the agreement.

Whyte and Mackay has wage agreements with both UNITE and GMB trade unions, generally for a 3-year period. The most recent 3-year deal took effect on January 1, 2021.

Bodegas Fundador, along with the rest of the companies in the Jerez region, has a Collective Labor Agreement with the members of the union board and employees. In October 2022, an agreement was reached for a new Collective Labor Agreement 2021-23. At the end of 2023, negotiations for another agreement, valid for the coming years, will commence. This demonstrates the commitment of all parties to work together towards a positive and prosperous future.

The Group gives full and fair consideration to the employment of disabled persons and women for suitable jobs, as well as their training, career development and promotion within the Group.

The Group has not experienced any disruptive labor disputes, strikes or threats of strikes, and management believes that the Group's relationship with its employees in general is satisfactory

## Financial Statements

The audited consolidated financial statements, together with Statement of Management's Responsibility and Auditors' Report, and supplementary schedules are attached and filed herewith.

The consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards ('PFRS'), 'on the historical cost basis except for the measurement of certain financial assets and liabilities. The preparation of the consolidated financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and related notes. The estimation and judgments are based upon management's evaluation of relevant facts and circumstances of the financial statements. Actual results may ultimately vary from those estimates.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section must be read in conjunction with the audited financial statements of the Group, including the related notes thereto.

### KEY PERFORMANCE INDICATORS

- Revenue growth – measures the percentage change in revenues over a designated period of time
- Net profit growth – measures the percentage change in net profit over a designated period of time.
- Gross profit margin (“GPR” or “GPM”) – computed as percentage of gross profit [which is sales less cost of sales] to sales – gives indication of pricing, cost structure and production efficiency.
- Net profit rate (“NPR” or “NPM”) – computed as percentage of net profit to revenues - measures the operating efficiency and success of maintaining satisfactory control of costs.
- Return on assets [or capital employed] (“ROA”) – the ratio of net profit to total assets - measures the degree of efficiency in the use of resources to generate net income
- Current ratio – computed as current assets divided by current liabilities – measures the ability of the business to meet its current obligations. To measure immediate liquidity, quick assets [cash, marketable securities, accounts receivables] is divided by current liabilities.

<i>In Million Pesos</i>				% growth yoy		
	2022	2021	2020	2022	2021	2020
Revenues and other income	₱ 62,767	₱ 55,936	₱ 52,834	12.2	5.9	2.5
Net profit [“NP”]*	₱ 10,212	₱ 10,148	₱ 8,037	0.6	26.3	17.6
Net profit to owners [“NPO”]*	₱ 10,061	₱ 9,971	₱ 7,967	0.9	25.2	18.5
Total assets	₱ 141,211	₱ 128,516	₱ 122,452	9.9	5.0	-2.9
Total current assets	₱ 77,394	₱ 64,945	₱ 61,961	19.2	4.8	-2.9
Quick assets	₱36,176	₱29,683	₱29,628	21.9	0.2	-5.8
Total current liabilities	₱ 28,350	₱ 23,523	₱ 25,808	20.5	-8.8	-9.3
GPR %	31.5	36.5	31.1			
NPR %	16.3	18.1	15.2			
NPOR %	16.0	17.8	15.1			
ROA %	7.2	7.9	6.6			
Current ratio	2.7x	2.8x	2.4x			
Quick ratio	1.3x	1.3x	1.1x			

### RESULTS OF OPERATIONS

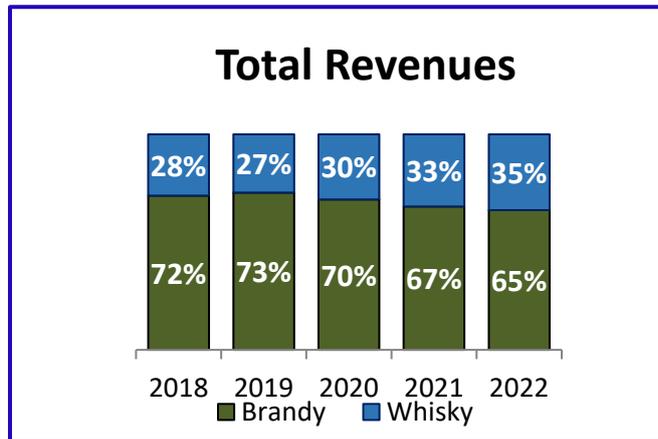
The COVID-19 pandemic lingers, but the global situation is improving with infections seen declining. About 90% of world population has acquired some form of immunity through vaccination or infection. By the second quarter of 2022, economies were reopening and travel resuming.

The challenges brought about by the pandemic since it started in March 2020 have significant impact on global economy and in many markets – it brought about changes in consumer behavior and demand, purchasing platforms, dynamics of market, rerouting of supply chain, and the government interventions particularly on health and safety protocols. As the situation improves, these health protocols and safety measures are loosened to permit economic recovery. The global economic recovery in 2022, however, was slowed down by the disruptions in global supply chains and in availability of key commodities resulting in inflationary uptrends attributed to the full-scale unprovoked

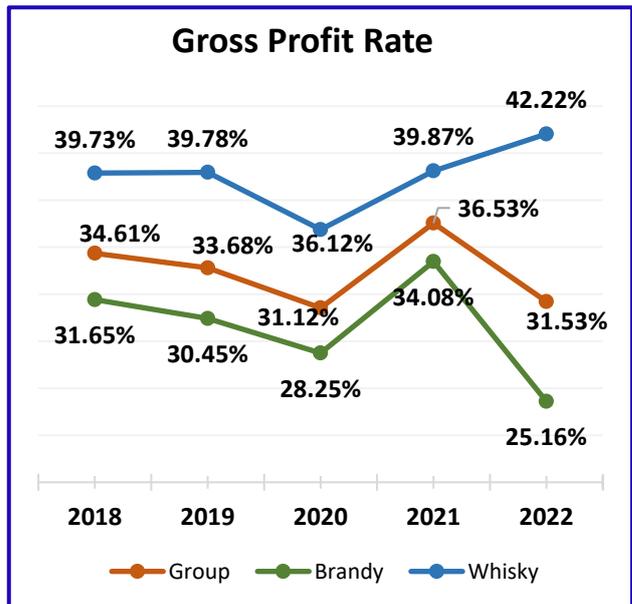
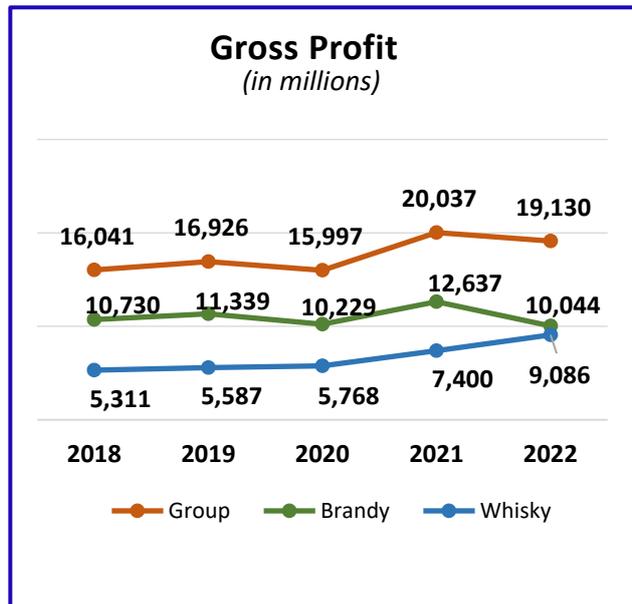
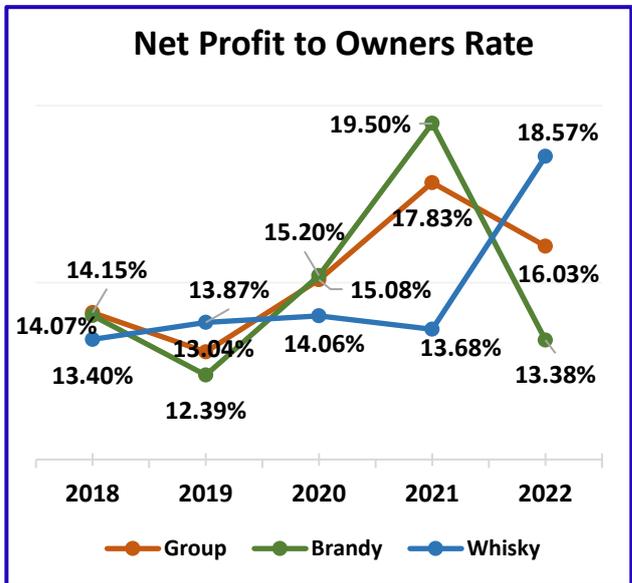
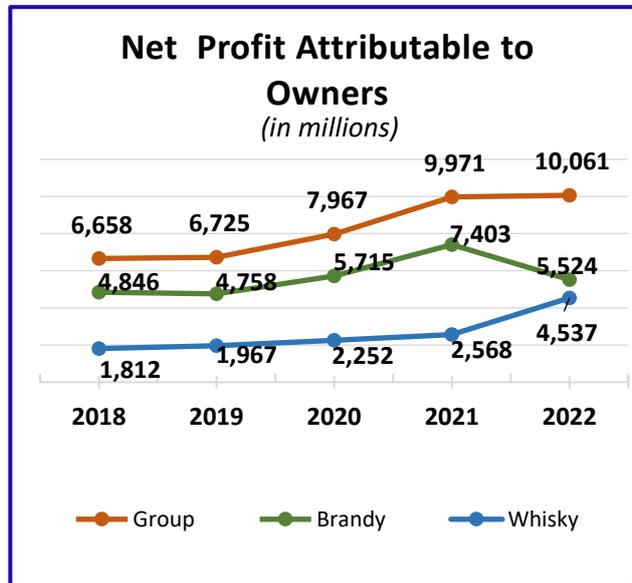
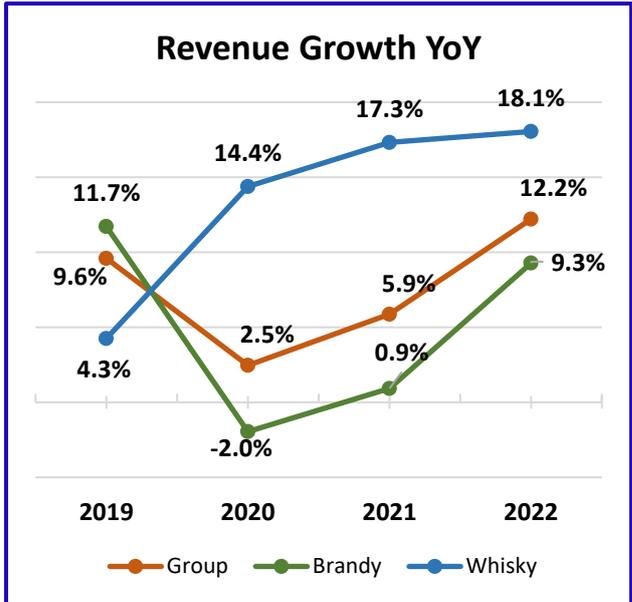
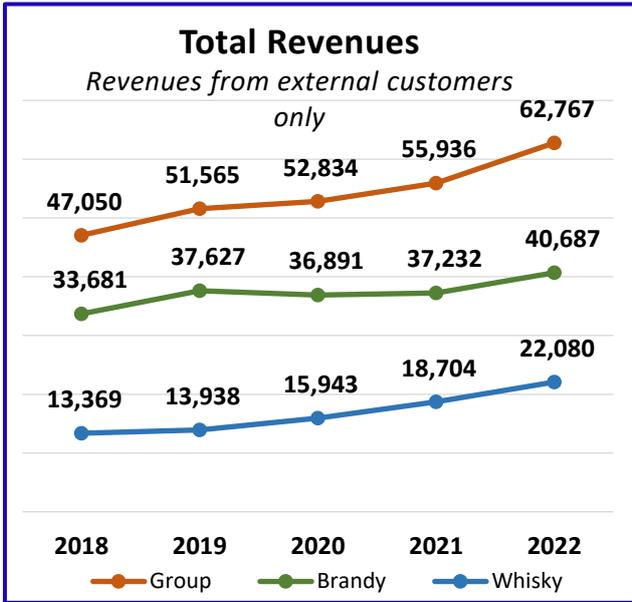
invasion of Ukraine in February 2022 and the trade sanctions imposed against Russia. In full year 2022, global GDP slowed to 3.2% (5.8% in 2021) while global inflation rose to 8.8% (3.5% in 2021).

Overall, the Group's global businesses had remained strong despite these disruptions as our consolidated operating results in the past three years 2020, 2021 and 2022 had grown.

Both segments showed sturdy results with Scotch Whisky segment gaining traction in the revenue pie.



The Group is presented into two segments: Scotch Whisky (representing the UK operations) and Brandy (representing the Philippine, Spanish and Mexican operations and all the rest).



In Million Pesos	2022	2021	YoY 2022	YoY %	2020	YoY 2021	YoY %
Revenue and other income	62,767	55,936	6,831	12.2%	52,834	3,102	5.9%
Brandy	40,687	37,232	3,455	9.3%	36,891	341	0.9%
Whisky	22,080	18,704	3,376	18.1%	15,943	2,761	17.3%
Gross profit ["GP"]	19,130	20,037	(907)	(4.5%)	15,997	4,040	25.3%
Brandy	10,044	12,637	(2,593)	(20.5%)	10,228	2,409	23.5%
Whisky	9,086	7,400	1,686	22.8%	5,768	1,631	28.3%
NP before tax	11,710	12,895	(1,185)	(9.2%)	9,436	3,459	36.7%
Brandy	6,568	8,894	(2,326)	(26.2%)	6,777	2,117	31.2%
Whisky	5,142	4,001	1,141	28.5%	2,659	1,342	50.5%
Tax expense	1,498	2,747	(1,248)	(45.4%)	1,399	1,348	96.3%
Brandy	893	1,314	(421)	(32.0%)	992	321	32.4%
Whisky	605	1,433	(828)	(57.8%)	407	1,026	252.4%
NP	10,212	10,148	63	0.6%	8,037	2,112	26.3%
Brandy	5,675	7,580	(1,906)	(25.1%)	5,785	1,796	31.0%
Whisky	4,537	2,568	1,969	76.7%	2,252	316	14.0%
NP to owners ["NPO"]	10,061	9,971	90	0.9%	7,967	2,004	25.2%
Brandy	5,524	7,403	(1,879)	(25.4%)	5,716	1,688	29.5%
Whisky	4,537	2,568	1,969	76.7%	2,252	316	14.0%
EBITDA	13,807	15,225	(1,418)	(9.3%)	11,552	3,673	31.8%
Brandy	8,090	10,713	(2,623)	(24.5%)	8,473	2,241	26.4%
Whisky	5,716	4,512	1,205	26.7%	3,079	1,432	46.5%
GP rate ["GPR"]	31.53%	36.53%			31.12%		
Brandy	25.16%	34.08%			28.25%		
Whisky	42.22%	39.87%			36.12%		
NP rate ["NPR"]	16.27%	18.14%			15.21%		
Brandy	13.74%	19.97%			15.38%		
Whisky	20.40%	13.68%			14.06%		
NPO rate ["NPOR"]	16.03%	17.83%			15.08%		
Brandy	13.38%	19.50%			15.20%		
Whisky	20.40%	13.68%			14.06%		
EBITDA margin	22.00%	27.22%			21.86%		
Brandy	19.59%	28.22%			22.53%		
Whisky	25.71%	24.04%			19.23%		

Notes: Numbers may not add up due to rounding. <sup>1</sup>Segment Revenues are from external customers only. <sup>2</sup>GPR is GP over Sales.

Brandy Segment							
In Million Pesos	2022	2021	YoY 2022	YoY %	2020	YoY 2021	YoY %
REVENUES AND OTHER INCOME- External	40,687	37,232	3,455	9.3%	36,891	341	0.9%
Intersegment	609	730	(122)	(16.7%)	714	16	2.3%
Total	41,296	37,962	3,333	8.8%	37,605	358	1.0%
Cost of Goods Sold - External	29,717	24,378	5,340	21.9%	25,913	(1,535)	(5.9%)
Intersegment	157	64	92	143.8%	70	(6)	(8.5%)
Total	29,874	24,442	5,432	22.2%	25,983	(1,541)	(5.9%)
Gross Profit ["GP"]	10,044	12,637	(2,593)	(20.5%)	10,228	2,409	23.5%
Other operating expenses	4,472	3,621	851	23.5%	4,432	(811)	(18.3%)
Selling and distribution expense	3,147	2,546	601	23.6%	3,321	(775)	(23.3%)
General and administrative expense	1,325	1,075	250	23.3%	1,111	(36)	(3.2%)
Interest and other charges	382	1,005	(624)	(62.1%)	413	593	143.6%
NP before tax	6,568	8,894	(2,326)	(26.2%)	6,777	2,117	31.2%
Tax expense	893	1,314	(421)	(32.0%)	992	321	32.4%
NP	5,675	7,580	(1,906)	(25.1%)	5,785	1,796	31.0%
NPO	5,524	7,403	(1,879)	(25.4%)	5,716	1,688	29.5%
EBITDA	8,090	10,713	(2,623)	(24.5%)	8,473	2,241	26.4%
GPR	25.16%	34.08%			28.25%		

Brandy Segment							
In Million Pesos	2022	2021	YoY 2022	YoY %	2020	YoY 2021	YoY %
NPOR	13.38%	19.50%			15.20%		
EBITDA Margin	19.59%	28.22%			22.53%		

Scotch Whisky Segment							
In Million Pesos	2022	2021	YoY 2022	YoY %	2020	YoY 2021	YoY %
REVENUES AND OTHER INCOME- External	22,080	18,704	3,376	18.1%	15,943	2,761	17.3%
Intersegment	157	64	92	143.8%	70	(6)	(8.5%)
Total	22,237	18,768	3,468	18.5%	16,013	2,755	17.2%
Cost of Goods Sold - External	11,824	10,431	1,393	13.4%	9,486	945	10.0%
Intersegment	609	730	(122)	(16.7%)	714	16	2.3%
Total	12,433	11,161	1,271	11.4%	10,200	962	9.4%
Gross Profit ["GP"]	9,086	7,400	1,686	22.8%	5,768	1,631	28.3%
Other operating expenses	4,364	3,425	939	27.4%	2,939	485	16.5%
Selling and distribution expense	3,058	2,294	764	33.3%	1,942	352	18.1%
General and administrative expense	1,306	1,131	175	15.5%	997	133	13.4%
Interest and other charges	298	181	117	64.5%	215	(35)	(16.0%)
NP before tax	5,142	4,001	1,141	28.5%	2,659	1,342	50.5%
Tax expense	605	1,433	(828)	(57.8%)	407	1,026	252.4%
NP	4,537	2,568	1,969	76.7%	2,252	316	14.0%
NPO	4,537	2,568	1,969	76.7%	2,252	316	14.0%
EBITDA	5,716	4,512	1,205	26.7%	3,079	1,432	46.5%
GPR	42.22%	39.87%			36.12%		
NPOR	20.40%	13.68%			14.06%		
EBITDA Margin	25.71%	24.04%			19.23%		

### Year Ended December 31, 2022 Compared With Year Ended December 31, 2021

The Group ended the year 2022 with revenues and other income growing 12% year-on-year ("YoY") to record-high of P62.8 billion, driven by the strong demand for the Group's diversified Scotch whisky and brandy products internationally. With higher-than-expected inflations, supply chain disruptions, logistics issues and increased advertising, strategic marketing and promotional spending, the Group realized a marginal increase of 1% year-on-year in both net profit ("NP") and net profit to owners ("NPO") reaching P10.2 billion and P10.1 billion, respectively. The Group kept its gross profit rate ("GPR") level at 32% with net profit rates at 16%.

The Brandy segment grew its revenues and other income from external customers by 9% YoY to P40.7 billion, attributable to a strong fourth quarter growth of 11% YoY and 54% quarter-on-quarter ("QoQ"). The easing of pandemic restrictions and resumption of travel from the second quarter helped improve sales results which remained strong in the Philippines, Mexico, Spain and North America. Higher costs, however, dampened the segment's GPR to 25%. With increased operating expenses and reduced tax expense, the segment realized NP and NPO of P5.7 billion and P5.5 billion, respectively, with NP rate ("NPR") and NPO rate ("NPOR") of 14% and 13%, respectively, as compared to profit rates of 20% a year ago.

The Scotch Whisky segment grew revenues and other income from external customers by 18% YoY to P22.1 billion, propelled by the high-margin single malt whiskies across most of its markets worldwide particularly in Europe, Asia and North America, following the easing of pandemic restrictions in most regions and opening of global travel retail trade. Supply chain challenges affected the segment's markets yet demand remained high as GPR reached 42%. With increased operating

expenses, largely promotional spends, and lower tax expense<sup>13</sup>, the segment realized NP of P4.5 billion for NPR of 20%, as compared to 14% a year ago.

### Revenues and Other Income

Total revenues and other income grew 12% (+P6.8 billion) year-on-year to P62.8 billion in 2022 as compared to P55.9 billion in 2021 as external revenues from Scotch Whisky segment and from Brandy segment grew by 18% (+P3.4 billion) and 9% (+P3.5 billion), respectively. 'Emperador', 'Fundador' and 'El Presidente' remained to be the Group's top selling Philippine, Spanish and Mexican brands, respectively while single malts 'The Dalmore', 'Jura' and 'Tamnavulin' were the Group's top selling Scotch Whisky brands during the current year.

In Million Pesos	2022	2021	YoY 2022	YoY %	2020	YoY 2021	YoY %
Other Income	2,096	1,091	1,005	92.1%	1,439	(348)	(24.2%)
Brandy	1,378	884	494	55.8%	1,394	(510)	(36.6%)
Whisky	718	207	511	247.1%	45	162	357.6%

Other income shot up 92% (+P1.0 billion) to P2.1 billion mainly due to higher unrealized foreign exchange gains and other operating income during the year.

### Costs and Expenses

Total costs and expenses went up 19% (+P8.01 billion) to P51.1 billion in 2022 from P43.0 billion in 2021, due to higher costs of sales and increased operating expenses in both segments.

#### Cost of Goods Sold

Costs jumped 19% (+P6.7 billion) to P41.5 billion from P34.8 billion a year ago, mainly due higher sales and inflationary pressures.

### Gross Profit

Gross profit rate on consolidated level was at 32% in 2022 as compared to 36% in 2021. This is largely attributed to cost-of-goods-sold growth (+19%) outpacing sales growth (+11%), which is largely attributed to inflationary pressures of rising costs. The GPRs of the Brandy and Scotch Whisky segments were respectively posted at 25% and 42% in 2022 as compared to 34% and 40% in 2021.

#### Other operating expenses

Other operating expenses expanded 25% (+P1.8 billion) to P8.8 billion from P7.0 billion due to increased business activities in global markets, including resumption of on-premise and face-to-face activities, and travel, following the opening of economies and loosening of pandemic restrictions. Advertising and promotions (+P1.0 billion), professional fees and other services (+P0.2 billion), transportation and travel (+P0.2 billion) and impairment loss on inventory (+P0.2 billion) went up YoY.

In Million Pesos	2022	2021	YoY 2022	YoY %	2020	YoY 2021	YoY %
Selling and distribution	6,205	4,840	1,365	28.2%	5,263	(423)	(8.0%)
Brandy	3,147	2,546	601	23.6%	3,321	(775)	(23.3%)
Whisky	3,058	2,294	764	33.3%	1,942	352	18.1%
General and Administrative	2,631	4,840	425	19.3%	2,108	97	4.6%
Brandy	1,325	1,075	250	23.3%	1,111	(36)	(3.2%)
Whisky	1,306	1,131	175	15.5%	997	133	13.4%
Total Operating Expenses	8,836	7,046	1,791	25.4%	7,371	(7,371)	(100.0%)

Selling and distribution expenses increased 28% (+P1.4 billion) from a year ago. Brandy segment spent 24% higher (+P0.6 billion) and Scotch Whisky segment 33% (+P0.8 billion) YoY, particularly on advertising and promotions, other services and travel and transportation for both segments. Salaries and employee benefits in Scotch Whisky segment also increased from last year.

<sup>13</sup> There was a tax adjustment made in 2021 on deferred tax assets and tax liabilities to effect the increase in corporation tax rates from 19% to 25% effective April 1, 2023, by Royal Assent received on June 10, 2021, resulting in increased deferred tax expense for 2021.

*General and administrative* expenses increased 19% (+P0.4 billion) from a year ago. Brandy segment's expenses grew 23% (+P0.2 billion) YoY and Scotch Whisky segment's expenses grew 16% (+P0.2 billion), particularly on their professional fees and outside services, and transportation and travel expenses. There is also an impairment recognized on certain Scotch Whisky inventory during the year.

### Interest and Other charges

Interest and other charges decreased 43% (-P0.5 billion) to P0.7 billion from P1.2 billion because there was no variable interest paid on the ELS this year [note: the Company was not able to declare dividends in 2022] and the unrealized foreign exchange losses in 2021 (gains in 2022).

*Interest expense* declined 22% (-P0.2billion) due to variable interest on ELS in 2021 (nil in 2022) while *Other charges* decreased 83% (-P0.3 billion) from unrealized foreign exchange losses of last year.

In Million Pesos	2022	2021	YoY 2022	YoY %	2020	YoY 2021	YoY %
Interest expense	611	783	(172)	(22.0%)	549	234	42.6%
Brandy	358	597	(239)	(40.1%)	441	156	35.3%
Whisky	253	186	67	36.1%	108	78	72.1%
In Million Pesos	2022	2021	YoY 2022	YoY %	2020	YoY 2021	YoY %
Other Charges	69	404	(335)	(82.9%)	80	(80)	(100.0%)
Brandy	24	409	(385)	(94.2%)	(28)	437	(1545.2%)
Whisky	45	(5)	50	(1104.7%)	108	(108)	(100.0%)

### Profit before Tax

As a result of the foregoing, profit before tax slid 9% YoY to P11.7 billion from P12.9 billion a year ago.

### Tax Expense

Tax expense deescalated 45% (-P1.2 billion) to P1.5 billion from P2.7 billion a year ago due to lower taxable income this year and the deferred tax adjustment last year, which was triggered by the Royal Assent increasing corporation tax in UK effective April 1, 2023.

In Million Pesos	2022	2021	YoY 2022	YoY %	2020	YoY 2021	YoY %
Tax Expense	1,498	2,747	(1,248)	(45.4%)	1,399	1,348	96.3%
Brandy	893	1,314	(421)	(32.0%)	992	321	32.4%
Whisky	605	1,433	(828)	(57.8%)	407	1,026	252.4%

### Net Profit

As a result of the foregoing, NP and NPO this year increased 1% to P10.2 billion and P10.1 billion, respectively.

### EBITDA

EBITDA, which is computed as profit before interest expense, tax, depreciation and amortization, went down 9% (-P1.4 billion) to P13.8 billion from P15.2 billion a year ago, showing respective margins of 22% and 27%, due to lower tax and interest expenses this year.

### Year Ended December 31, 2021 Compared With Year Ended December 31, 2020

**The Group** performed better in 2021 amidst a still volatile environment<sup>14</sup> anchored on the strength of its diversified portfolio and international operations.

Net profit in 2021 surged 26% year-on-year to a record-high of P10.1 billion, as revenues and other income jumped 6% year-on-year to P55.9 billion. Net profit to owners accelerated to P10.0 billion, up 25% year-on-year. Gross profit rate ("GPR") improved to 36% from 31% a year ago, and net profit rate ("NPR") and net profit to owners rate ("NPOR") higher at 18% this year as compared to 15% a year ago.

The **Brandy segment** realized net profit of P7.6 billion during the year, up 31% year-on-year, as it turned over P37.2 billion revenues and other income from external customers, up 1% year-on-year. Brandy sales grew year-on-year at both the Philippine and international markets, particularly in Mexico, Spain and USA where restriction on on-trade business have loosened up. 'Emperador', 'Fundador', 'Presidente', and 'Terry' remained as the top-selling brandy brands, with sales increases registered during the year. Sales of 'Harveys Bristol Cream' also rose as it sold well in UK. Gross profit expanded 24% year-on-year to P12.6 billion with GPR improving to 34% from 28% of a year ago as more of high-margin products were sold in the current year. The higher GP and lower operating costs lifted both NP and NPO to P7.6 billion and P7.4 billion, respectively, with NPR and NPOR of 20% in the current year as compared to 15% a year ago.

The **Scotch Whisky segment** ended the year with P18.7 billion revenues and other income from external customers, a 17% jump year-on-year, with net profit [also its net profit to owners] growing at 14% year-on-year to P2.6 billion. Adding back a non-cash deferred tax expense, *normalized* net profit amounted to P3.2 billion which is up 44% from a year ago, buoyed by its single malt products. Single malts 'Dalmore', 'Jura', 'Tamnavulin' and 'Fettercairn' continued to post double-digit year-on-year growths in net net sales. There were large increases in Asia, UK, Europe, USA, Travel Retail, and practically all regions as economies began to bounce back against the pandemic although some countries were re-imposing restrictions in response to new COVID variants. UK off-trade and e-commerce continued to grow as demands remained high. Gross profit expanded 28% year-on-year to P7.4 billion with GPR improving to 40% from 36% last year as sales grew faster than cost of goods sold due mainly to product sales mix (sales of high-priced/ high-margin products increased). As markets opened up and sales grew, operating expenses increased. The segment ended with NPR of 14% and normalized NPR of 17% as compared to 14% of last year.

### Revenues and Other Income

Total revenues and other income grew 6% (+P3.1 billion) year-on-year to P55.9 billion in 2021 as compared to P52.8 billion in 2020 as external revenues from Scotch Whisky segment and from Brandy segment grew by 17% (+P2.8 billion) and 1% (+P0.3 billion), respectively. 'Emperador', 'Fundador' and 'El Presidente' remained to be the Group's top selling Philippine, Spanish and Mexican brands, respectively while single malts 'The Dalmore', 'Jura' and 'Tamnavulin' were the Group's top selling Scotch Whisky brands in 2021.

In Million Pesos	2021	2020	YoY 2021	YoY %
Other Income	1,091	1,439	(348)	(24.2%)
Brandy	884	1,394	(510)	(36.6%)
Whisky	207	45	162	357.6%

*Other income* dipped 24% (-P0.3 billion) to P1.1 billion in 2021 from P1.4 billion a year ago due to lower share in net income of BLC, lower foreign exchange gains and lower interest income during the year.

### Costs and Expenses

Total costs and expenses remained stable at P43.0 billion in 2021 from P43.4 billion a year ago, down 0.8% (-P0.4 billion) year-on-year, as Scotch Whisky business' costs and expenses, including intersegment purchases, expanded 11% (+P1.4 billion) and those of Brandy business contracted 6% (-P1.8 billion).

### Cost of Goods Sold

Costs slid 2% (-P0.6 billion), to P34.8 billion from P35.4 billion a year ago due to product sales mix (sale of high-priced/high-margin products).

### Gross Profit

Gross profit rates on consolidated level improved to 36% in 2021 as compared to 31% in 2020. This is largely attributed to sales growth (+7%) outpacing cost of goods sold (-2%), which is further attributed to sales product mix. The GPRs of the Brandy and Scotch Whisky segments were respectively posted at 34% and 40% in 2021 as compared to 28% and 36% in 2020.

### Other operating expenses

Other operating expenses shrank 4% (-P0.3 billion) to P7.0 billion from P7.4 billion because of optimized spending in the current lockdown situation and travel restrictions, especially in the Philippines. Advertising and promotions (-P0.1 billion), freight and handling (-P0.1 billion), and other services (-P0.1 billion) were down year-on-year. Salaries and employee benefits, on the other hand, went up (+P0.1 billion) year-on-year due to increased business activity from a year ago.

In Million Pesos	2021	2020	YoY 2021	YoY %
Selling and distribution	4,840	5,263	(423)	(8.0%)
Brandy	2,546	3,321	(775)	(23.3%)
Whisky	2,294	1,942	352	18.1%
General and Administrative	4,840	2,108	97	4.6%
Brandy	1,075	1,111	(36)	(3.2%)
Whisky	1,131	997	133	13.4%
Total Operating Expenses	7,046	7,371	(7,371)	(100.0%)

*Selling and distribution* expenses decreased 8% (-P0.4 billion) in 2021 from a year ago. Brandy segment optimized its expenditures reflective of the current situation, and had spent 23% less (-P0.8 billion) year-on-year, particularly on Emperador's advertising and promotions, freight and handling, representation and merchandising service fees. On the other hand, Scotch Whisky segment had resumed its expenditures and spent 18% more (+P0.4 billion), particularly on strategic and promotional marketing and freight and handling in the light of its growing sales.

*General and administrative* expenses increased 5% (+P0.1 billion) from a year ago. Brandy segment's expenses remained stable while Scotch Whisky segment's expenses grew on its salaries and employee benefits from a year ago.

### Interest and Other charges

Interest and other charges increased 89% (+P0.6 billion) to P1.2 billion from P0.6 billion due to higher interest expense and unrealized foreign exchange losses. *Interest expense* increased 43% (+P0.2 billion) due to higher variable interest on ELS (due to 3 dividend declarations) during the year while *Other charges* increased 5times (+P0.3 billion) from unrealized foreign exchange losses.

In Million Pesos	2021	2020	YoY 2021	YoY %
Interest expense	783	549	234	42.6%
Brandy	597	441	156	35.3%
Whisky	186	108	78	72.1%

In Million Pesos	2021	2020	YoY 2021	YoY %
Other Charges	404	80	(80)	(100.0%)
Brandy	409	(28)	437	(1545.2%)
Whisky	(5)	108	(108)	(100.0%)

### Profit before Tax

As a result of the foregoing, profit before tax in 2021 improved 37% to P12.9 billion from P9.4 billion a year ago.

### Tax Expense

Tax expense went up 96% (+P1.3 billion) to P2.7 billion from P1.4 billion a year ago due to higher taxable income attributed to robust sales and the take-up of P0.7 billion deferred tax adjustment on intangible assets at consolidation level, which was triggered by the increase in corporation tax in UK (effective April 1, 2023)(that received Royal Assent in June 2021). The said tax adjustment is a non-cash item, does not affect UK stand-alone operating results and will never be paid in the far future unless the UK business is sold or liquidated.

In Million Pesos	2021	2020	YoY 2021	YoY %
Tax Expense	2,747	1,399	1,348	96.3%
Brandy	1,314	992	321	32.4%
Whisky	1,433	407	1,026	252.4%

### **Net Profit**

As a result of the foregoing, net profit soared 26% (+P2.1 billion) to P10.1 billion in 2021 from P8.0 billion in 2020. Net profit to owners jumped 25% to P10.0 billion from P8.0 billion last year.

### **EBITDA**

EBITDA, which is computed as profit before interest expense, tax, depreciation and amortization, went up 32% (+P3.7 billion) to P15.2 billion in 2021 from P11.6 billion in 2020, showing respective margins of 27% and 22%.

### **Year Ended December 31, 2020 Compared With Year Ended December 31, 2019**

The year 2020 was marked by the challenges attributed to COVID-19 pandemic that prompted key changes in consumer attitudes and revolutionized the market landscape. The outbreak of COVID-19, a novel strain of coronavirus, spread fast worldwide. What was declared as a '*public health emergency of international concern*' in January soon became a *pandemic* in March [WHO's declaration made on March 11], as it had reached 114 countries and territories, including the Philippines, Spain and UK where the Group operates. The pandemic has affected 222 countries and territories and only fourteen countries and territories have no reported cases of COVID-19 as of January 31, 2021. The governments across the world responded immediately and implemented extensive measures at varying degrees, such as travel bans/restrictions, lockdowns, home isolation (stay-at-home orders), physical distancing (including in work places), limited gathering and closing of non-essential businesses (all types of recreational venues and most public places included). Almost the whole country was under lockdown from the second half of March 2020, which paralyzed all non-essential business activities, and liquor bans were imposed by most localities. Restrictions have started to ease through a four-phase program from mid-May, as the governments tried to balance economic and health concerns. Our local operations have resumed in accordance with government directives, amidst localized lockdowns and liquor bans across the country. Spain, UK and Mexico have localized lockdowns and substantially closed on-trade business, yet our plants keep operating. These stay-at-home occasions plus the health awareness concerns prompted key changes that pivot to off-trade and e-commerce channels. Safety health protocols of wearing face mask (plus face shield in the Philippines), maintaining social distance and frequent hand washing/disinfection stayed on as a must-do-everyday routine [and continuing as of the date of this report]. It is in this general background that the Group operated in 2020.

**The Group** exhibited strong results during the year 2020 amidst the pandemic challenges. Net profit to owners soared 18% year-on-year to a record-high of P8.0 billion while revenues went up 2% year-on-year to P52.8 billion, attesting to the strength of the Group's diversified portfolio and global operations. While on-trade and global travel retail had been affected by the lockdowns and dry law implementation, the Group took advantage of the buoyant off-trade and e-commerce channels as well as new open markets to increase sales. Emperador was able to navigate through the challenges, adapting to the new consumption trends and streamlining efficiencies. Gross profit margin remained healthy at 31% while net profit to owners margin was higher at 15% as compared to 13% in 2019.

**The Brandy segment** realized a 20% soar in net profit to owners to P5.7 billion in 2020 from P4.8 billion in 2019 as it turned over P36.9 billion revenues from external customers, a 2% dip year-on-year. The business was affected by the two-month hard lockdown from mid-March up to mid-May, when local production and distribution were completely suspended in compliance with government directive, and the liquor bans imposed in most localities. While Bodegas Fundador was able to continue its regular production and distribution in Jerez, on-trade sales was affected but off-trade and e-commerce were strong and international market resilient. When borders began opening up in June, sales picked up in Europe, Asia and Americas. 'Fundador Light' and 'Fundador Double Light' were made available in North America. 'Terry Centenario' remained as the fastest growing brandy and market leader in Spain cornering about one-fourth of the market. 'Tres Cepas' expanded market share in Guinea and Cameroon. 'Emperador' garnered a leading 37% share of the market volume of the top three local manufacturers in the Philippines. The segment's gross profit margin slightly moved

to 28% due to product mix and spike of cost inputs from abroad. The segment's net profit to owners' rate improved to 15% as the group observed prudence in its operating expenditures.

The **Scotch Whisky segment** ended the year 2020 with P16.0 billion revenues to external customers, a 14% surge year-on-year, with net profit to owners growing at the same 14% pace year-on-year to P2.3 billion. Business in UK accelerated in 2020 as consumers sought out our brands in the off-trade and e-commerce channels while on-trade was effectively shut March-July and restrictions reimposed (so that not all premises were open) from November. Single malts 'Jura' and 'Tamnavulin' captured the first and fifth positions of fastest-growing malt brands in UK while blended 'Whyte & Mackay' captured the fastest-growing blended whisky brand, as their sales soared to double-digit growths in UK. Similarly, sales of 'Harveys' had increased in UK. As markets opened up, exports to Asia picked up from second quarter continuing through the rest of the year with large orders for 'Dalmore' and 'Fettercairn'. While markets from Europe, Latin America, Africa and Middle East had been affected by the varying stages and degrees of lockdown, good growths were seen in North America and developing markets for 'Dalmore', 'Jura' and 'Tamnavulin', and in Europe for 'Dalmore', 'Tamnavulin' and 'Fettercairn'. Global Travel Retail was the most challenged channel as most airports have remained closed and restricted. The segment's gross profit margin was registered at 36% primarily due to shift in product mix. Tight control on strategic marketing and other operating expenses (normally associated with on-trade and Travel Retail) boosted net profit and net profit rates.

### **Revenues**

Total revenues grew 2% year-on-year to record-high P52.8 billion in 2020 as compared to P51.6 billion in 2019 as Scotch Whisky segment's external revenues grew 14% and Brandy's dipped 2%. The Group's on-premise channel had been affected by the lockdowns and liquor bans while off-premise and e-commerce channels flourished. 'Emperador', 'Terry' and 'El Presidente' remained to be the Group's top selling Philippine, Spanish and Mexican brandy brands, respectively. Single malts 'The Dalmore', 'Jura' and 'Tamnavulin' were the Group's top selling Scotch Whisky brands.

*Other income* went up 10% to P1.4 billion from P1.3 billion in 2019 due to higher scrap sales, gain on sale of securities and unrealized foreign exchange gains recorded for this year.

### **Costs and Expenses**

Total costs and expenses remained stable at P43.4 billion in 2020 from P43.1 billion in 2019, up 0.7% year-on-year, as Scotch Whisky business' costs and expenses, including intersegment purchases, expanded 12% (P1.4 billion) and those of Brandy business contracted 4% (-P1.3 billion).

### **Cost of Goods Sold**

Costs increased 6%, which was faster than sales growth due to product mix and spike of cost inputs from abroad.

### **Gross Profit**

Gross profit rates ("GPR") on consolidated level remained healthy at 31% in 2020 and 34% in 2019. The slight swing was attributed to product mix, spike of cost inputs abroad and promotional bundling, especially towards the last quarter of the year in time for the Christmas season. The GPMs of the Brandy and Scotch Whisky segments were respectively posted at 28% and 36% in 2020 as compared to 30% and 40% in 2019.

### **Other operating expenses**

Other operating expenses decelerated 18% (-P1.6 billion) to P7.4 billion from P8.9 billion, mainly from reduced advertising and promotions as brand and marketing support were controlled; depreciation and amortization, due to right-of-use assets; professional fees, largely relating to loan refinancing and contracted services; and travel and transportation, due to lockdown and travel bans.

### **Interest and Other charges**

Interest expense went down 30% (-P0.2 billion) due to principal amortizations paid during the year 2020. Other charges went up slightly (+P0.05 billion) to P0.08 billion due to foreign exchange losses realized during the year.

### **Profit before Tax**

As a result of the foregoing, profit before tax improved 11% to P9.4 billion from P8.5 billion.

### **Tax Expense**

Tax expense decreased 15% (-P0.2 billion) to P1.4 billion from P1.6 billion due to lower taxable income and temporary differences for deferred tax.

### **Net Profit**

As a result of the foregoing, net profit soared 18% (P1.2 billion) to P8.0 billion from P6.8 billion in 2019. Net profit to owners jumped 18% as well to P8.0 billion from P6.7 billion last year.

### **EBITDA**

EBITDA, which is computed as profit before interest expense, tax, depreciation and amortization amounted to P11.6 billion and P10.8 billion for 2020 and 2019, respectively, showing margins of 22% and 21% in respective years.

## **FINANCIAL CONDITION**

### **December 31, 2022 and 2021**

Total assets amounted to P141.2 billion as at December 31, 2022, up 10% (+P12.7 billion) from P128.5 billion as at December 31, 2021. The Group is strongly liquid with current assets exceeding current liabilities 2.7 times by the end of the current year.

Cash and cash equivalents increased 36% (+P3.4 billion) mainly from higher net cash from operating activities than net cash used in financing and investing activities, driven by the increase in net profit and in trade and other payables.

Trade and other receivables went up 14% (+P2.8 billion) due to increase in trade receivables (+P1.6 billion) from fourth quarter sales and advances to suppliers (+P0.9 billion).

Financial assets at fair value through profit or loss of P0.003 billion at the beginning of the year rose to P0.3 billion at the end of the year due to marketable securities held for trading acquired during the year.

Inventories expanded 16% (+5.3 billion) primarily from the continuous laying of Scotch whisky liquids for ageing (under work-in-process) and advanced production to ensure continuity of dispatch and purchases of raw materials and packaging materials to ensure continuity and availability of supply.

Prepayments and other current assets climbed 54% (+P0.7 billion) due mostly to timing of prepayments for overhead and general expenses (+P0.7 billion), taxes (+P0.1 billion) while and deferred input vat fell (-P0.2 billion) at the end of 2022.

Property, plant and equipment increased 5% (+P1.4 billion) mainly from capital expenditures for machinery and equipment (+P1.4 billion) and buildings (+P1.7 billion), which included a bottling hall property in UK. Capital expenditures were regularly made to expand operations and efficiency as well as upgrade and improve manufacturing facilities and equipment. In 2022, about 70% of capital expenditures were in UK.

Investment in a joint venture decreased 6% (-P0.2 billion) due to dividend received and translation gain adjustment recorded during the year.

Retirement benefit assets fell 45% (-P0.4 billion) due to changes in financial assumptions and foreign exchange adjustments.

Deferred tax assets decreased 35% (-P0.05 billion) due to movements of timing differences.

Other non-current assets went down 87% (-P0.7 billion) due to reversal of property mortgage receivable upon acquisition of the subject property and reduction in refundable security deposits.

Current Interest-bearing loans climbed 13% (+P0.4 billion) and the non-current portion fell 7% (-P1.5 billion), for combined decrease of P1.04 billion, due to net repayment of bank loans.

Trade and other payables increased 24% (+P4.2 billion), mainly due to timing of purchases for production (+P2.6 billion) and expense accruals (+P1.9 billion), reduced by utilization of output vat (-P0.5 billion).

Lease liabilities were accounts brought about by the adoption of PFRS 16-Leases beginning January 1, 2019. The current and non-current portions amounted to P0.2 billion and P0.4 billion, respectively, at end of 2022, up 3% (+P0.005 billion) and down 57% (-P0.5 billion), respectively, primarily due to reclassifications of current portion and reversal relating to an acquired leased property during the year. [See Notes 9.3 and 2.16(a) to the Consolidated Financial Statements]

Income tax payable increased 6% (+P0.1 billion) primarily from higher income taxes by the Group at current year-end.

Provisions refer to the amounts provided by WMG for leased properties located in Scotland. Provisions went down 38% (-P0.2 billion) mainly due to release of provision for dilapidations on the acquired bottling hall property [see Notes 17, 2.14 and 3.2(k) to the Consolidated Financial Statements]

Equity attributable to owners of the parent company increased by 12% (+P9.7 billion) mainly from net profit (+P10.1 billion) realized during the year and additional legal reserves (+P0.3 billion) as reduced by translation adjustments (-P0.4 billion) and revaluation reserves (-P0.3 billion)

*Accumulated translation adjustments* refer to the difference resulting in the translation of the foreign subsidiaries' financial statements to Philippine pesos. Monetary assets and liabilities are translated at the closing rate and income and expenses at average exchange rates. The accumulated balance of the account is reflective of the depreciation in the value of Philippine peso and/or foreign currencies.

*Treasury shares* pertain to the acquisition cost of the shares that have been brought back from the market pursuant to the Company's buyback program. The account also included shares held by a subsidiary.

*Share options* pertain to the options granted to qualified employees of the Group pursuant to an approved employee share option plan. The increment of 42% (+P76 million) was a result of recognition of additional share options expense during the year both from existing and additional employee granted under the employee share option plan during the year.

*Revaluation reserves* were depleted by P0.3 billion due to actuarial revaluation on retirement benefit obligations booked by WMG.

*Other reserves* include legal reserves that represent the statutory requirements in Luxembourg which comprise of net wealth tax reserve and capital reserve at year-end.

Non-controlling interest increased 20% (+P0.2 billion) mainly from net profit share (+P0.2 billion) realized by minority owners in DBLC, a foreign subsidiary consolidated by end-2017 and in Boozy, a local company consolidated starting in 2018.

### **December 31, 2021 and 2020**

Total assets amounted to P128.5 billion as at December 31, 2021, up 5% (+P6.1 billion) from P122.5 billion as at December 31, 2020. The Group is strongly liquid with current assets exceeding current liabilities 2.8 times by the end of 2021.

Cash and cash equivalents increased 23% (+P1.8 billion) mainly from higher net cash from operating activities than net cash used in financing and investing activities, driven by the increase in net profit and in trade and other payables.

Trade and other receivables decreased 8% (-P1.7 billion) due to collection from trade customers (-P1.0B) and collection of advances to related parties (-P2.2 billion) while advances to suppliers accelerated due to increased production inventory requirements (+P1.1 billion).

Financial assets at fair value through profit or loss of P0.05 billion at the beginning of 2021 slipped 94% due to mark-to market valuation of the marketable securities held for trading to P0.003 billion by the end of the year.

Inventories expanded 10% (+P3.1 billion) primarily from the continuous laying of Scotch whisky liquids for ageing (under work-in-process) and advanced production to ensure continuity of dispatch.

Prepayments and other current assets fell 9% (-P0.1 billion) due mostly to timing of prepayments for overhead and general expenses (-P0.3 billion), taxes (+P0.1 billion) and deferred input vat (+P0.1 billion) at the end of 2021.

Investment in a joint venture increased 6% (+P0.2 billion) from share in net income of BLC and translation adjustment during the year.

Deferred tax assets decreased 8% (-P0.01 billion) due to movements of timing differences.

Property, plant and equipment went up 5% (+P1.4 billion) brought about by land acquisitions (+P0.6 billion) which were reclassified from Advances to suppliers during the year (see Note 23.10 to the Consolidated Financial Statements) and capital expenditures mainly for buildings (+P0.7 billion) and machinery and equipment (+P0.3 billion). Capital expenditures were regularly made to expand operations and efficiency as well as upgrade and improve manufacturing facilities and equipment.

Other non-current assets went down 40% (-P0.5 billion) due to reclassification of Advances to suppliers to Land account (-P0.6 billion) as transfers of ownership title were finalized during the year, offset by the increase in rental deposits (+P0.04 billion).

Retirement benefit assets (obligations) made an upswing 354% (+P1.3 billion) to P0.9 billion from P0.4 billion liability at the beginning of the year, as fair value of retirement plan assets exceeds the present value of the obligation.

Current Interest-bearing loans went down 36% (-P1.9 billion) and the non-current portion by 15% (-P3.7 billion), for combined decrease of P5.5 billion, from net repayment of bank loans.

Trade and other payables increased 17% (+P2.6 billion), mainly due to timing of purchases for production (+P2.3 billion).

Equity-linked debt securities amounting to P3.4 billion was derecognized and presented as Deposit on Future Stock Subscription since the Holder exercised its right to Tranche 2 conversion.

Lease liabilities were accounts brought about by the adoption of PFRS 16-Leases beginning January 1, 2019. The current and non-current portions amounted to P0.2 billion and P0.9 billion, respectively, at end of 2021, up 18% (+P0.03 billion) and down 31% (-P0.4 billion), respectively, due to payments and reclassifications of current portion during the year. [See Notes 9.3 and 2.16(a) to the Consolidated Financial Statements]

Income tax payable escalated 23% (+P0.4 billion) primarily from higher income taxes by the Group at the end of 2021 which is further attributed to higher taxable profit.

Provisions refer to the amounts provided by WMG for leased properties located in Scotland. Provisions went up 81% (+P0.2 billion) mainly due to increase in dilapidations provision coming from contingent liability. [See Notes 17, 2.14 and 3.2(k) to the Consolidated Financial Statements]

Deferred tax liabilities increased 54% (P1.2 billion) due to movements of timing differences, largely from retirement benefit, brand valuation and fair value adjustments in UK.

Equity attributable to owners of the parent company increased by 17% (+P11.1 billion) mainly from net profit (+P10.0 billion) realized during the year as reduced by dividends declared (-P5.1 billion) and net treasury shares acquired (-P1.0 billion) during the year as well as translation gains (+P2.9 billion) and the recognition of the equity component of the equity-linked securities presented under Deposit on Future Stock Subscription (+P3.4 billion). The Group was given a period until May 15, 2022 to issue the Tranche 2 shares [note: subsequently modified in 2022 to August 12, 2023].

*Accumulated translation adjustments* refer to the difference resulting in the translation of the foreign subsidiaries' financial statements to Philippine pesos. Monetary assets and liabilities are translated at the closing rate and income and expenses at average exchange rates. The accumulated balance of the account is reflective of the depreciation in the value of Philippine peso and/or foreign currencies.

*Treasury shares* pertain to the acquisition cost of the shares that have been brought back from the market pursuant to the Company's buyback program. The account also included shares held by a subsidiary.

*Share options* pertain to the options granted to qualified employees of the Group pursuant to an approved employee share option plan. The increment of 32% (+P45 million) was a result of recognition of additional share options expense during the year both from existing and additional employees granted under the employee share option plan during the year.

*Revaluation reserves* gained P0.8 billion due to actuarial gain on retirement benefit obligations booked by WMG.

*Other reserves* include legal reserves that represent the statutory requirements in Luxembourg which comprise of net wealth tax reserve and capital reserve at year-end.

Non-controlling interest increased 28% (+P0.2 billion) mainly from net profit share (+P0.2 billion) realized by minority owners in DBLC, a foreign subsidiary consolidated by end-2017 and in Boozy, a local company consolidated starting in 2018.

### **December 31, 2020 and 2019**

Total assets amounted to P122.5 billion as at December 31, 2020, 3% lower than P126.0 billion as of December 31, 2019, which is primarily coming from trade and other receivables, prepayments and other current assets, and property, plant and equipment accounts. The Group is strongly liquid with current assets exceeding current liabilities 2.4 times by the end of the current year.

Cash and cash equivalents were depleted 2% or by P0.2 billion mainly from net cash used in financing and investing activities that exceeded net cash from operating activities, mainly attributed to payments for dividends, treasury shares and loans.

Trade and other receivables decreased 7% of P1.7 billion due to collection from trade customers and deliveries from suppliers where advances were previously made.

Financial assets at fair value through profit or loss of P52 million at the end of the current year pertained to instruments acquired during the current year.

Prepayments and other current assets fell 27% or P0.5 billion due mostly to timing of prepayments such as lower general prepayments, deferred input vat and prepaid taxes at the end of 2020.

Investments in a joint venture increased 9% or P0.3 billion from share in net income of BLC and translation adjustment during the year.

Property, plant and equipment contracted 9% or P2.6 billion primarily from additional depreciation and amortization and reclassification of assets as held for sale. There was little construction activity due to lockdown restrictions during the year. There was also a remeasurement of right-of-use assets ('ROUA') that reduced carrying amount of the ROUA and lease liabilities during the current year. [See Notes 9 and 13]

Deferred tax assets increased 136% or P0.08 billion, attributable to timing differences from local companies mainly on their lease liabilities in excess of their right-of-use assets.

Non-current assets held for sale of P1.0 billion pertained to land and building intended for sale in the following year. These were reclassified from Property, Plant and Equipment. [See Notes 3.1(g) and 13]

Retirement benefit assets reported at end-2019 (P0.2 billion) reversed to retirement benefit obligation at end-2020 (P0.4 billion) 264% or P0.6 billion, from actuarial liability booked in the current year by UK.

Other non-current assets went up 27% or P0.3 billion from advances to suppliers, specifically the payment made on the purchase of a parcel of land (see note 23.10).

Current Interest-bearing loans went down 20% or P1.4 billion and the non-current portion by 1% or P0.2 billion, for combined decrease of P1.6 billion, from net repayment of bank loans and effect of translation adjustment of foreign loans.

Trade and other payables dipped 10% or P1.8 billion, mainly from settlement of trade payables representing obligations to various suppliers of raw materials such as alcohol, molasses, flavorings and other supplies; offset by increase in accruals incurred by the group at years-end.

Equity-linked debt securities went down to P3.4 billion from P5.3 billion a year ago (current and non-current) due to conversion of P1.8 billion into common shares in February 2020 by the Holder. The P3.4 billion balance will mature in December 2021.

Current and non-current lease liabilities were accounts brought about by the adoption of PFRS 16- Leases beginning January 1, 2019. These amounted to P0.1 billion and P1.3 billion, respectively, at end of the current year, down 43% (P0.1 billion) and 25% (P0.4 billion) due to payments made during the year. [See Notes 9.3 and 2.16(a) to the Consolidated Financial Statements]

Dividends payable pertained to unpaid dividends at beginning of the year, presented net of final withholding tax, which were payable and paid on January 20, 2020. There was no similar obligation at end-2020.

Financial liabilities at fair value through profit or loss of P0.01 billion at beginning of the year matured at various points during the current year. There was no similar obligation at end-2020.

Income tax payable dropped 12% or P0.2 billion primarily from lower unpaid income taxes by the Group at current year-end.

Provisions refer to the amounts provided by WMG for leased properties located in Scotland. Provisions went up 35% or P0.06 billion mainly due to increase in dilapidations provision and onerous lease provision arising from adjustment in assumptions attributable to covid-19. [See Notes 17, 2.14 and 3.2(k) to the Consolidated Financial Statements]

Equity attributable to owners of the parent company increased by 4% or P2.8 billion mainly from net profit (P8.0 billion) realized during the year as reduced by accumulated translation loss adjustments (P2.4 billion), dividends declared (P1.8 billion), revaluation reserves (P0.8 billion) and net treasury shares (P0.3 billion) during the year.

*Accumulated translation adjustments* refer to the difference resulting in the translation of the foreign subsidiaries' financial statements to Philippine pesos. Monetary assets and liabilities are translated at the closing rate and income and expenses at average exchange rates. The accumulated balance of the account is reflective of the depreciation in the value of Philippine peso and/or foreign currencies.

*Treasury shares* pertain to the acquisition cost of the shares that have been brought back from the market pursuant to the Company's ongoing buyback program. The account also included shares held by a subsidiary.

*Share options* pertain to the options granted to qualified employees of the Group pursuant to an approved employee share option plan. The increment of 24% or P27 million was a result of recognition of additional share options for the year with a corresponding debit to Investments in EDI account.

*Revaluation reserves* plummeted by P0.8 billion due to actuarial gain on retirement benefit obligations booked by WMG.

*Other reserves* include legal reserves that represent the statutory requirements in Luxembourg which comprise of net wealth tax reserve and capital reserve at year-end.

Non-controlling interest decreased 13% or P0.1 billion mainly from accumulated translation loss (P0.2 billion) that exceeded net profit share (P0.1 billion) realized by minority owners in DBLC, a foreign subsidiary consolidated by end-2017 and in Boozy, a local company consolidated starting in 2018.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Group sources funds principally from operations and loans and borrowings. The Company expects to meet its working capital requirements for the ensuing year primarily from available funds at year-end plus cash flows from operations. It may also from time to time seek other sources of funding, if necessary, which may include debt or equity financings, depending on its financing needs and market conditions.

## **PROSPECTS FOR THE FUTURE**

The Group's renowned brandy and whisky products sold all over the world are the catalyst for continued growth and put the Group in best position, with its high-quality aged inventory, for premiumization and innovation opportunities, as well as to adapt to trends and consumer appetite.

## **OTHER MATTERS**

Except for what have been noted:

There were no other known material events subsequent to the end of the year that would have a material impact in the current year being reported.

There are no other known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way. The Group does not have nor anticipate having any cash flow or liquidity problems. The Group is not in default or breach of any note, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no other known events that will trigger direct or contingent financial obligation that is currently considered material to the Group, including any default or acceleration of an obligation. There are no other material off-balance sheet transactions, arrangements, obligations, and other relationships with unconsolidated entities or other persons created during the reporting period.

There are no other known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. There are also no known events that will cause material change in the relationship between costs and revenues.

There are no other significant elements of income or loss that did not arise from continuing operations.

There were no other material issuances, repurchases or repayments of debt and equity securities.

The business has no seasonal aspects that had a material effect on the financial condition and results of operations of the Group.

## Market Price and Dividends on Common Shares

The common shares of the Company are traded on the Philippine Stock Exchange (“PSE”) under the symbol of EMI. The Company’s common stock was first listed on the PSE on December 19, 2011. The closing price of the said shares on **14 April 2023, the latest practicable trading date, is Php21.00.**

The following table sets out, for the periods indicated, the high and low sales price for the Company’s common shares as reported on the PSE:

Year		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2021	High	10.90	12.82	18.88	21.00
	Low	9.81	9.14	11.70	17.54
2022	High	25.05	21.50	21.80	20.80
	Low	12.20	13.88	17.08	19.10
2023	High	21.40			
	Low	20.00			

## Shareholders

As of March 31, 2023, the Company had 27 shareholders of record holding 15,736,471,238 common shares. The Top 20 shareholders of the Company as of March 31, 2023 are as follows:

	SHAREHOLDER	NO. OF SHARES SUBSCRIBED	TYPE OF SHARES	% OF OWNERSHIP
1	Alliance Global Group, Inc.	12,507,960,600 <sup>16</sup>	Common	79.48
2	PCD Nominee Corporation (Non-Filipino)	1,981,422,379	Common	12.59
3	PCD Nominee Corporation (Filipino)	1,246,924,982	Common	7.92
4	John T. Lao	60,000	Common	-nil-
5	Eric U. Lim	40,000	Common	-nil-
6	Marjorie Anne Lim Lee	30,000	Common	-nil-
7	Edwin U. Lim	30,000	Common	-nil-
8	Dondi Ron R. Limgenco	1,111	Common	-nil-
9	Stephen G. Soliven	1,000	Common	-nil-
10	Demetrio D. Mateo	500	Common	-nil-
11	Bartholomew Dybuncio Young	200	Common	-nil-
12	Christine F. Herrera	100	Common	-nil-
13	Julius Victor Emmanuel D. Sanvictores	100	Common	-nil-
14	Joseph A. Sy &/or Evangeline T. Sy	100	Common	-nil-
15	Jesus San Luis Valencia	100	Common	-nil-
16	Owen Nathaniel S Au ITF: Li Marcus Au	50	Common	-nil-
17	Joselito T. Bautista	9	Common	-nil-
18	Winston S. Co	1	Common	-nil-
19	Jesli A. Lapus	1	Common	-nil-
20	Enriqueto Leonardo M. Soriano	1	Common	-nil-
	Others	4	Common	-nil-
	TOTAL	15,736,471,238	Common	100.00%

<sup>16</sup> AGI includes 678,057,400 shares lodged with PCD Nominee Corporation (Filipino) and 1,180,382,726 lodged with PCD Nominee Corporation (Non-Filipino).

### *Dividend Policy*

Under Philippine law, a corporation can only declare dividends to the extent that it has unrestricted retained earnings that represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purposes and which are free for distribution to the shareholders as dividends. If declared by the corporation's board of directors, a corporation may pay dividends in cash, by the distribution of property, by the issuance of shares or by a combination of the three, as the board of directors shall determine and subject to the approval of the SEC, as may be required by law. A cash dividend declaration does not require any further approval from shareholders. Stock dividends may be declared and paid with the approval of shareholders representing at least two-thirds of the issued and outstanding stock voting at a shareholders' meeting duly called for the purpose. The board of directors may not declare dividends which will impair its capital.

For the two most recent years, the Company declared a cash dividend per share of P0.11 on August 5, 2020, P0.12 on January 4, 2021, P0.09 on March 8, 2021 and P0.11 on August 2, 2021. The Company declared a cash dividend per share of P0.29 on 30 March 2023.

The Company may declare dividends when there are unrestricted earnings available, but any such declaration will take into consideration a number of factors including restrictions that may be imposed by current and prospective financial covenants, projected levels of operating results of its businesses/subsidiaries, working capital needs and long-term capital expenditures of its businesses/subsidiaries; and regulatory requirements on dividend payments, among others. Pursuant to the provision in the Corporation Code of the Philippines, the Company can purchase or acquire its own shares provided that it has unrestricted retained earnings to cover the shares to be purchased or acquired.

The Company has declared approximately 40% of the preceding year's consolidated net profit as dividends in the past three years.

### *Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction*

On February 5, 2020, the Company issued 253,275,862 shares from its treasury shares to Arran, as conversion of P1,836,250,000.00 portion of the ELS. (See Note 15 to the Consolidated Financial Statements)

### *Changes In and Disagreements with Accountants on Accounting and Financial Disclosure*

P&A issued an unqualified opinion on the consolidated financial statements. There are no disagreements with them on any matter of accounting principles or practices, financial statement disclosures, and auditing scope or procedure which, if not resolved would have caused the auditors to make reference thereto in its reports.

### *Discussion on Section 49 of the Revised Corporation Code*

In compliance with Section 49 of the Revised Corporation Code, a copy of the Minutes of the previous annual stockholders' meeting is attached herein as Annex "B".

The attendance of the directors at the meetings of the Board of Directors for the year 2022 is as follows:

Name	No. of Meetings held during the year	No. of Meetings Attended	%
Andrew L. Tan	13	13	100%
Winston S. Co	13	13	100%
Katherine L. Tan	13	13	100%
Kendrick Andrew L. Tan	13	13	100%

Kevin Andrew L. Tan	13	13	100%
Enrique M. Soriano III	13	13	100%
Jesli A. Lapus	13	13	100%

The Company adopts a policy of full disclosure with regard to related party transactions. All terms and conditions of related party transactions are reported to the Board of Directors. The Company ensures that the transactions are entered on terms comparable to those available from unrelated third parties. Disclosure of relationship or association is required to be made before entering into transaction. No participation in the approval of the transaction. None of the Corporation's directors and officers have entered into self-dealing and related party transactions with or involving the Corporation in 2022.

*Discussion on Compliance with Leading Practice on Corporate Governance*

The Company remains focused on ensuring the adoption of systems and practices of good corporate governance in enhancing value for its shareholders.

The Company's By-laws require it to have two independent directors in its Board of Directors while the Revised Manual of Corporate Governance (the "Manual") requires that there must be at least two (2) independent directors voting in the Audit Committee, Corporate Governance Committee, Board Risk Oversight Committee, and Related Party Transaction Committee. To date, the Company has elected two independent directors, Enrique M. Soriano III and Jesli A. Lapus.

To measure the level of compliance with the Manual, the Company has established an evaluation system consisting of a self-rating assessment and performance system by management and submission of certifications on the Company's compliance with the provisions of the Manual. Furthermore, to ensure adherence to the adopted leading practices on good corporate governance, the Company has designated a Compliance Officer reporting directly to the Chairman of the Board.

There are no material deviations to date from the Corporation's Manual. The Board adopted policies for corporate governance pursuant to the SEC Memorandum Circular No. 19, Series of 2016 on the Code of Corporate Governance for Publicly-Listed Companies.

**The Company undertakes to provide without charge to a stockholder a copy of the Annual Report on SEC Form 17-A upon written request addressed to Ms. Dina D. Inting, Corporate Information Officer, at 7<sup>th</sup> Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City, Metro Manila, Philippines.**

## ANNEX "A"

### EMPERADOR INC.

#### Procedures and Requirements for Voting and Participation in the 2023 Annual Stockholders' Meeting

To protect the safety of its stockholders during the COVID-19 pandemic, Emperador Inc. (the "Company") will dispense with the physical attendance of its stockholders for the 2023 Annual Stockholders' Meeting (ASM). Instead, the Company will conduct the 2023 ASM scheduled on 15 May 2023 at 9:00 in the morning, by remote communication and will conduct electronic voting *in absentia*.

Only stockholders of record as of 14 April 2023 are entitled to participate and vote in the 2023 ASM.

The Company has adopted the following procedures and requirements to enable its stockholders to participate and vote in the 2023 ASM.

#### I. ONLINE REGISTRATION STEPS AND REQUIREMENTS

- A. Stockholders may register from 9:00 AM of 24 April 2023 until 5:00 PM of 05 May 2023 to signify his/her/its intention to participate in the 2023 ASM by remote communication. The registration steps and requirements are available the Company's website: <https://www.emperadorbrandy.com/asm2023>.
- B. To register, stockholders shall submit the following requirements to the Office of the Corporate Secretary via email at [corporatesecretary@emperadorinc.com](mailto:corporatesecretary@emperadorinc.com).

#### B.1 For Individual Stockholders –

- (i) Scanned copy of stock certificate issued in the name of the individual stockholder;
- (ii) Valid email address and active contact number;
- (iii) Scanned copy of valid government-issued identification card; and
- (iv) Recent photo of stockholder.

#### B.2 For Stockholders with Joint Accounts –

- (i) Authorization letter signed by all stockholders indicating the name of the person authorized to cast the votes;
- (ii) Scanned copy of stock certificate issued in the name of the joint stockholders;
- (iii) Valid email address and active contact number of the authorized stockholder;
- (iv) Scanned copy of valid government-issued identification card of the authorized stockholder; and
- (v) Recent photo of the authorized stockholder.

#### B.3 For Stockholders under PCD Participant/Brokers Account or holding 'Scripless Shares'-

- (i) Stockholders should coordinate with their broker and request for the full account name and reference number or account number they provided the Company;
- (ii) Broker's Certification on the stockholder's number of shareholdings;
- (iii) Valid email address and active contact number of the stockholder;
- (iv) Scanned copy of valid government-issued identification card of stockholder; and
- (v) Recent photo of stockholder.

#### B.4 For Corporate Stockholders –

- (i) Secretary's Certificate attesting to the authority of the representative to vote the shares on behalf of the corporate stockholder;
  - (ii) Scanned copy of stock certificate issued in the name of the corporate stockholder;
  - (iii) Valid email address and active contact number of authorized representative;
  - (iv) Valid government-issued identification card of authorized representative; and
  - (v) Recent photo of stockholder.
- C. The documents submitted will then be verified by the Office of the Corporate Secretary. The validation process will be completed by the Company no later than three (3) business days from the stockholder's receipt of an email from the Company acknowledging receipt of the stockholder's registration documents. Once validated, the stockholder will receive an email that his/her/its account has been verified and shall provide instructions for the stockholder's access to the Company's electronic voting and to access the ASM livestreaming link.

## II. ELECTRONIC VOTING IN ABSENTIA

- A. Duly registered stockholders have the option to vote for the matters contained in the agenda for the 2022 ASM through electronic voting *in absentia*. The deadline for registration is 5:00 PM of 05 May 2023. Beyond this date, stockholders may no longer avail of the option to electronically vote *in absentia*.
- B. After verification, the Company shall send a ballot to the registered stockholder through his/her/its e-mail address which shall contain all the agenda items for approval as indicated in the Notice of Meeting and the registered stockholder may vote as follows:
- (1) For items other than Election of Directors, the registered stockholder has the option to vote: In Favor of, Against, or Abstain. The vote is considered cast for all the registered stockholder's shares.
  - (2) For the Election of Directors, the registered stockholder may vote for all nominees, not vote for any of the nominees, or vote for some nominees only, in such number of shares as preferred by the stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected. The total number of votes the stockholder is allowed to cast shall be based on the number of shares he/she or it owns.
  - (3) Once voting on the agenda items is finished, the stockholder can proceed to submit the accomplished ballot via email to [corporatesecretary@emperadorinc.com](mailto:corporatesecretary@emperadorinc.com).
  - (4) After the ballot has been submitted, the stockholder may no longer change his/her vote. The stockholder will receive a confirmation email that his/her/its vote has been recorded.
- C. Thereafter, the Office of the Corporate Secretary, through election inspectors appointed for the meeting, shall tabulate all valid and confirmed votes cast through electronic voting, together with the votes through proxies, subject to validation by representatives of the Company's external auditors.
- D. Registered stockholders shall have until 5:00 PM of **05 May 2023** to cast their votes *in absentia*. Stockholders will not be allowed to cast votes during the livestream of the 2022 ASM.

## III. VOTING BY PROXY

- A. For individual stockholders holding certificated shares of the Company – Download the proxy form that is available at <https://www.emperadorbrandy.com/asm2023>.

B. For stockholders holding 'scripless' shares, or shares held under a PCD Participant/Broker – Download the proxy form that is available at <https://www.emperadorbrandy.com/asm2023>. Stockholders are advised to coordinate with their brokers first for the execution of this type of proxy.

C. For corporate stockholders - Download the proxy form that is available at <https://www.emperadorbrandy.com/asm2023>. A copy of the duly signed and notarized Secretary's Certificate must be submitted together with the proxy form. For reference, a sample Secretary's Certificate is also available at <https://www.emperadorbrandy.com/asm2023>.

D. General Instructions on Voting by Proxy:

- (1) Download and fill up the appropriate proxy form. Follow the instructions on how to cumulate or allocate votes in the election of directors.
- (2) Send the scanned copy of the duly executed proxy form via email to [corporatesecretary@emperadorinc.com](mailto:corporatesecretary@emperadorinc.com) or submit the original proxy form to the Office of the Corporate Secretary at 7<sup>th</sup> Floor, 1880 Eastwood Ave., Eastwood City CyberPark, E. Rodriguez Jr. Ave., Bagumbayan, Quezon City.
- (3) Deadline for the submission of proxies is at 5:00 PM of **05 May 2023**.
- (4) Validation of proxies will be on **10 May 2023**.
- (5) If a stockholder avails of the option to cast his/her vote electronically *in absentia* and also issues proxy votes with differing instructions, the duly accomplished ballots sent through e-mail shall replace the proxy votes issued by the stockholder.

**IV. PARTICIPATION BY REMOTE COMMUNICATION**

- A. Only duly registered stockholders will be included in determining the existence of a quorum.
- B. Duly registered stockholders may send their questions and/or comments prior to the ASM through email at [corporatesecretary@emperadorinc.com](mailto:corporatesecretary@emperadorinc.com). The deadline for submitting questions shall be at 5:00 PM of 05 May 2023.
- C. The proceedings during the 2023 ASM will be recorded.

For any clarifications, please contact the Office of the Corporate Secretary via email at [corporatesecretary@emperadorinc.com](mailto:corporatesecretary@emperadorinc.com).

## ANNEX "B"

### MINUTES OF THE ANNUAL MEETING OF STOCKHOLDERS OF EMPERADOR INC.

held on 16 May 2022

Conducted virtually via <https://www.emperadorbrandy.com/asm2022/>

#### I. CALL TO ORDER

The Chairman, Dr. Andrew L. Tan, called the Annual Stockholders' Meeting (the "Annual Meeting") to order at 9:13 a.m. He then asked the President and CEO, Mr. Winston S. Co, to preside over the Annual Meeting. The Corporate Secretary, Atty. Anna Michelle T. Llovido, recorded the proceedings of the Annual Meeting.

#### II. CERTIFICATION OF NOTICE AND QUORUM

The Corporate Secretary certified that all stockholders as of April 11, 2022, the record date of the Annual Meeting, have been notified pursuant to the Corporation's By-Laws and applicable Securities and Exchange Commission (SEC) Circulars. Copies of the Notice of the Annual Meeting, the Agenda, and the Definitive Information Statement were made available through the Corporation's website and the Philippine Stock Exchange (PSE) Electronic Disclosure Generation Technology or PSE EDGE. Notices of the Annual Meeting were also published in The Philippine Star and The Manila Times on April 24 and 25, 2022, both in print and online. She further certified that there existed a quorum for the transaction of business for the Annual Meeting, there being present in person or represented by proxy, stockholders holding 94.55% of the entire subscribed and outstanding capital stock of the Corporation.

The Corporate Secretary stated that only stockholders who have successfully registered may participate in the Annual Meeting. Moreover, she explained the Procedures for Registration, Voting and Participation in the Annual Meeting which were contained in the Definitive Information Statement and implemented as follows: (i) stockholders signifying their intention to participate by remote communication have registered by submitting the requirements by email to the Corporate Secretary; (ii) stockholders who have registered have sent their questions and/or comments prior to the Annual Meeting through email at [corporatesecretary@emperadorinc.com](mailto:corporatesecretary@emperadorinc.com) until 5:00 p.m. of May 06, 2022, which would be taken up after the election of directors; (iii) the resolutions proposed to be adopted at the Annual Meeting will be shown on the screen; (iv) stockholders who have duly registered to participate by remote communication have casted their votes by proxy or in absentia by sending their accomplished ballots by email to the Corporate Secretary until 5:00 p.m. of May 06, 2022; and (v) the Office of the Corporate Secretary has tabulated all valid and confirmed votes cast through electronic voting, together with the votes through proxies, and the voting results will be announced during the Annual Meeting and reflected in the minutes of the meeting.

#### III. APPROVAL OF MINUTES OF THE PREVIOUS ANNUAL MEETING OF STOCKHOLDERS HELD ON 17 MAY 2021

The Presiding Officer informed the stockholders that the next item on the agenda is the reading and approval of the Minutes of the Annual Meeting of the Stockholders held on May 17, 2021, and informed the stockholders that the copy of the Minutes of the 2021 Annual Meeting have been made available through the Corporation's website.

The Corporate Secretary announced that 100% of the voting shares represented in the Annual Meeting have voted in favor of the approval of the Minutes. Therefore, the Presiding Officer declared that the following resolution has been approved:

***"RESOLVED, to approve the Minutes of the Annual Stockholders' Meeting held on 17 May 2021."***

#### IV. REPORT OF MANAGEMENT

The Presiding Officer then turned the floor over to the Chairman, Dr. Andrew L. Tan, who delivered the following message:

*Good morning, ladies and gentlemen.*

*Dear stakeholders,*

*This year, we set out on a path of resilience and responsibility as Emperador Inc. (EMP) forged on through the second year of the global pandemic. The year 2021 was markedly different from the last, as Emperador made new milestones while facing lingering disruptions from COVID-19.*

*While many businesses started to adapt to the pandemic in 2020, mass vaccination and learnings from the previous year helped catalyze economic recovery. Recovery of the global gross domestic product (GDP) continued slowly in 2021 alongside the Philippines' GDP despite widespread lockdowns in the third quarter.*

*In this environment, Emperador stayed the course as we continued to pursue our vision to grow the company—achieving another banner year this 2021. I attribute this to the resilience of our company, whose financial position allowed us to weather the logistical challenges of COVID-19 from 2020 onwards, and boost our efforts in providing our stakeholders with world-class and responsibly made products.*

*We witnessed record-breaking growth as our whisky and brandy segments expanded their reach while introducing innovations and building on the popularity of our flagship brands. Within the first nine months of the year, the company's net income had already matched the full-year net income of 2020 at PHP7.9 billion. By the end of 2021, Emperador achieved a net income of PHP10.8 billion, up 35% year on year.*

*Meanwhile, we have seen wins for our brands in 2021. Whyte and Mackay Group Ltd. (WML) was awarded Distiller of the Year at the Icons of Whisky Scotland 2021 for its ability to continue innovating amid the challenges of the pandemic.*

*Bodegas Fundador (BF) was also recognized for its quality spirits, particularly Fundador Supremo 18, which bagged the Platinum Award at the San Francisco World Spirits Competition this year. We are focused on expanding our brandy segment across growing markets in Asia and Latin America.*

*Emperador Brandy, the world's number one selling brandy, is moving steadily towards expansion as well, and is currently available in over 60 countries.*

*As we execute our plans, we aim to be better. At Emperador, we have been building up our programs in sustainability alongside our subsidiaries. Each of them have become a force for good in their respective communities, with initiatives that are uplifting society and preserving the environment. We hope to document these efforts in greater detail in line with the publication of our first Annual and Sustainability Report.*

*To our stakeholders—our customers, partners, investors, employees and communities—thank you for the immense support you have poured into our company. Let us toast to a better future ahead.*

*Thank you.*

After the Chairman's Message, the Presiding Officer turned over the floor to Mr. Kenneth Nerecina, Investor Relations Director, for a presentation of the highlights for 2021 of the Corporation.

## **V. APPOINTMENT OF INDEPENDENT AUDITORS**

The Presiding Officer informed the stockholders that the Board of Directors, upon recommendation of the Audit Committee, has approved the engagement of Punongbayan and Araullo as independent auditors of the Corporation for the audit of the Corporation's financial statements for

the year ending December 31, 2022, and that this is now being submitted for approval by the stockholders.

The Corporate Secretary certified that 100% of the voting shares represented in the Annual Meeting have voted in favor of the engagement of Punongbayan and Araullo as independent auditors for the fiscal year ending December 31, 2022. Therefore, the Presiding Officer declared that the following resolution has been approved:

***“RESOLVED, to approve the appointment of Punongbayan & Araullo as the independent auditor of the Corporation for the audit of the Corporation’s financial statements for the year ending 31 December 2022.”***

#### **VI. RATIFICATION OF ACTS AND RESOLUTIONS OF THE BOARD OF DIRECTORS, BOARD COMMITTEES, AND OFFICERS**

The Presiding Officer informed the stockholders that the next item on the agenda is the ratification of all acts and resolutions of the Board of Directors, Board Committees and Management of the Corporation since the annual stockholders’ meeting on May 17, 2021 until May 15, 2022.

The Corporate Secretary certified that 100% of the voting shares represented in the Annual Meeting have voted in favor of the ratification of all acts and resolutions of the Board of Directors, Board Committees and Management of the Corporation since the annual stockholders’ meeting on May 17, 2021 until May 15, 2022. Therefore, the Presiding Officer declared that the following resolution has been approved:

***“RESOLVED, to ratify each and every act and resolution taken since the annual stockholders’ meeting on 17 May 2021 until 15 May 2022 (the “Period”), of the Board of Directors (the “Board”), the Board Committees exercising powers delegated by the Board, and each and every act, during the Period, of the Management of the Corporation performed in accordance with the resolutions of the Board, the Board Committees as well as with the By-laws of the Corporation.”***

#### **VII. ELECTION OF DIRECTORS**

The Presiding Officer informed the stockholders that, for the current year 2022, the Corporation will be electing seven directors, at least two of whom shall be independent directors, pursuant to the Securities and Regulation Code and the Corporation’s Revised Manual of Corporate Governance.

Ms. Marianne Roca, on behalf of the Corporate Governance Committee, and in accordance with the Corporation’s By-Laws and the Revised Manual of Corporate Governance, presented the Final List of Nominees for election as members of the Board of Directors, as follows: Andrew L. Tan, Winston S. Co, Katherine L. Tan, Kendrick Andrew L. Tan, and Kevin Andrew L. Tan as regular directors, and Enrique M. Soriano III and Jesli A. Lapus as the independent directors. Ms. Roca likewise reported that the nominees for election as directors of the Corporation possess all the qualifications and none of the disqualifications to hold office as directors of the Corporation.

The Corporate Secretary certified that each of the nominees have garnered at least 99.76% of the voting shares represented in the Annual Meeting. Therefore, the Presiding Officer declared that the following resolution has been approved:

***“RESOLVED, to elect the following as directors of the Corporation to serve as such beginning today until their successors are elected and qualified:***

- 1. Andrew L. Tan***
- 2. Winston S. Co***
- 3. Katherine L. Tan***
- 4. Kendrick Andrew L. Tan***
- 5. Kevin Andrew L. Tan***

## ANNE "B"

6. *Enrique M. Soriano III – Independent Director*
7. *Jesli A. Lapus – Independent Director.*

### VIII. OTHER MATTERS

The Presiding Officer proceeded with the discussion of the questions raised by the stockholders via email prior to the Annual Meeting. Below is a summary of the questions and the answers that were given:

**Q (Kathy Noreen T. Alcover):** Can you give some color on how demand has been trending both domestically and internationally given the COVID-19 Omicron variant that spread late last year and early this year?

**A (President):** Thank you, Kathy Alcover for the question. I'm sure we were all surprised with the COVID-19 Omicron variant last year and even the early part of this year. There is indeed a spike in case across the world. We also experienced the spike last December, and January and February in the Philippines wherein we had lockdowns and restrictions as well. Yes, the business could have performed better without the Omicron variant. But we now know that the variant is less pathogenic and because of that, the economies have started to open up. To a large extent, global travel has resumed. We see more people (get) more comfortable going out their homes, and we believe that the market will be opening up except for a few places here and there which are trying to impose restrictions in order to restrict the rate of infection in their countries.

But overall, we believe that this could bring a possible end to the COVID-19 pandemic. So, I think, not only us but the entire business community, welcome this development and we look forward to economies globally opening up and we hope this will come sooner than later and we hope that we can see a significant easing up towards the latter part of this year.

**Q (Kevin Giorgio F. Cosca):** What is the impact of the Ukraine – Russia war on Emperador Inc. particularly the international business?

**A (President):** Thank you, Kevin Cosca, for this question. We have experienced supply chain and logistic issues even prior to the Ukraine-Russian war. The Ukraine-Russian war has actually aggravated the situation. Cost of inputs, of raw materials, fuel, have actually gone up significantly over this period of the conflict. The supply chain has also been impacted. Well, the impact will depend on the region. There are certain regions that are more impacted than others. Asia is less impacted than Europe and North America, and in most regions, we are able to raise our prices to partially cover for the inflation.

**Q (Sara Jessica T. Sanchez):** Can you provide sales, earnings or any financial guidance for 2022 after having another banner year in 2021? And how sustainable are your margins?

**A (President):** Sara Sanchez, thank you for the question. We usually do not provide financial guidance. However, we are pursuing a global strategy of premiumization and internationalization. Our focus is to bring our products into more countries and into more territories. And we believe that is the future growth of Emperador as a global company.

**Q (Mikhaela Angela B. Caguicla):** Are you seeing improvement in shipping/logistics issues and when will they likely normalize?

**A (President):** Thank you, Mikaela Caguicla for your question. We believe the challenges brought by the rising costs of inputs and the shipping/logistics constraints

will remain for the greater part of the year. Being a global company and having manufacturing facilities in many parts of the world, we are trying to mitigate the situation using our global resources supply chain to ensure the protection of our margins and making our products available on-shelf, as we hope that the situation will be temporary and soon the inflation will ease down and things will go back to normal.

**IX. ADJOURNMENT**

The Presiding Officer inquired if there were any other matter in the agenda. The Corporate Secretary replied there were none. Thus, the Annual Meeting was adjourned at 9:54 a.m.

CERTIFIED CORRECT:

**ANNA MICHELLE T. LLOVIDO**  
Corporate Secretary

NOTED:

**ANDREW L. TAN**  
Chairman



# EMPERADOR INC.

7F 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue,  
Bagumbayan 1110, Quezon City, Philippines Tel: 8709-2038 to 41 Fax: 8709-1966

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of *Emperador Inc. and Subsidiaries* (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements, including the schedules attached therein, and submits the same to the stockholders.

*Punongbayan & Araullo*, the independent auditors appointed by the stockholders, have audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audits.

**ANDREW L. TAN**  
Chairman of the Board

**WINSTON S. CO**  
President/ Chief Executive Officer

**DINA D.R. INTING**  
Chief Financial Officer

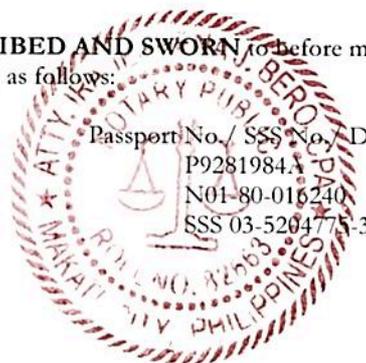
**ATTY. IRA JENNENA J. BERO, CPA**  
Notary Public for Makati City  
Until December 31, 2024  
Notarial Commission No. M-200  
Roj. No. 82663

IBP Number: 263509 01/03/2023, Cebu City  
PTR No. 9570409 01/09/2023, Makati City  
MCLE Compliance No. Admitted to the BAR on May 30, 2022  
19th Fl., Tower 1, The Enterprise Center, 6766 Ayala Avenue, Makati City

**SUBSCRIBED AND SWORN** to before me this  
Passport/ SSS No., as follows:

**MAR 30 2023** ffiantes exhibiting to me their

Names  
Andrew L. Tan  
Winston S. Co  
Dina D.R. Inting



Passport No./ SSS No./ DL No  
P9281984A  
N01-80-016240  
SSS 03-5204775-3

Date  
Oct 24, 2018 to Oct 23, 2028  
valid until Jan. 31, 2033

Place of Issue  
Manila  
Manila

Doc. No. 781  
Page No. 42  
Book No. I  
Series of 2023



**P&A**  
**Grant Thornton**

**FOR SEC FILING**

Consolidated Financial Statements and  
Independent Auditors' Report

**Emperador Inc. and Subsidiaries**

December 31, 2022, 2021 and 2020



## Report of Independent Auditors

**Punongbayan & Araullo**

20<sup>th</sup> Floor, Tower 1

The Enterprise Center

6766 Ayala Avenue

1200 Makati City

Philippines

T +63 2 8988 2288

**The Board of Directors and Stockholders  
Emperador Inc. and Subsidiaries  
(A Subsidiary of Alliance Global Group, Inc.)**

7<sup>th</sup> Floor, 1880 Eastwood Avenue

Eastwood City CyberPark

188 E. Rodriguez, Jr. Avenue

Bagumbayan, Quezon City

### **Opinion**

We have audited the consolidated financial statements of Emperador Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRS).

### **Basis for Opinion**

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### **(a) Impairment Assessment of Goodwill and Trademarks with Indefinite Useful Lives**

##### *Description of the Matter*

Under Philippine Accounting Standard 36, *Impairment of Assets*, the Group is required to annually test the carrying amounts of its goodwill and trademarks with indefinite useful lives for impairment. As of December 31, 2022, goodwill amounted to P9.5 billion, while the trademarks with indefinite useful lives amounted to P20.1 billion. We considered the impairment of these assets as a key audit matter because the amounts of goodwill and trademarks are material to the consolidated financial statements. In addition, management's impairment assessment process involved significant judgement and high estimation uncertainty based on the assumptions used. The significant assumptions include the determination of the discount rate, growth rate and cash flow projections used in determining the value-in-use of the trademarks and goodwill and the cash-generating units over which the goodwill was allocated. The assumptions used by management are generally affected by expected future market and economic conditions.

The Group's policy on impairment assessment of goodwill and trademarks with indefinite useful lives is more fully described in Note 2 to the consolidated financial statements; the estimation uncertainty on impairment of non-financial assets, including trademarks and goodwill with indefinite useful lives, is presented in Note 3 to the consolidated financial statements; while their corresponding carrying amounts are presented in Note 10 to the consolidated financial statements.

##### *How the Matter was Addressed in the Audit*

Our audit procedures to address the risk of material misstatement relating to the goodwill and trademarks with indefinite useful lives included, among others, the following:

- Evaluated the appropriateness and reasonableness of methodology and assumptions used in determining the value-in-use of cash-generating units attributable to the trademarks and goodwill, which include the discount rate, growth rate and the cash flow projections, by comparing them to external and historical data, with assistance from our Firm's valuation specialists;
- Tested the calculation of valuation model for mathematical accuracy, validated the appropriateness and reliability of inputs and amounts used and recomputed the value-in-use of cash-generating units attributable to the trademarks and goodwill; and,
- Performed independent sensitivity analysis of the projections and discount rate using the valuation model used to determine whether a reasonably possible change in assumptions could cause the carrying amount of cash generating units to exceed the recoverable amount.

**(b) Revenue Recognition***Description of the Matter*

Revenue is one of the key performance measures used to assess business performance. There is a risk that the amount of revenues presented in the consolidated financial statements is higher than what was actually earned by the Group. Revenue from sales in 2022 amounted to P60.7 billion and represented 97% of the Group's total revenues during the same year. Revenue from sales is recognized when control over the goods has been transferred at a point in time to the customer, i.e., generally when the customer has acknowledged receipt of the goods.

In our view, revenue recognition is significant to our audit because the amount is material to the consolidated financial statements. It also involves voluminous transactions at any given period of time, requires proper observation of cut-off procedures and testing of validity of transactions, and directly impacts the Group's profitability.

The Group's disclosures about its revenues and related receivables, and revenue recognition policies are included in Notes 2, 6 and 18.

*How the Matter was Addressed in the Audit*

Our audit procedures to address the risk of material misstatement relating to revenue recognition included, among others, the following:

- Tested the design and operating effectiveness of the Group's processes and controls over revenue recognition, approval and documentation, including the implemented information technology general and application controls over automated systems that process and record the revenue transaction as assisted by our own Information Technology specialists;
- Evaluated the appropriateness of the Group's revenue recognition policy in accordance with the requirements of PFRS 15, *Revenue from Contracts with Customers*;
- Tested, on a sample basis, sales invoices, delivery receipts and cash receipts of sales transactions throughout the current reporting period to determine whether sale of goods occurred;
- Confirmed trade receivables using positive confirmation, on a sample basis, and performed alternative procedures for non-responding customers, such as, examination of evidence of subsequent collections, or corresponding sales invoices and proof of deliveries;
- Tested sales invoices and delivery receipts immediately prior and subsequent to the current period to determine whether the related sales transactions are recognized in the proper reporting period; and,
- Performed substantive analytical review procedures over revenues such as, but not limited to, yearly and monthly analyses of sales per product/brand and location, and sales mix composition based on our expectations and following up variances from our expectations; and, verified that the underlying data used in the analyses are valid.

**(c) Existence and Valuation of Inventories***Description of the Matter*

Inventories as of December 31, 2022 amounts to P39.3 billion, which represent 28% of the Group's total assets as of that date. The valuation of inventories is at the lower of cost or net realizable value (NRV). The Group's core business is subject to changes in market factors that directly affect the demand for alcoholic beverages such as purchasing power of consumers, degree of competition, and other market-related factors. Future realization of inventories is affected by price changes and the costs necessary to complete and make a sale. Due to the significance of the volume of transactions and the balance of the carrying amount of inventories, and the high level of judgment in estimating its NRV, we considered the existence and valuation of inventories as significant to our audit.

The Group's disclosures on accounting policy, estimation uncertainty on determination of NRV of inventories, and Inventories account are presented in Notes 2, 3, and 8, respectively, to the consolidated financial statements.

*How the Matter was Addressed in the Audit*

Our audit procedures to address the risk of material misstatement relating to the existence and valuation of inventories included, among others, the following:

On existence of inventories:

- Observed physical inventory count procedures, tested the design and operating effectiveness of processes and controls over inventory count, obtained relevant cut-off information and copy of count control documents, and verified inventory movements during the intervening periods between the actual count date and reporting date to further test the quantities of inventory items as of the end of the reporting date; and,
- Performed substantive analytical review procedures over inventory-related ratios such as, but not limited to, inventory turnover and current period's components of inventories; and, verified that the underlying data used in the analyses are valid.

On valuation of inventories:

- Tested the design and operating effectiveness of processes and controls over inventory costing, reconciliation, data entry and review, including the implemented information technology general and application controls over automated systems that process and record the inventory transaction as assisted by our own Information Technology specialists;
- Evaluated the appropriateness of the method used by management for inventory costing and valuation of the lower of cost or NRV and assessed the consistency of their application from period to period;
- Performed, on a sample basis, a price test of inventory items by examining supporting documents such as, but not limited to, purchase contracts, invoices and relevant importation documents, and by verifying movements affecting the inventory costing;
- Performed detailed analysis of the Group's standard costing of inventories through analytical review procedures of actual costs during the current period against the budgeted standard, and tested significant actual costs, on a sample basis, by agreeing with contracts and invoices; and,
- Evaluated the appropriateness and sufficiency of the amount of allowance for inventory write-down by testing the reasonableness of key assumptions used on the expected realization of inventories.

**(d) Consolidation Process***Description of the Matter*

The Group's consolidated financial statements comprise the financial statements of Emperador Inc. and its subsidiaries, as discussed in Note 1 to the consolidated financial statements, after the elimination of material intercompany transactions. The Group's consolidation process is significant to the audit because of its complexity. It also involves translation of foreign currency denominated financial statements of certain subsidiaries into the Group's functional and presentation currency, and identifying and eliminating several intercompany transactions and balances, to properly reflect the consolidated financial position of the Group and its consolidated financial performance and consolidated cash flows in accordance with PFRS.

The Group's policies on the basis of consolidation and translation of foreign currency denominated financial statements of foreign subsidiaries are more fully described in Note 2 to the consolidated financial statements.

*How the Matter was Addressed in the Audit*

Our audit procedures to address the risk of material misstatement arising from the consolidation process included, among others, the following:

- Obtained an understanding of the Group structure and its consolidation policy and process, including restructuring done during the year and the procedures for identifying intercompany transactions and reconciling intercompany balances;
- Tested the mathematical accuracy of the consolidation done by management and verifying financial information used in the consolidation based on the audited financial statements of the components of the Group and evaluating the consistency of the accounting policies applied by the entities within the Group;
- Tested the accuracy and appropriateness of intercompany elimination entries, the translation of the financial statements of foreign subsidiaries of the Group, and other significant consolidation adjustments;
- Performed analytical procedures at the consolidated level; and,
- Evaluated the sufficiency and adequacy of disclosures in the Group's consolidated financial statements in accordance with PFRS.

**(e) Conduct of Remote Audit***Description of the Matter*

As disclosed in Note 1 of the consolidated financial statements, the Group, particularly those entities operating in the Philippines, Spain and United Kingdom where the Group has significant operations, has been significantly exposed to the risks brought about by the coronavirus (COVID-19) pandemic. This COVID-19 pandemic has rapidly spread worldwide which causes governments across the world to implement community quarantine and social distancing measures and restrictions. This prompted management and the audit team to continuously have most of the audit conducted remotely.

The change in working conditions is relevant and significant to our audit since it creates an increased risk of misstatement due to less in-person access to the Group's management and personnel, and lack of access to certain physical records and original documents. Given the changes in how the audit was performed, the audit requires exercising enhanced professional skepticism.

#### *How the Matter was Addressed in the Audit*

Our audit procedures to address the risk of performing a significant portion of the audit remotely included the following:

- Considered the nature of the engagement and the engagement team's knowledge of the entity and its environment when determining whether it is possible to perform a significant portion, if not all, of the engagement remotely;
- Intensified the application of PSA requirements, especially in respect of providing proper supervision and review;
- Obtained information through electronic means, which included sending and receiving of confirmation letters electronically, obtaining calculations in electronic form to check the mathematical accuracy, scanning of hard-copy items for review and using real-time inspection technology such as video and screen-sharing;
- Determined the reliability of audit evidence provided electronically using enhanced professional skepticism and techniques designed to reinforce the skills of assistants in evaluating audit evidence obtained electronically;
- Performed inquiries through video conference call in order to more effectively assess the facial expressions and body language of people being interviewed as well as to make the interaction more effective;
- Reviewed workpapers of component auditors remotely through share screening and constant and regular communication to clarify certain matters;
- Examined critical hard copy documents (e.g., contracts, billing invoices, purchase invoices and official receipts) physically in response to the risk in revenues, receivables, inventories and costs, which are considered to be significant; and,
- Adhered to and applied strictly the Firm's reinforced and enhanced quality control process.

#### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

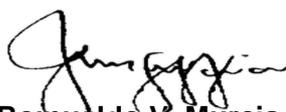
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audits resulting in this independent auditors' report is Mr. Romualdo V. Murcia III.

**PUNONGBAYAN & ARAULLO**



**By: Romualdo V. Murcia III**  
Partner

CPA Reg. No. 0095626  
TIN 906-174-059  
PTR No. 9566639, January 3, 2023, Makati City  
SEC Group A Accreditation  
Partner - No. 95626-SEC (until financial period 2026)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-022-2022 (until Oct. 13, 2025)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 30, 2023

**EMPERADOR INC. AND SUBSIDIARIES**  
*(A Subsidiary of Alliance Global Group, Inc.)*  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2022 AND 2021**  
*(Amounts in Philippine Pesos)*

	Notes	2022	2021
<b><u>A S S E T S</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	<b>P 12,738,118,244</b>	P 9,333,783,438
Trade and other receivables - net	6	<b>23,160,326,014</b>	20,345,854,801
Financial assets at fair value through profit or loss	7	<b>277,586,460</b>	3,294,192
Inventories - net	8	<b>39,294,569,874</b>	34,013,144,005
Prepayments and other current assets	11.1	<b>1,923,237,471</b>	1,249,119,654
		<b>77,393,838,063</b>	64,945,196,090
<b>ASSETS HELD FOR SALE</b>	13	<b>961,744,740</b>	961,740,550
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment - net	9	<b>29,256,020,632</b>	27,866,668,685
Intangible assets - net	10	<b>29,630,655,183</b>	29,438,539,142
Investment in a joint venture	12	<b>3,279,671,119</b>	3,482,644,617
Retirement benefit asset - net	21.3	<b>500,083,355</b>	914,000,495
Deferred tax assets - net	22	<b>87,395,081</b>	133,659,465
Other non-current assets - net	11.2	<b>101,715,988</b>	773,927,777
		<b>62,855,541,358</b>	62,609,440,181
<b>TOTAL ASSETS</b>		<b>P 141,211,124,161</b>	P 128,516,376,821
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Interest-bearing loans	14	<b>P 3,851,103,435</b>	P 3,411,082,346
Trade and other payables	16	<b>22,139,323,271</b>	17,888,331,330
Lease liabilities	9.3	<b>210,555,356</b>	205,206,504
Income tax payable		<b>2,149,069,462</b>	2,018,777,418
		<b>28,350,051,524</b>	23,523,397,598
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans	14	<b>19,950,084,000</b>	21,430,348,300
Lease liabilities	9.3	<b>383,822,672</b>	887,743,550
Provisions	17	<b>252,207,832</b>	404,419,596
Deferred tax liabilities - net	22	<b>3,685,535,017</b>	3,552,232,410
		<b>24,271,649,521</b>	26,274,743,856
<b>Total Liabilities</b>		<b>52,621,701,045</b>	49,798,141,454
<b>EQUITY</b>			
Equity attributable to owners of the parent company	24	<b>87,391,939,223</b>	77,718,065,873
Non-controlling interest		<b>1,197,483,893</b>	1,000,169,494
		<b>88,589,423,116</b>	78,718,235,367
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P 141,211,124,161</b>	P 128,516,376,821

*See Notes to Consolidated Financial Statements.*

**EMPERADOR INC. AND SUBSIDIARIES**  
*(A Subsidiary of Alliance Global Group, Inc.)*  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**  
*(Amounts in Philippine Pesos)*

	Notes	2022	2021	2020
<b>REVENUES AND OTHER INCOME</b>	18	<b>P 62,767,070,369</b>	P 55,936,272,323	P 52,834,305,306
<b>COSTS AND EXPENSES</b>				
Costs of goods sold	19	41,541,174,265	34,808,570,656	35,398,674,605
Selling and distribution expenses	20	6,205,108,294	4,840,055,978	5,263,040,976
General and administrative expenses	6, 20	2,631,146,931	2,205,657,298	2,108,245,409
Interest expense	9.5,			
	14, 15, 21	610,430,573	782,713,575	548,979,806
Other charges - net	7	69,033,196	404,097,703	79,638,897
		<u>51,056,893,259</u>	<u>43,041,095,210</u>	<u>43,398,579,693</u>
<b>PROFIT BEFORE TAX</b>		<b>11,710,177,110</b>	12,895,177,113	9,435,725,613
<b>TAX EXPENSE</b>	22	<u>1,498,453,879</u>	<u>2,746,817,808</u>	<u>1,399,085,656</u>
<b>NET PROFIT</b>		<u>10,211,723,231</u>	10,148,359,305	8,036,639,957
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Item that will be reclassified subsequently to profit or loss				
Translation gain (loss)		( 387,641,985 )	2,983,857,367	( 2,541,071,944 )
Items that will not be reclassified subsequently to profit or loss				
Net actuarial gain (loss) on retirement benefit plan	21.3	( 440,349,605 )	1,027,464,256	( 799,604,759 )
Tax income (expense) on remeasurement of retirement benefit plan	22	110,087,401	( 262,686,166 )	( 51,531,692 )
		<u>( 330,262,204 )</u>	<u>764,778,090</u>	<u>( 851,136,451 )</u>
		<u>( 717,904,189 )</u>	<u>3,748,635,457</u>	<u>( 3,392,208,395 )</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>P 9,493,819,042</u>	P 13,896,994,762	P 4,644,431,562
Net profit attributable to:				
Owners of the parent company		P 10,060,876,272	P 9,971,065,303	P 7,967,261,504
Non-controlling interest		<u>150,846,959</u>	<u>177,294,002</u>	<u>69,378,453</u>
		<u>P 10,211,723,231</u>	P 10,148,359,305	P 8,036,639,957
Total comprehensive income (loss) attributable to:				
Owners of the parent company		P 9,296,504,643	P 13,675,336,895	P 4,755,451,905
Non-controlling interest		<u>197,314,399</u>	<u>221,657,867</u>	<u>( 111,020,343 )</u>
		<u>P 9,493,819,042</u>	P 13,896,994,762	P 4,644,431,562
<b>Earnings Per Share for the Net Profit Attributable to Owners of the Parent Company -</b>				
Basic and Diluted	25	<u>P 0.64</u>	P 0.63	P 0.50

*See Notes to Consolidated Financial Statements.*

**EMPERADOR INC. AND SUBSIDIARIES**  
*(A Subsidiary of Alliance Global Group, Inc.)*  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**  
*(Amounts in Philippine Pesos)*

	Attributable to Owners of the Parent Company														Non-controlling Interest (see Note 24.6)	Total Equity
	Capital Stock (see Note 24.1)	Additional Paid-in Capital (see Note 24.1)	Deposit on Future Stock Subscription - ELS (see Note 15)	Treasury Shares (see Note 24.2)	Conversion Options Outstanding (see Notes 5 and 15)	Share Options Outstanding (see Note 24.4)	Accumulated Translation Adjustments (see Note 2)	Revaluation Reserves (see Note 2)	Other Reserves (see Note 2)	Retained Earnings			Total			
										Appropriated (see Note 24.5)	Unappropriated (see Note 24.5)	Total				
Balance at January 1, 2022	P 16,242,391,176	P 23,106,377,832	P 3,443,750,000	(P 4,747,713,903)	P 88,498,401	P 183,769,571	(P 3,128,522,733)	(P 159,833,776)	P 142,402,572	P 1,200,000,000	P 41,346,946,733	P 42,546,946,733	P 77,718,065,873	P 1,000,169,494	P 78,718,235,367	
Movements during the year	-	-	-	-	-	-	-	-	293,573,317	-	-	-	293,573,317	-	293,573,317	
Issuances during the year	-	-	-	-	-	76,418,422	-	-	-	-	-	-	76,418,422	-	76,418,422	
Transfer to equity reserves	-	-	-	-	-	-	-	-	-	-	7,376,968	-	7,376,968	-	7,376,968	
Total comprehensive income for the year	-	-	-	-	-	-	( 434,109,425)	( 330,262,204)	-	-	10,060,876,272	10,060,876,272	9,296,504,643	197,314,399	9,493,819,042	
<b>Balance at December 31, 2022</b>	<b>P 16,242,391,176</b>	<b>P 23,106,377,832</b>	<b>P 3,443,750,000</b>	<b>(P 4,747,713,903)</b>	<b>P 88,498,401</b>	<b>P 260,187,993</b>	<b>(P 3,562,632,158)</b>	<b>(P 490,095,980)</b>	<b>P 435,975,889</b>	<b>P 1,200,000,000</b>	<b>P 51,415,199,973</b>	<b>P 52,607,823,005</b>	<b>P 87,391,939,223</b>	<b>P 1,197,483,893</b>	<b>P 88,589,423,116</b>	
Balance at January 1, 2021	P 16,242,391,176	P 23,106,377,832	P -	(P 3,745,584,182)	P 88,498,401	P 138,841,593	(P 6,068,016,235)	(P 924,611,866)	P 114,994,796	P 800,000,000	P 36,832,913,174	P 37,632,913,174	P 66,585,804,689	P 778,511,627	P 67,364,316,316	
Movements during the year	-	-	-	-	-	-	-	-	27,407,776	-	-	-	27,407,776	-	27,407,776	
Issuances during the year	-	-	-	-	-	44,927,978	-	-	-	-	-	-	44,927,978	-	44,927,978	
Transfer to DFFS-ELS	-	-	3,443,750,000	-	-	-	-	-	-	-	-	-	3,443,750,000	-	3,443,750,000	
Acquisition of treasury shares during the year	-	-	-	( 1,002,129,721)	-	-	-	-	-	-	-	( 1,002,129,721)	-	( 1,002,129,721)		
Reversal of appropriation	-	-	-	-	-	-	-	-	-	( 800,000,000)	800,000,000	-	-	-		
Appropriation during the year	-	-	-	-	-	-	-	-	-	1,200,000,000	( 1,200,000,000)	-	-	-		
Cash dividends declared during the year	-	-	-	-	-	-	-	-	-	-	( 5,057,031,744)	( 5,057,031,744)	( 5,057,031,744)	( 5,057,031,744)		
Total comprehensive income for the year	-	-	-	-	-	-	2,939,493,502	764,778,090	-	-	9,971,065,303	9,971,065,303	13,675,336,895	221,657,867	13,896,994,762	
<b>Balance at December 31, 2021</b>	<b>P 16,242,391,176</b>	<b>P 23,106,377,832</b>	<b>P 3,443,750,000</b>	<b>(P 4,747,713,903)</b>	<b>P 88,498,401</b>	<b>P 183,769,571</b>	<b>(P 3,128,522,733)</b>	<b>(P 159,833,776)</b>	<b>P 142,402,572</b>	<b>P 1,200,000,000</b>	<b>P 41,346,946,733</b>	<b>P 42,546,946,733</b>	<b>P 77,718,065,873</b>	<b>P 1,000,169,494</b>	<b>P 78,718,235,367</b>	
Balance at January 1, 2020	P 16,242,391,176	P 23,058,724,847	P -	(P 3,487,839,412)	P 136,151,386	P 111,883,425	(P 3,707,343,087)	(P 73,475,415)	P 120,364,326	P 800,000,000	P 30,616,668,304	P 31,416,668,304	P 63,817,525,550	P 899,231,970	P 64,716,757,520	
Issuances during the year	-	47,652,985	-	1,836,250,000	( 47,652,985)	26,958,168	-	-	-	-	-	-	1,863,208,168	-	1,863,208,168	
Movements during the year	-	-	-	-	-	-	-	-	( 5,369,530)	-	-	-	( 5,369,530)	( 9,700,000)	( 15,069,530)	
Acquisition of treasury shares during the year	-	-	-	( 2,093,994,770)	-	-	-	-	-	-	-	-	( 2,093,994,770)	-	( 2,093,994,770)	
Cash dividends declared during the year	-	-	-	-	-	-	-	-	-	-	( 1,751,016,634)	( 1,751,016,634)	( 1,751,016,634)	-	( 1,751,016,634)	
Total comprehensive income for the year	-	-	-	-	-	-	( 2,360,673,148)	( 851,136,451)	-	-	7,967,261,504	7,967,261,504	4,755,451,905	( 111,020,343)	4,644,431,562	
<b>Balance at December 31, 2020</b>	<b>P 16,242,391,176</b>	<b>P 23,106,377,832</b>	<b>P -</b>	<b>(P 3,745,584,182)</b>	<b>P 88,498,401</b>	<b>P 138,841,593</b>	<b>(P 6,068,016,235)</b>	<b>(P 924,611,866)</b>	<b>P 114,994,796</b>	<b>P 800,000,000</b>	<b>P 36,832,913,174</b>	<b>P 37,632,913,174</b>	<b>P 66,585,804,689</b>	<b>P 778,511,627</b>	<b>P 67,364,316,316</b>	

*See Notes to Consolidated Financial Statements.*

**EMPERADOR INC. AND SUBSIDIARIES**  
*(A Subsidiary of Alliance Global Group, Inc.)*  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**  
*(Amounts in Philippine Pesos)*

	Notes	2022	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax		P 11,710,177,110	P 12,895,177,113	P 9,435,725,613
Adjustments for:				
Depreciation and amortization	19, 20	1,484,594,487	1,545,528,317	1,565,710,426
Interest expense	9, 14, 15, 21	610,430,573	782,713,575	548,979,806
Impairment losses on inventories	8, 20	213,999,092	58,114,232	44,775,076
Interest income	5, 18	( 141,756,928 )	( 86,442,812 )	( 183,009,956 )
Share in net profit of a joint venture	12	( 113,970,450 )	( 161,824,100 )	( 185,108,059 )
Share option benefits expense	24	76,418,422	44,927,978	26,958,168
Provisions	17	41,117,103	38,060,790	56,331,220
Impairment losses on trade and other receivables	6, 20	7,462,310	11,561,171	109,087,408
Amortization of trademarks	10, 20	1,615,392	1,615,391	1,615,391
Gain on sale of property, plant and equipment	9	( 1,100,000 )	( 108,820 )	( 139,000 )
Operating profit before working capital changes		13,888,987,111	15,129,322,835	11,420,926,093
Decrease (increase) in trade and other receivables		( 2,752,728,750 )	1,543,684,078	1,066,338,675
Decrease (increase) in financial instruments at fair value through profit or loss		( 272,455,553 )	62,713,243	( 86,578,013 )
Increase in inventories		( 4,806,370,343 )	( 2,001,700,341 )	( 1,301,858,714 )
Decrease (increase) in prepayments and other current assets		( 617,468,642 )	264,770,607	656,312,114
Decrease (increase) in other non-current assets		39,619,264	( 69,354,771 )	( 301,999,867 )
Increase (decrease) in trade and other payables		4,006,404,781	3,046,172,296	( 2,069,683,156 )
Decrease in retirement benefit obligation		( 26,432,465 )	( 256,644,163 )	( 241,119,114 )
Cash generated from operations		9,459,555,403	17,718,963,784	9,142,338,018
Cash paid for income taxes		( 1,317,613,954 )	( 1,304,546,457 )	( 1,590,213,311 )
Net Cash From Operating Activities		8,141,941,449	16,414,417,327	7,552,124,707
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of property, plant and equipment	9, 31	( 4,003,136,079 )	( 1,738,787,193 )	( 1,013,759,803 )
Proceeds from sale of property, plant and equipment	9	448,021,709	58,050,463	107,483,016
Dividends received from a joint venture	12	290,001,250	-	-
Interest received	5	132,895,174	84,440,144	173,304,315
Net Cash Used in Investing Activities		( 3,132,217,946 )	( 1,596,296,586 )	( 732,972,472 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayments of interest-bearing loans	14, 31	( 2,866,909,770 )	( 6,732,937,709 )	( 2,741,784,226 )
Proceeds from interest-bearing loans	14, 31	1,846,932,636	1,194,023,750	1,182,290,245
Interest paid	31	( 484,805,954 )	( 846,195,552 )	( 597,970,866 )
Repayments of lease liabilities	9	( 100,605,609 )	( 601,235,467 )	( 216,881,185 )
Dividends paid	24	-	( 5,057,031,744 )	( 2,530,247,949 )
Acquisition of treasury shares	24	-	( 1,002,129,721 )	( 2,093,994,770 )
Net Cash Used in Financing Activities		( 1,605,388,697 )	( 13,045,506,443 )	( 6,998,588,751 )
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>3,404,334,806</b>	<b>1,772,614,298</b>	<b>( 179,436,516 )</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>9,333,783,438</b>	<b>7,561,169,140</b>	<b>7,740,605,656</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>P 12,738,118,244</b>	<b>P 9,333,783,438</b>	<b>P 7,561,169,140</b>

*Supplemental information on non-cash investing and financing activities is fully disclosed in Note 31 to the consolidated financial statements.*

*See Notes to Consolidated Financial Statements.*

**EMPERADOR INC. AND SUBSIDIARIES**  
**(A Subsidiary of Alliance Global Group, Inc.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022, 2021 AND 2020**  
**(Amounts in Philippine Pesos)**

**1. CORPORATE INFORMATION**

Emperador Inc. (“EMI” or “the Parent Company”) was incorporated in the Philippines and registered with the Securities and Exchange Commission (“SEC”) on November 26, 2001. It presently operates as a holding company of a global conglomerate in the distilled spirits and other alcoholic beverages business.

EMI is a subsidiary of Alliance Global Group, Inc. (“AGI” or “the Ultimate Parent Company”), a publicly-listed domestic holding company with diversified investments in real estate development, food and beverage, quick-service restaurants, and tourism-entertainment and gaming businesses.

The registered principal office of EMI is located at 7<sup>th</sup> Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City, where the registered office of AGI is also presently located.

The common shares of EMI and AGI were first listed for trading in the Philippine Stock Exchange (PSE) on December 19, 2011 and April 19, 1999, respectively. The EMI shares were secondary listed and started trading on the Main Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on July 14, 2022.

**1.1 Subsidiaries**

EMI holds beneficial equity ownership in entities operating in an integrated business of manufacturing, bottling and distributing distilled spirits and other alcoholic beverages from the Philippines and Europe (collectively referred to herein as “the Group”), as follows:

Names of Subsidiaries	Explanatory Notes	Percentage of Effective Ownership	
		2022	2021
<b>EDI and subsidiaries (EDI Group)</b>			
Emperador Distillers, Inc. (“EDI”)	(a)	100%	100%
Anglo Watsons Glass, Inc. (“AWGI”)	(b)	100%	100%
Alcazar De Bana Holdings Company, Inc. (“Alcazar De Bana”)	(c)	100%	100%
Progreen Agricorp Inc. (“Progreen”)	(c)	100%	100%
South Point Science Park Inc. (“SSPI”)	(c)	100%	100%
The Bar Beverage, Inc.		100%	100%
Tradewind Estates, Inc. (“TEI”)	(d)	100%	100%
Boozylife Inc. (“Boozylife”)	(d)	62%	62%
Cocos Vodka Distillers Philippines, Inc.		100%	100%
Zabana Rum Company, Inc.		100%	100%
The World Finest Liquor Inc. (“World Finest”)	(r)	100%	-

Names of Subsidiaries	Explanatory Notes	Percentage of Effective Ownership	
		2022	2021
<b>EIL and offshore subsidiaries and joint venture:</b>			
Emperador International Ltd. (“EIL”)	(e)	100%	100%
Emperador Holdings (GB) Limited (“EGB”)	(f)	100%	100%
<i>Emperador UK Limited (“EUK”)</i>	(f)	100%	100%
<i>Whyte and Mackay Group Limited (“WMG”)</i>	(g), 10	100%	100%
<i>Whyte and Mackay Global Limited (“WMGL”)</i>	(g), (h)	100%	100%
<i>Whyte and Mackay Limited (“WML”)</i>	(i)	100%	100%
<i>Whyte and Mackay Warehousing Limited (“WMWL”)</i>	(j)	100%	100%
Emperador Asia Pte. Ltd. (“EA”)	(k)	100%	100%
Grupo Emperador Spain, S.A. (“GES”)	(l), 10	100%	100%
<i>Bodega San Bruno, S.L. (“BSB”)</i>	(m)	100%	100%
<i>Bodegas Fundador, S.L.U. (“BFS”)</i>	(l), (n), (o)	100%	100%
<i>Grupo Emperador Gestion S.L. (“GEG”)</i>	(m)	100%	100%
<i>Stillman Spirits, S.L. (“Stillman”)</i>	(s)	100%	100%
<i>Domecq Bodega Las Copas, S.L. (“DBLC”)</i>	(p), 10	50%	50%
<i>Bodegas Las Copas, S.L. (“BLC”)</i>	(q)	50%	50%
Emperador Europe Sarl (“EES”)	(t)	100%	100%

Explanatory notes:

- (a) EDI and its subsidiaries are engaged in businesses related to the main business of EDI in the Philippines. EDI became a wholly owned subsidiary on August 28, 2013 when EMI acquired it from AGI as a condition to AGI’s subscription to EMI shares (see Note 24.1). EDI was incorporated in the Philippines on June 6, 2003 to primarily engage in the manufacturing and trading of brandy, wine or other similar alcoholic beverage products. EDI’s brands include Emperador brandy, The BaR flavored alcoholic beverage, Andy Player whisky, and So Nice, and Smirnoff Mule (under license). EDI also imports and sells the products of EIL’s offshore subsidiaries.

EDI’s registered office, which is also its principal place of business, is located at 7<sup>th</sup> Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City, where its subsidiaries, except Boozylife and Alcazar De Bana and subsidiaries, also have their registered offices and principal places of business.

- (b) AWGI is a domestic corporation presently engaged in flint glass container manufacturing and primarily supplies EDI’s bottle requirements.
- (c) Alcazar De Bana is a domestic holding entity and presently holds 100% ownership interest in Progreen, a domestic corporation engaged in the business of alcohol and alcohol-related products, who in turn holds 100% ownership interest in SSPI, a domestic corporation engaged in management and maintenance of office, commercial, industrial and institutional developments in a certain science park.

Alcazar De Bana’s registered office and principal place of business is located at 26<sup>th</sup> Floor, Alliance Global Tower 4, 36<sup>th</sup> Street cor. 11<sup>th</sup> Avenue Uptown Bonifacio, Taguig City.

- (d) TEI is a domestic corporation presently engaged in leasing its land and manufacturing complex in Sta. Rosa, Laguna. In 2018, TEI acquired 51% ownership in Boozylife for a total consideration of P45.0 million. The acquired identifiable net assets are not material to the Group’s consolidated financial statements. In January 2020, TEI increased its ownership to 62% [see Notes 3.1(e) and 24.6].
- (e) EIL is a foreign entity incorporated in the British Virgin Islands. EIL is presently the parent company of the Group’s offshore subsidiaries. EIL is effectively a wholly owned subsidiary of EMI through EMI’s 84% direct ownership and EDI’s 16% direct ownership.

EIL’s registered office is at the offices of Portcullis TrustNet (BVI) Limited, which is currently located at Portcullis Trust Net Chambers, 4<sup>th</sup> Floor Skelton Building, 3076 Drake’s Highway, Road Town, Tortola, British Virgin Islands.

- (f) EGB is a foreign entity incorporated in the United Kingdom (“UK”) to operate as an investment holding entity. It is the ultimate UK parent undertaking and controlling entity. It holds 100% ownership interest over EUK which in turn holds 100% ownership interest over WMG [see Note 1.1(g)].

EGB’s registered office is located at Suite 1, 7<sup>th</sup> Floor, 50 Broadway, London SW1H 0BL.

- (g) WMG is a foreign entity incorporated in the UK on August 7, 2001 and presently operating as an investment holding entity. WMG and its subsidiaries (collectively referred to as “WMG Group”) are all engaged in businesses related to the main business of production, marketing and distribution of Scotch whisky, vodka, liqueurs and other alcoholic drinks. On September 5, 2019, the Group’s Board of Directors (“BOD”) approved WMG’s restructuring by transferring its 100% direct ownership in WML and WMWL to its newly-incorporated wholly owned subsidiary, WMGL, through share exchange agreement [(see Note 1.1(h)]. The Group accounted for this business combination under common control using pooling-of-interests method [see Note 2.13(b)]. As a result of the restructuring, WMGL now holds 100% ownership in WML and WMWL while WMG holds 100% ownership in WMGL. EUK acquired WMG from United Spirits (Great Britain) Limited on a deal signed on May 9, 2014 and closed on October 31, 2014 for a total cash consideration of P30.3 billion.

WMG Group’s registered office is located at St. Vincent Plaza, 4<sup>th</sup> Floor, 319 St. Vincent Street, Glasgow G2 5RG, Scotland.

- (h) WMGL is a foreign holding company established in 2018 in the UK to effect WMG Group’s restructuring in 2019 [see Note 1.1(g)].
- (i) WML is a foreign entity incorporated in the UK to carry out the production, marketing and distribution of Scotch whisky, vodka, liqueurs and other alcoholic drinks. WML holds 100% ownership interest in 41 dormant companies, all incorporated in the UK, and one active company, Whyte and Mackay Americas LLC, which handles the distribution of Whyte and Mackay brands within the United States of America.
- (j) WMWL is a foreign entity incorporated in the UK to carry out warehousing for WML and third-party customers.
- (k) EA is a foreign entity incorporated in Singapore on July 10, 2013 as a limited private company with principal activity as a wholesaler of liquor, food and beverages, and tobacco. It holds 100% ownership interest in GES [see Note 1.1(l)].

EA’s registered office is located at 1 Scotts Road, 19-06 Shaw Centre, Singapore.

- (l) GES is a foreign entity incorporated on September 28, 2011 as a small limited liability company and subsequently changed to a large liability company on February 5, 2014. GES carries out activities related to the production of wines, fortified wines, brandies, and all types of alcoholic drinks, as well as the purchase, ownership and operations of any type of land, particularly, vineyards.

On November 27, 2015, GES reached a definitive agreement with Beam Suntory Spain, S.L. to purchase its Spanish brandy and sherry business (the Fundador Business Unit) in Jerez de la Frontera (Jerez), the brandy capital of Spain. GES assigned its rights and obligations under the agreement to its direct wholly owned subsidiary, BFS, on January 28, 2016. The purchase was subsequently completed on February 29, 2016 for a total cash consideration of P14.7 billion (see Note 10).

GES’s registered office, which is also its principal place of business, is located at Torre Emperador Castellana – Paseo de la Castellana n° 259 D Planta 28, C.P. 28046, Madrid, Spain. GES currently holds direct interests in BSB, BFS, GEG, DBLC, Stillman, and BLC which were established in Spain with activities similar or related to its main business.

- (m) Subsidiaries with registered office and principal place of business located at Torre Emperador Castellana – Paseo de la Castellana n° 259 D Planta 28, Madrid, Spain.
- (n) Subsidiaries with registered office located at Torre Espacio – Paseo de la Castellana n° 259 D Planta 28, Madrid, Spain and principal place of business located in Jerez de la Frontera, Cadiz, Spain.
- (o) BFS has a wholly owned subsidiary, Harvey’s Cellars S.L.U. (changed name from Destilados de la Mancha S.L. on February 12, 2021). On January 1, 2020, Complejo Bodeguero San Patricio SLU (“CBSP”), an existing subsidiary of GES at that time, was merged with BFS through merger by absorption wherein the latter was the absorbent or surviving entity. The Group accounted for this business combination under common control using pooling-of-interests method [see Note 2.13(b)].

CBSP acquired from the previous owners (collectively referred to as “Grupo Garvey”) certain tangible assets in Spain, including trademarks of well-known brands (“Garvey Acquisition”) on January 19, 2017. The Garvey Acquisition is treated as an asset acquisition [see Notes 2.13(c) and 3.1(d)].

- (p) DBLC is a foreign entity incorporated in Spain in later part of 2017 to operate as an investment holding entity with registered office located at Manuel Calle Maria González 12, Jerez de la Frontera, Cadiz, Spain. It presently holds 100% ownership interest in Mexican entities namely: Pedro Domecq S.A. de C.V. (“Pedro Domecq”) and Domecq Distribucion De Bebidas S.A. de C.V. (“DDDB”), with registered office at Avenida Presidente Masaryk 275, Colonia Polanco, Alcadia Miguel Hidalgo, C.P. 11560. Ciudad de México, México.

The acquisition of Domecq brand portfolio and its related assets in Mexico (“Domecq Acquisition”) was signed by Pernod Ricard with BLC on December 1, 2016 and completed on March 30, 2017 by BLC and its two incorporated Mexican subsidiaries. The acquisition is treated as an asset acquisition [see Notes 2.13(c), 3.1(d) and 24.6]. Pedro Domecq and Bodega Domecq S.A. de C.V. (“Bodega Domecq”) are foreign entities created by BLC on March 15, 2017 in relation to the Domecq Acquisition. These entities, together with DDDB, existing subsidiary of BLC, were subsequently transferred to DBLC effectively on September 1, 2017 through spin-off acquisition.

On June 30, 2019, Bodega Domecq was merged by absorption with Pedro Domecq wherein the latter is the absorbent or surviving entity. The Group accounted for this business combination under common control using pooling-of-interests method. On December 15, 2021, Pedro Domecq merged with DDDB with the former as the surviving entity. [See Note 2.13(b)].

- (q) Jointly controlled entity with registered office located at Torre Espacio – Paseo de la Castellana n° 259 D Planta 28, Madrid, Spain and principal place of business located in Jerez de la Frontera, Cadiz, Spain (see Note 12). BLC presently holds 100% ownership interests in Alcoholera dela Mancha Vinícola, S.L. and Vinedos del Rio Tajo S.L., which are both established in Spain with activities similar and related to the main businesses of GES and BLC.
- (r) World Finest was incorporated in 2022 to engage in among others, the business of retailing, merchandising, marketing, warehousing, trading, e-commerce or otherwise dealing with all kinds of products, services, goods, chattels, wares, merchandise and commodities of all kinds, including but not limited to alcoholic and non-alcoholic beverages. World’s Finest has started its commercial operations in November 2022.
- (s) Stillman is a foreign entity established in Spain on March 20, 2019. Stillman is responsible for carrying the business of GES in the UK, following UK’s exit from the European Union.
- (t) EES is a foreign entity incorporated in Luxembourg as a private limited liability company, primarily to operate as an investment holding entity.

EES’ registered office is located at 7, Rue Robert Stumper, L-2557 Luxembourg.

## ***1.2 Impact of Russia - Ukraine Conflict on the Group’s Business***

The full-scale unprovoked invasion of Ukraine by Russia that started on February 24, 2022, and continuing as of date of this report, has caused far-reaching global impact for economies, markets and businesses. The sanctions against Russia (individual and economic/trade) that European Union, UK, Japan, United States and others have adopted contributed to the disruptions in global supply chains and commodity flows that affected commodity prices such as energy, wheat, barley, fertilizers, sunflower oil and meals, iron and steel, altered trade routes and prolonged lead time.

The Group has put in place risk management measures to mitigate the impact of the conflict through proactive collaborative business forecasting to limit the impact of increased delivery lead time and continuous review of sources of raw materials, putting high consideration on quality and availability. As a result, overall impact of the conflict to the Group is continuously improving, and therefore, the management has not determined material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern.

### ***1.3 Continuing Impact of COVID-19 Pandemic on the Group's Business***

The COVID-19 outbreak was declared as a pandemic by the World Health Organization (“WHO”) on March 11, 2020 and remains to be a public health emergency of international concern as of the date of this report. According to WHO, however, the world is in much better situation now than it was a year ago, when Omicron variant first swept the globe, because about 90% of the world’s population has acquired some level of immunity due to vaccination or infection. During 2022, almost all the world’s economies have re-opened, international travels have resumed and health and safety restrictions have loosened, if not removed. As a result, the overall continuing impact of the COVID-19 pandemic to the world and to the Group is continuously improving.

Management believes the Group was able to effectively manage its business operations amidst the changes and challenges brought about by the pandemic. The Group was able to grow its revenues and net profits through the pandemic years. Its P62.8 billion revenues and other income in 2022 is 12%, 19% and 22% higher than 2021, 2020 and 2019, respectively, while its P10.2 billion net profit in the same year is 1% , 27% and 49% higher than in 2021, 2020 and 2019, respectively. Management projects that the Group would continue to report positive results of operations and would remain liquid to meet current obligations as they fall due. Accordingly, it has not determined a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern because of the pandemic.

### ***1.4 Approval of the Consolidated Financial Statements***

The consolidated financial statements of the Group as of and for the year ended December 31, 2022 (including the comparative consolidated financial statements as of December 31, 2021 and for the years ended December 31, 2021 and 2020) were authorized for issue by the Parent Company’s BOD on March 30, 2023.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

### ***2.1 Basis of Preparation of Consolidated Financial Statements***

#### ***(a) Statement of Compliance with Philippine Financial Reporting Standards***

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (“PFRS”). PFRS are adopted by the Financial Reporting Standards Council (“FRSC”) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) *Presentation of Consolidated Financial Statements*

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (“PAS”) 1, *Presentation of Financial Statements*. The Group presents all items of income, expenses and other comprehensive income or loss in a single consolidated statement of comprehensive income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to such third consolidated statement of financial position are not required to be disclosed. The Group presented only one comparative period as none of these situations are applicable.

(c) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, the Group’s functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using the Parent Company’s functional currency (see Note 2.17). Functional currency is the currency of the primary economic environment in which the Parent Company operates.

## **2.2 Adoption of Amended Standards**

(a) *Effective in 2022 that are Relevant to the Group*

The Group adopted for the first time the following amendments and annual improvements to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PFRS 3 (Amendments)	:	Business Combinations – Reference to the Conceptual Framework
PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Liabilities
PFRS 16 (Amendments):		Leases – Lease Incentives

Discussed below and in the succeeding page are the relevant information about these pronouncements.

- (i) PFRS 3 (Amendments), *Business Combinations – Reference to the Conceptual Framework*. The amendments updated an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard. The application of these amendments had no impact on the Group's consolidated financial statements.
- (ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use*. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Group's consolidated financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.
- (iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Group's policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that the amendments do not have significant impact on the Group's consolidated financial statements.
- (iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact, and which are effective from January 1, 2022, are relevant to the Group's consolidated financial statements:
  - PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*. The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) *Effective in 2022 that are not Relevant to the Group*

Among the annual improvements to PFRS 2018-2020 Cycle, the following amendments, which are effective from January 1, 2022, are not relevant to the Group's consolidated financial statements:

- (i) PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*
- (ii) PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) *Effective Subsequent to 2022 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2022, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (ii) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)
- (iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)
- (iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)
- (v) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Ventures* (effective date deferred indefinitely)

### **2.3 Basis of Consolidation**

The Group's consolidated financial statements comprise the accounts of EMI, and its subsidiaries as enumerated in Note 1.1, after the elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses, dividends and unrealized profits and losses from intercompany transactions that are recognized in assets are eliminated in full on consolidation. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as that of the Parent Company, using consistent accounting principles. Financial statements of a certain entity in the Group that are prepared as of a date different from that of the date of these consolidated financial statements were adjusted to recognize the effects of significant transactions or events that occur between that date of their reporting period and the date of these consolidated financial statements. Adjustments are also made to bring into line any dissimilar accounting policies that may exist.

The Group accounts for its investments in subsidiaries, investment in a joint venture, and transactions with non-controlling interest (“NCI”) as follows:

(a) *Investments in Subsidiaries*

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when (i) it has power over the entity, (ii) it is exposed, or has rights to, variable returns from its involvement with the entity, and (iii) it has the ability to affect those returns through its power over the entity. The acquisition method is applied to account for acquired business subsidiaries [see Notes 2.13(a) and 3.1(e)]. Subsidiaries are consolidated from the date the Parent Company obtains control.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

(b) *Investment in a Joint Venture*

A jointly controlled entity is a corporation, partnership, or other entity in which two or more venturers have an interest, under a contractual arrangement that establishes joint control over the entity. Each venturer usually contributes cash or other resources to the jointly controlled entity. Those contributions are included in the accounting records of the venturer and recognized in the venturer’s financial statements as an investment in the jointly controlled entity.

Investment in a joint venture is initially recognized at cost and subsequently accounted for using the equity method (see Note 12).

Acquired investment in the jointly controlled entity is subject to the purchase method. The purchase method involves the recognition of the jointly controlled entity’s identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the venturer’s share of the identifiable net assets of the joint venture at the date of acquisition. Any goodwill or fair value adjustment attributable to the venturer’s share in the joint venture is included in the amount recognized as investment in a joint venture.

All subsequent changes to the ownership interest in the equity of the joint venture are recognized in the venturer’s carrying amount of the investments. Changes resulting from the profit or loss generated by the joint venture are credited or charged against Equity share in net profit of joint venture, which is presented as part of Revenues and Other Income or Costs and Expenses section (under Other Charges account) in the consolidated statement of comprehensive income.

Impairment loss is provided when there is objective evidence that the investment in a joint venture will not be recovered (see Note 2.18).

Changes resulting from other comprehensive income of the jointly controlled entity or items recognized directly in the jointly controlled entity's equity are recognized in other comprehensive income or equity of the venturer, as applicable. However, when the venturer's share of losses in a joint venture equals or exceeds its interest in the associate, including any other unsecured receivables, the venturer does not recognize further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity. If the jointly controlled entity subsequently reports profits, the venturer resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the jointly controlled entity are accounted for as a reduction of the carrying value of the investment.

(c) *Transactions with Non-controlling Interest*

The Group's transactions with NCI that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to NCI result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in consolidated profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Parent Company holds interests in various subsidiaries and in a joint venture as presented in Notes 1.1 and 12, respectively.

## **2.4 Segment Reporting**

Operating segments (see Note 4) are reported in a manner consistent with the internal reporting provided to the Group's strategic executive committee, its chief operating decision-maker. The strategic executive committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's product lines, which represent the main products provided by the Group. Each of these operating segments is managed separately as each of these product lines requires different processes and other resources as well as marketing approaches. All intersegment transfers are carried out at arm's length prices.

The measurement policies the Group used for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements. There have been no changes from prior period in the measurement methods used to determine reported segment profit or loss.

## **2.5 Financial Assets**

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

Regular purchases and sales of financial assets are recognized on their trade date (i.e., the date that the Group commits to purchase or sell the asset).

Interest income is calculated using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The effective interest rate is applied to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired where the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis.

For financial assets that were credit-impaired on initial recognition (purchased or originated), interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves.

Dividend income is recognized when the Group's right to receive dividends is established, it is probable that economic benefits associated with the dividends will flow to the Group, and the amount of dividend can be measured reliably.

Interest and dividend earned on these investments are presented as Other income in the Revenues and Other Income section in the consolidated statement of comprehensive income (see Note 18).

### *(a) Classification and Measurement of Financial Assets*

The classification and measurement of financial assets is driven by the Group's business model for managing the financial assets ("business model test") and the contractual cash flow characteristics of the financial assets ("cash flow characteristics test") to achieve a particular business objective. The business model is determined at a higher level of aggregation (portfolio or group of financial assets managed together) and not on an instrument-by-instrument approach to classification (i.e., not based on intention for each or specific characteristic of individual instrument) in order to achieve the stated objective and, specifically, realize the cash flows.

Financial assets, other than those designated and effective as hedging instruments, are initially measured at fair value and then subsequently measured either at amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”), depending on the classification determined at initial recognition. The initial measurement includes transaction costs, except for those at FVTPL in which the related transaction costs are recognized in profit or loss.

(i) *Financial Assets at Amortized Cost*

Financial assets are classified at amortized cost if both of the following conditions are met:

- Business model test: the asset is held within the Group’s business model whose objective is to hold financial assets in order to collect contractual cash flows (“hold to collect”); and,
- Cash flow characteristics test: the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding.

Except for trade and other receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, *Revenue from Contracts with Customers*, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit loss (“ECL”).

The Group’s financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents (see Note 5), Trade and Other Receivables [except Advances to suppliers (see Note 2.7) and Advances to officers and employees] (see Note 6), and Property mortgage receivable and Refundable security deposits [presented as part of Other Non-current Assets [(see Notes 2.24 and 11.2)].

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(ii) *Financial Assets at Fair Value*

Financial assets are classified at FVOCI if both of the following conditions are met:

- Business model test: asset is held within the Group's business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset ("hold to collect and sell"); and,
- Cash flow characteristics test: SPPI on the principal amount outstanding.

Financial assets are classified at FVTPL (see Note 7) if they do not meet the conditions for measurement at amortized cost or FVOCI; instead, these are held within a business model whose objective is to realize changes in fair values through the sale of the assets. These include financial assets that are held for trading, which are acquired for the purpose of selling or repurchasing in the near term; designated upon initial recognition as FVTPL; or mandatorily required to be measured at fair value. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

The Group occasionally uses derivative financial instruments, such as foreign exchange forward contracts, to manage its risks associated with fluctuations in foreign currency. Derivative instruments arise from foreign exchange margins trading spot and forward contracts entered into by the Group. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative [see Note 2.11(a)]. The term of these forward contracts is usually one month to one year.

The Group's derivative instruments provide economic hedges under the Group's policies but are not designated as accounting hedges. Consequently, any gains or losses arising from changes in fair value are taken directly to consolidated profit or loss for the period.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Changes in fair value, including foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and reported as part of Revaluation Reserves account in Equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves is transferred to profit or loss.

Financial assets at FVTPL are measured at fair value with fair value gains or losses recognized as part of Other income in the Revenues and Other Income section or Other Charges in Costs and Expenses section in the consolidated profit of loss. The fair values of these financial assets are determined by reference to active market transactions or by the use of a valuation technique where no active market exists.

(b) *Impairment of Financial Assets*

At the end of each reporting period, the Group assesses impairment using ECL model on a forward-looking basis associated with its financial assets carried at amortized cost. The carrying amount of the financial asset at amortized cost would be reduced either directly or through the use of an allowance account. Recognition of credit losses is no longer dependent on the identification of a credit loss event. Instead, a broader range of information is considered in assessing credit risk and measuring ECL, including past events, current conditions, and reasonable and supportable forecasts that affect collectibility of the future cash flows of the financial assets. The Group considers all reasonable and supportable information that is available without undue cost or effort, as well as observable market information about the credit risk of the particular financial instrument or similar financial instruments.

Since the Group's financial assets measured at amortized cost have no significant financing component, the Group applies the simplified approach in measuring ECL, which uses a lifetime ECL allowance for all trade receivables using provision matrix approach and loss rates approach, as the case may be. The lifetime ECL is estimated based on the expected cash shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. To calculate the ECL, the Group uses its historical experience, external indicators and forward-looking information. The Group also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due [see Notes 3.1(b) and 27.2].

For the other financial assets measured at amortized cost, the Group applies the low credit risk simplification and measures the ECL on the financial assets based on the credit losses expected to result from default events that are possible within the next 12 months, unless there has been a significant increase in credit risk since origination, in that case, the loss allowance will be based on lifetime ECL.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. The key elements used in the calculation of ECL are as follows:

- *Probability of Default* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.
- *Loss Given Default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral or effect of any credit enhancement.
- *Exposure at Default* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation which pertains to its amortized cost.

(c) *Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(d) *Reclassification of Financial Assets*

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. A change in the objective of the Group's business model will take effect only at the beginning of the next reporting period following the change in the business model.

- From amortized cost to FVTPL: Fair value is measured at reclassification date, with the difference between the amortized cost and fair value recognized as gain or loss in profit or loss.
- From amortized cost to FVOCI: Fair value is measured at reclassification date, with the difference between the amortized cost and the fair value recognized as gain or loss in other comprehensive income ("OCI"). The effective interest rate and the measurement of ECL remain the same.
- From FVTPL to amortized cost: Fair value at the reclassification date becomes its new gross carrying amount. The effective interest rate is determined on the basis of the fair value at reclassification date, which is now treated as the date of initial recognition.
- From FVTPL to FVOCI: The financial asset continues to be measured at fair value.
- From FVOCI to amortized cost: Fair value at the reclassification date becomes its new gross carrying amount. The cumulative gain or loss previously recognized in OCI is removed from equity and adjusted against the fair value of the financial asset at reclassification date. As a result, the measurement at reclassification date is as if the financial asset had always been measured at amortized cost. This adjustment affects OCI but does not affect profit or loss and therefore is not a reclassification adjustment. The effective interest rate and the measurement of ECL remain the same.
- From FVOCI to FVTPL: The financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in OCI is reclassified to profit or loss as a reclassification adjustment at reclassification date.

There were no reclassifications of financial assets in 2022 and 2021.

## **2.6 Inventories**

Inventories (see Note 8) are valued at the lower of cost and net realizable value (“NRV”). Cost is determined using the first-in, first-out method. Finished goods and work-in-process include the cost of raw materials, direct labor and a proportion of manufacturing overhead (including an element of depreciation), based on normal operating capacity. The cost of raw materials includes all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

NRV of finished goods is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. NRV of raw materials is the current replacement cost [see Note 3.2(c)].

## **2.7 Other Assets**

Other assets (see Note 11) pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably (see Note 2.24).

Advances to suppliers that will be applied as payment for purchase of inventories or services to be rendered in the future are classified and presented under the Trade and Other Receivables account. On the other hand, advances to suppliers that will be applied as payment for purchase of items under property and equipment or other non-current assets are classified and presented under the Other Non-current Assets account. These classification and presentation are based on the eventual realization of the asset to which it was advanced for.

## **2.8 Property, Plant and Equipment**

Property, plant and equipment (see Note 9) are carried at acquisition cost and, except for land, less accumulated depreciation, amortization and any impairment losses (see Note 2.18). As no definite useful life for land can be determined, the related carrying amount (which is cost less any impairment losses) is not depreciated.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use, including borrowing costs (see Note 2.21). Expenditures for additions, major improvements and renewals are capitalized, while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows [see Note 3.2(d)]:

Buildings and improvements	25 to 50 years
Land improvements	10 years
Machinery and equipment (including tools and other equipment)	2 to 20 years
Transportation equipment	3 to 10 years
Office furniture and fixtures	3 to 10 years

Moulds and dies are depreciated using their expected usage for the period. The total usage during the period multiplied by rate results to depreciation expense for the period. The rate is computed by dividing cost by estimated cases to be produced.

Right-of-use assets are depreciated over the term of the lease ranging from two to seven years.

Leasehold improvements are amortized over the estimated useful life of the improvements of 5 to 10 years or the lease term, whichever is shorter.

Construction in progress represents properties under construction and is stated at cost. This includes costs of construction, applicable borrowing costs (see Note 2.21) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.18).

The residual values, estimated useful lives and methods of depreciation and amortization of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment, including the related accumulated depreciation, amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the consolidated statement of comprehensive income in the year the item is derecognized.

## ***2.9 Intangible Assets***

Intangible assets include trademarks and goodwill, which are accounted for under the cost model (see Note 10). The cost of the trademarks is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Capitalized costs for trademarks with definite lives are amortized on a straight-line basis over their estimated useful lives of ten years. Capitalized costs for trademarks with indefinite useful lives are not amortized. The useful lives are reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment. Changes in the useful life assessment from indefinite to definite, if any, are accounted for as change in accounting estimate. In addition, trademarks and goodwill are subject to impairment testing as described in Note 2.18.

When an intangible asset, such as trademarks, is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in consolidated profit or loss.

## ***2.10 Assets Held for Sale***

Assets held for sale pertain to land and building previously classified as property, plant and equipment that the Group intends to sell within one year, except when delay is caused by events or circumstances beyond the Group's control, from the date of reclassification as held for sale (see Note 13).

The Group classifies an asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset.

Assets held for sale are measured at the lower of their carrying amounts, immediately prior to their classification as held for sale, and their fair value less costs to sell. The Group shall recognize an impairment loss for any initial or subsequent write-down of the asset at fair value less cost to sell. Gain from any subsequent increase in fair value less cost to sell of an asset is recognized to the extent of the cumulative impairment loss previously recognized. Assets classified as held for sale are not subject to depreciation.

If the Group has classified an asset as held for sale, but the criteria for it to be recognized as held for sale are no longer satisfied, the Group shall cease to classify the asset as held for sale.

The gain or loss arising from the sale or remeasurement of held for sale assets is recognized in profit or loss in the consolidated statement of comprehensive income.

## **2.11 Financial Liabilities**

The categories of financial liabilities relevant to the Group are more fully described as follows (see Note 2.24):

### *(a) Financial Liabilities at FVTPL*

Financial liabilities are classified in this category if they are held for trading or derivative transactions that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category.

When the fair value of derivative financial instruments happens to be negative, these are presented as Financial Liabilities at Fair Value Through Profit or Loss account, in the consolidated statement of financial position [see Note 2.5(a)(ii)].

### *(b) Financial Liabilities at Amortized Cost*

This category pertains to financial liabilities that are not held for trading or not designated as financial liabilities at FVTPL upon inception of the liability. This includes interest-bearing loans (see Note 14), trade and other payables [except output value-added tax ("VAT") and other tax-related payables] (see Note 16), lease liabilities (see Note 9.3), dividends payable (see Note 24.3) and the financial liability component of equity-linked securities ("ELS") instrument (nil in 2022 and 2021) (see Note 15), and is recognized when the Group becomes a party to the contractual agreements of the instrument.

Financial liabilities are initially recognized at their fair values and subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments.

All interest-related charges, if any, are recognized as an expense under the Interest Expense in the consolidated statement of comprehensive income.

Dividend distributions to stockholders are recognized as financial liabilities on the record date set upon declaration by the Group.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Financial liabilities are also derecognized when the terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in consolidated profit or loss.

### ***2.12 Offsetting of Financial Instruments***

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when the Group has a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments. The Group does not have offsetting arrangements and had not offset any financial asset and financial liability in the periods reported.

### ***2.13 Business Combination and Asset Acquisition***

Business acquisitions are accounted for using the acquisition or pooling-of-interest method of accounting. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members and participants.

#### ***(a) Accounting for Business Combination using the Acquisition Method***

The acquisition method requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any NCI in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in consolidated profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any NCI in the acquiree, either at fair value or at the NCI's proportionate share of the recognized amounts of acquiree's identifiable net assets [see Note 2.3(c)].

Goodwill is recognized if the consideration transferred, the amount of any NCI in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree are in excess of the acquisition-date fair value of identifiable net assets acquired. Negative goodwill, as in the case of a bargain purchase, is recognized if the consideration transferred is less than the fair value of the net assets of the subsidiary acquired; such difference is recognized directly as gain in consolidated profit or loss.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the consolidated profit or loss or consolidated other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in consolidated profit or loss or as a change to consolidated other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

(b) *Accounting for Business Combination using the Pooling-of-interest Method*

Business combinations arising from transfers of interests in entities that are under the common control of the principal stockholder are accounted for under the pooling-of-interest method. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting; hence, the assets and liabilities are reflected in the consolidated financial statements at carrying values and no adjustments are made to reflect fair values or recognized any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method.

No restatements are made to the financial information in the consolidated financial statements for periods prior to the business combination as allowed under Philippine Interpretations Committee (PIC) Question & Answer (Q&A) No. 2012-01, PFRS 3.2 – *Application of Pooling of Interest Method for Business Combination of Entities under Common Control in Consolidated Financial Statements* (as amended by PIC Q&A No. 2015-01, *Conforming Changes to PIC Q&As – Cycle 2015*, and PIC Q&A No. 2018-13, *Conforming Changes to PIC Q&As – Cycle 2018*); hence, the profit and loss of the acquiree is included in the consolidated financial statements for the full year, irrespective of when the combination took place. Also, no goodwill is recognized as a result of the business combination and any excess between the net assets of the acquiree and the consideration paid is accounted for as “equity reserves”. Also, any pre-acquisition income and expenses of a subsidiary are no longer included in the consolidated financial statements. The Group used this method in accounting for the merger between Pedro Domecq and DDDDB in 2021, the merger between BFS and CBSP in 2020, the merger between Pedro Domecq and Bodega Domecq in 2019 and the restructuring of WMG in 2019 [see Note 1.1(g), (o) and (p)].

(c) *Accounting for Asset Acquisition*

Acquisition of assets in an entity which does not constitute a business is accounted for as an asset acquisition. Under the asset purchase accounting, the purchase costs are allocated to identifiable assets and liabilities based on relative fair values of individual items; any goodwill or gain on bargain purchase is not recognized; and transaction costs are capitalized.

## **2.14 Provisions and Contingencies**

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

### **2.15 Revenue and Expense Recognition**

Revenue arises mainly from the sales of goods and services, rental income, and other income such as interest income, dividend income and trading gains (see Note 18).

Revenue is recognized in a manner that depicts the pattern of goods and services to customers at an amount to which the Group expects to be entitled in exchange for those goods and services. The focus of revenue recognition is on the transfer of control of goods or services, which could be at a point in time or over time, following this five-step process:

- (1) identify the contract with a customer;
- (2) identify the performance obligation (distinct goods or services promised) in the contract;
- (3) determine the transaction price (including fixed amounts or variable amounts, or both, financing components, non-cash consideration, consideration payable to customer, if any);
- (4) allocate the transaction price to the performance obligations; and,
- (5) recognize revenue when (or as) performance obligations are satisfied (at a point in time or over time).

In identifying whether a contract with a customer exists, the following five gating criteria must be present:

- (i) the parties to the contract have approved the contract and committed to perform their respective obligations;
- (ii) each party's rights in relation to the goods or services to be transferred or performed can be identified;
- (iii) the payment terms can be identified;
- (iv) the contract has commercial substance (i.e., the Group expects the risk, timing or amount of the future cash flows to change as a result of the contract); and,
- (v) collection of the consideration in exchange of the goods and services is probable (i.e., more likely than not to occur).

A contract, for purposes of revenue recognition, does not exist if each party has a unilateral enforceable right to terminate a wholly unperformed contract without compensating the other party.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- (i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- (iii) the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

Revenue from sale of goods are recognized at a point in time, when the customer has acknowledged the receipt of the goods, while services are recognized over time based on the measure of progress of services rendered to the customer. Payment terms for sale of goods on credit vary as to number of days after receipt by the customer.

Revenues and expenses are recognized excluding the amount of value-added tax. As applicable, when the Group is required to refund the related purchase price for returned goods, it recognizes a refund liability for the expected refunds by adjusting the amount of revenues recognized during the period. Also, if applicable, the Group recognizes a right of refund asset on goods to be recovered from customers with a corresponding adjustment to Costs of Goods Sold account. However, there were no contracts that contain significant right of return arrangements that remain outstanding as of the end of the reporting periods.

Costs and expenses (see Notes 19 and 20) are recognized in consolidated profit or loss upon utilization of goods or rendering of services or at the date these are incurred. All finance costs are reported in consolidated profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.21).

In obtaining customer contracts, the Group incurs incremental costs. When the expected amortization period of these costs if capitalized would be less than one year, the Group uses the practical expedient by recognizing such costs as incurred. The Group also incurs costs in fulfilling contract with customers (i.e., freight and handling), which are accounted for in accordance with accounting policies related to those assets (see Notes 2.6, 2.8 and 2.9).

## **2.16 Leases**

The Group accounts for its leases as follows:

### *(a) Group as Lessee*

For any new contracts entered into, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

To apply such definition, the Group assesses whether the contract meets the following three key evaluations:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- there is a right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering the rights within the defined scope of the contract; and,
- there is a right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At commencement date of the lease, a right-of-use asset and a lease liability are recognized in the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequently, the right-of-use asset is depreciated on a straight-line basis from the lease commencement date to the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.18).

On the other hand, the lease liability is measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease, if that rate is readily available, or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed payments) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statement of financial position, Right-of-use assets are presented as part of Property, Plant and Equipment while Lease Liabilities are presented as separate line item under the Current and Non-current Liabilities sections.

*(b) Group as Lessor*

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific or identified asset or assets and the arrangement conveys a right to use the asset for a period of time in exchange for consideration.

**2.17 Foreign Currency Transactions and Translation**

*(a) Transactions and Balances*

Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income as part of profit or loss.

(b) *Translation of Financial Statements of Foreign Subsidiaries*

The consolidated operating results and financial position of offshore subsidiaries (see Note 1.1), which are measured using the United States (“U.S.”) dollar, British pound sterling (“GBP”) and European Union euro (“EUR”), their functional currencies, are translated to Philippine pesos, the Parent Company’s functional currency, as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- (ii) Income and expenses for each profit or loss account are translated at the monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,
- (iii) All resulting translation adjustments are recognized in other comprehensive income and in a separate component of equity under the Accumulated Translation Adjustments account.

When a foreign operation is partially disposed of or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of the gain or loss on sale.

The translation of the financial statements into Philippine pesos should not be construed as a representation that the foreign currency amounts could be converted into Philippine peso amounts at the translation rates or at any other rates of exchange.

**2.18 Impairment of Non-financial Assets**

Property, plant and equipment (see Note 9.1), right-of-use assets (see Note 9.2), intangible assets (see Note 10), investment in a joint venture (see Note 12), and other non-financial assets (see Note 11) are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable, except for goodwill and intangible assets with indefinite useful lives, which are required to be tested for impairment annually.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset’s or cash-generating unit’s carrying amount exceeds its recoverable amounts, which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows.

The data used for impairment testing procedures are directly linked to the Group’s latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management’s assessment of respective risk profiles, such as market and asset-specific risk factors.

Except for goodwill and intangible assets with indefinite useful lives, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

## **2.19 Employment Benefits**

The Group's post-employment benefits to its employees are as follows:

### *(a) Post-employment Defined Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's retirement cost accrual covers all regular full-time employees. The pension plan is tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of plan assets. The defined benefit obligation is calculated regularly by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero coupon government bonds, using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation ("BVAL"), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions) and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in consolidated other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Interest Expense account in the consolidated statement of comprehensive income. Past service costs are recognized immediately in the consolidated statement of comprehensive income in the period of a plan amendment or curtailment.

(b) *Post-employment Defined Contribution Plan*

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) *Short-term Employee Benefits*

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before 12 months after the end of the annual reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued expenses under the Trade and Other Payables account in the consolidated statement of financial position.

(d) *Bonus Plans*

The Group recognizes a liability and an expense for bonuses based on a formula that takes into consideration the Group's profits after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

## **2.20 Share-based Employee Remuneration**

The Parent Company grants share options to qualified employees of the Group eligible under a share option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (e.g., profitability and sales growth targets and performance conditions), if any [see Note 3.2 (j)]. The share-based remuneration is recognized as an expense in the consolidated profit or loss with a corresponding credit to Share Options Outstanding account under the Equity section of the consolidated statement of financial position.

The share-based remuneration expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number of share options that ultimately vests on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options expire or are ultimately not exercised.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as additional paid-in capital ("APIC").

Upon expiration of the unexercised share option, the value assigned to the stock option is transferred to APIC.

### ***2.21 Borrowing Costs***

Borrowing costs, which consists of interest and other costs that the Group incurs in connection with borrowing of funds, are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset (see Notes 9 and 14). The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

### ***2.22 Income Taxes***

Tax expense comprises the sum of current tax and deferred tax recognized in the consolidated profit or loss (see Note 22).

Current tax assets or current tax liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or current tax liabilities are recognized as a component of tax expense in the consolidated statement of comprehensive income.

Deferred tax is accounted for, using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets, whether recognized or unrecognized, are reassessed at the end of each reporting period and are recognized or reduced, as the case may be, to the extent that it has become probable that future taxable profit will be available to allow all or part of such deferred tax assets to be utilized [see Note 3.2(f)].

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, provided such tax rates have been enacted or substantially enacted at the end of the reporting period.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

### ***2.23 Related Party Transactions and Relationships***

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged (see Note 23).

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group, (d) close members of the family of any such individual; and, (e) the Group's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Transactions, individually or in aggregate, amounting to 10% or more of the total assets based on the latest audited consolidated financial statements that were entered into with related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a one year period that breaches the 10% materiality threshold, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

Directors with personal interest in the transaction should abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

### ***2.24 Current or Non-current Classification***

The Group presents assets and liabilities in the consolidated statement of financial position based on current or non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities, respectively.

## ***2.25 Equity***

Capital stock represents the nominal value of shares that have been issued (see Note 24.1).

APIC includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related income tax benefits. Excess of proceeds from sale of treasury shares over acquisition cost of such treasury shares is also added to APIC (see Note 24.1).

Deposit on future stock subscription – Equity-linked securities represents the remaining portion of ELS subject for future issuance of shares [see Notes 3.2(h) and 15].

Treasury shares are EMI shares reacquired by the Group but not cancelled. These are carried at cost of reacquiring such shares and are deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled, reissued or disposed of (see Note 24.2).

Conversion options outstanding represent the equity component of ELS. This will eventually be closed to APIC upon settlement or conversion of the ELS [see Note 3.2(h)].

Share options outstanding represent the accumulated total of employee share options' amortizations over the vesting period as share-based employee remuneration are recognized and reported in the consolidated statement of comprehensive income (see Note 24.4). These will eventually be closed to APIC upon exercise or expiration.

Accumulated translation adjustments represent the translation adjustments resulting from the translation of foreign currency-denominated financial statements of foreign subsidiaries into the Group's functional and presentation currency [see Note 2.17(b)(iii)].

Revaluation reserves comprise gains and losses due to remeasurements of post-employment defined benefit plan.

Other reserves include legal reserves that represent the statutory requirements in Luxembourg, which comprise of net wealth tax reserve and capital reserve. Certain statutory requirements based on Spanish legislation were also included as part of this account.

Retained earnings, the appropriated portion of which is not available for dividend declaration (see Note 24.5), represent the current and all prior period results of operations as reported in the consolidated profit or loss section of the consolidated statement of comprehensive income, reduced by the amounts of dividends declared.

NCI represents the portion of the net assets and profit or loss not attributable to the Parent Company's stockholders which are presented separately in the Group's consolidated statement of comprehensive income and within the equity in the Group's consolidated statement of financial position and consolidated statement of changes in equity (see Note 24.6).

### ***2.26 Earnings Per Share***

Basic earnings per share ("EPS") is determined by dividing the net profit attributable to equity holders of the Parent Company by the weighted average number of common shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared and shares reacquired during the current year (see Note 25).

Diluted EPS is computed by adjusting the weighted average number of shares outstanding to assume conversion of dilutive potential shares. The Group has negligible dilutive potential shares outstanding related to its employee share options and convertible ELS, which are deemed to have been converted to common shares at the date of issuance of the options.

### ***2.27 Events After the End of the Reporting Period***

Any post year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. There are no post year-end events that occurred up to date of issuance of the consolidated financial statements that would require adjustment (see Note 32).

## **3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

### ***3.1 Critical Management Judgments in Applying Accounting Policies***

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

*(a) Evaluation of Business Model and Cash Flow Characteristics of Financial Instruments*

The Group applies the business model test and cash flow characteristics test at a portfolio of financial assets (i.e., group of financial instruments that are managed together to achieve a particular objective) and not on an instrument-by-instrument approach (i.e., not based on intention for each or specific characteristic of individual instrument) as these relate to the Group's investment and trading strategies. The business model assessment is performed on the basis of reasonably expected scenarios (and not on reasonably expected not to occur, such as the so-called 'worst case' or 'stress case' scenarios).

A business model for managing financial assets is typically observable through the activities that the Group undertakes to achieve the objective of the business model.

The Group uses judgment when it assesses its business model for managing financial assets and that assessment is not determined by a single factor or activity. Instead, the Group considers all relevant evidence that is available at the date of assessment which includes, but not limited to:

- how the performance of the business model and the financial assets held within the business model are evaluated and reported to key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and,
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

*(b) Determination of ECL on Financial Assets at Amortized Cost*

The Group applies the ECL methodology which requires certain judgments in selecting the appropriate method in determining the amount of ECL. In measuring ECL, the Group considers a broader range of information which include past events, current conditions, and reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets. The Group uses loss rates and provision matrix to calculate ECL.

The provision matrix and loss rates are based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Group's trade and other receivables are disclosed in Notes 2.5(b) and 27.2(b).

(c) *Determination of Lease Term of Contracts with Renewal and Termination Options*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option.

Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For leases of bottling plant, warehouses, office spaces, commercial buildings, vehicles, fitting and equipment, the factors that are normally the most relevant are

(a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased assets.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. In assessing the enforceability of the option, an entity should consider whether the lessor can refuse to agree to a request from the lessee to extend the lease. Accordingly, if the lessee has the right to extend or terminate the lease unilaterally, there are enforceable rights and obligations beyond the initial non-cancellable period and thus, the parties to the lease would be required to consider those optional periods in their assessment of the lease term.

(d) *Distinction Between Business Combination and Asset Acquisition*

The Group determines whether an acquisition of an entity constitute a business combination or an asset acquisition. The accounting treatment for the acquisition is determined by assessing whether the transaction involved a purchase of a “business” taking into consideration the substance of the transaction. Failure to make the right judgment will result in misstatement of assets and other accounts that could have been affected by the transactions (see Note 2.13).

The groups of assets acquired in the Domecq Acquisition and Garvey Acquisition do not include an integrated set of activities that are capable of being managed. In addition, the group of assets acquired under the Garvey Acquisition was previously under receivership from various third parties. Accordingly, management has assessed that the Domecq Acquisition and Garvey Acquisition, as disclosed in Notes 1.1(p) and (o), are to be accounted for as asset acquisition since these do not constitute a purchase of business; hence, no goodwill or gain on acquisition was recognized.

Conversely, EUK’s purchases of ownership in WMG, EDI’s acquisition of full equity ownership in TEI, TEI’s acquisition of 51% ownership in Boozylife, and BFS’s purchases of Fundador Business Unit as disclosed in Notes 1.1(d), (g), (l) and 10, are accounted for as business combinations using the acquisition method. On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in consolidated profit or loss in the subsequent period.

Moreover, the transfers of ownership interest over WML and WMWL from WMG to WMGL, the merger between CBSP and BFS, the merger between Pedro Domecq and Bodega Domecq and the merger between Pedro Domecq and DDDDB are accounted for as business combinations using pooling-of-interest method as these are transfers of interests in entities that are under the common control and there is no change of control before and after the restructuring or mergers [see Note 1.1(g), (o) and (p)].

(e) *Determination of Control or Joint Control*

Judgment is exercised in determining whether the Group has control or joint control over an entity. In assessing each interest over an entity, the Group considers voting rights, representation on the BOD or equivalent governing body of the investee, participation in policy-making process and all other facts and circumstances, including terms of any contractual agreement.

Management considers that the Group has control over DBLC because it holds 50% of the common shares. The Parent Company, through its wholly owned subsidiary, GES, exercises control over the entity because GES has the ability to direct the relevant activities of DBLC through appointment of key management personnel (see Note 1.1).

Management considers that the Group has joint control over BLC because the agreement involves contractually agreed sharing of control and that decisions about relevant activities require the unanimous consent of the parties sharing control.

(f) *Classification of Assets as Held for Sale*

The Group classifies an asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets (or disposal group) and its sale must be highly probable.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except when delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group). The actions required to complete the plan should also indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Based on management's assessment, the letters of intent dated December 27, 2022 and 2020, which provide the Group's commitment to sell certain land and buildings to a related party, are the main consideration for classifying these assets as assets held for sale as of December 31, 2022 and 2021 (see Note 13).

(g) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish the difference between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.14 and disclosures on relevant provisions and contingencies are presented in Notes 17 and 26.

**3.2 Key Sources of Estimation Uncertainty**

Presented below and in the succeeding pages are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(a) *Impairment of Financial Assets at Amortized Cost*

In measuring ECL, the Group added significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of counterparties defaulting and the resulting losses), as further detailed in Note 27.2. The Group evaluated impairment based on available facts and circumstances affecting collectability of accounts, including but not limited to, the length of the Group's relationship with the counterparties, counterparties' credit status, age of accounts and collection and historical loss experience. Based on the management's review, appropriate allowance for ECL has been recognized on the Group's financial assets in 2022, 2021 and 2020 (see Notes 2.5 and 6).

(b) *Fair Value Measurement of Financial Instruments*

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

The carrying values and amounts of fair value changes recognized during the years presented on the Group's financial instruments at FVTPL [see Notes 2.5(a)(ii) and 2.11(a)] are disclosed in Note 7.

(c) *Determination of Net Realizable Values of Inventories*

In determining the net realizable values of inventories (see Note 2.6), management takes into account the most reliable evidence available at the times the estimates are made. The Group's core business is subject to changes in market factors that directly affect the demand for alcoholic beverages such as purchasing power of consumers, degree of competition, and other market-related factors. Future realization of inventories is affected by price changes in the costs incurred necessary to produce the inventories and make a sale. These aspects are considered as key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next reporting period. A reconciliation of the allowance for inventory write-down is presented in Note 8.

(d) *Estimation of Useful Lives of Property, Plant and Equipment, Right-of-Use Assets and Trademarks*

The Group estimates the useful lives of property, plant and equipment, right-of-use assets and trademarks based on the period over which the assets are expected to be available for use. Certain trademarks were determined to have indefinite useful lives because these brands have been in existence for more than 100 years.

The estimated useful lives of property, plant and equipment, right-of-use assets and trademarks are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets [see Notes 2.8, 2.9 and 2.16(a)]. The carrying amounts of property, plant and equipment, right-of-use assets and trademarks are presented in Notes 9.1, 9.2 and 10, respectively.

(e) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(f) *Determination of Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as of December 31, 2022 and 2021 will be fully utilized in the subsequent reporting periods. The carrying value of deferred tax assets as of those dates is disclosed in Note 22.

(g) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.18). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No additional impairment losses were recognized on non-financial assets in 2022, 2021 and 2020 based on management's assessment.

(b) *Recognition of Financial Liability and Equity Components of Compound Financial Instruments*

The ELS [see Notes 2.11(b) and 15] contains both a financial liability, which is the Group's contractual obligation to pay cash, and an equity component, which is the holder's option to convert it into the Parent Company's common shares. The value of the financial liability component is determined separately, which is deducted from the fair value of the compound instrument as a whole, and the residual amount is assigned as the value of the equity component.

Valuation techniques are used to determine the fair values, which are validated and periodically reviewed. To the extent practicable, models use observable data, however, areas such as own credit risk, volatilities and correlations require management to make estimates. The Group uses judgment to select a variety of methods and make assumptions that are mainly based on conditions existing at the date of the issuance of the ELS.

Initially, the Group determined the carrying amount of the financial liability component by measuring the present value of the contractual stream of future cash flows, using the interest rate of similar liabilities that do not have an associated equity component. When the fair value of the financial liability is compared with the fair value of the compound financial instrument as a whole, which is equivalent to the issue price, there was no residual amount such that no value was assigned to the equity component; hence, no equity component was recognized in the consolidated financial statements at that time. Subsequently, the financial liability was measured at amortized cost.

In 2017, as a result of the amendment of the ELS, management reassessed the compound financial instrument and recomputed the fair values of the components at the time of amendment, which resulted in a revalued financial liability component [see Note 2.11(b)] and an equity component with value (see Note 2.25).

On December 4, 2019, the Group exercised the option to extend the redemption date of ELS until December 4, 2021 which did not result to substantial modification of terms. On December 3, 2021, the financial liability component of the ELS amounting to P3.4 billion was derecognized and an equity component was recognized amounting to P3.4 billion, which is presented as Deposit on Future Stock Subscription – Equity-linked Securities under the Equity section of the consolidated statements of financial position (see Note 15).

(i) *Valuation of Post-employment Defined Benefit*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by management and actuaries in calculating such amounts. Those assumptions include, among others, discount rates, salary rate increase, and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment defined benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment defined benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 21.3.

*(j) Fair Value Measurement of Share Options*

The Group estimates the fair value of the share option by applying an option valuation model, taking into account the terms and conditions on which the share option was granted. The estimates and assumptions used are presented in Note 24.4 which include, among others, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, and volatility of the Parent Company's share price. Changes in these factors can affect the fair value of share options at grant date.

Details of the share option plan and the amount of fair value recognized are presented in Note 24.4.

*(k) Determination of Provision for Onerous Lease*

The Group determines the provision for leasehold properties which are no longer used in the business for which the recoverable amount of the interest in the property is expected to be insufficient to cover future obligations relating to the lease using discounted cash flows and assumptions relating to future sublease income expectations. A significant change in the credit-adjusted risk-free rate used in discounting the estimated cost and sublease assumptions would result in a significant change in the amount of provision recognized with a corresponding effect in consolidated profit or loss.

In 2022, 2021 and 2020, additional provisions for onerous lease were recognized. An analysis of the Group's provision for onerous lease is presented in Note 17.1.

*(l) Determination of Provision for Restoration of Leased Property*

Determining provision for leased property restoration requires estimation of the cost of dismantling and restoring the leased properties to their original condition. The estimated cost was initially determined based on a recent cost to restore the facilities and is being adjusted to consider the estimated incremental annual costs up to the end of the lease term. A significant change in the credit-adjusted risk-free rate used in discounting the estimated cost would result in a significant change in the amount of provision recognized with a corresponding effect in profit or loss.

An analysis of the Group's provisions for leased property restoration cost is presented in Note 17.2.

## **4. SEGMENT INFORMATION**

### ***4.1 Business Segments***

The Group is organized into two business segments, the Brandy and Scotch Whisky, which represent the two major distilled spirits categories where the Group operates. Scotch Whisky pertains to the UK operations and the rest fall under Brandy. This is also the basis of the Group's executive committee for its strategic decision-making activities, including the financial performance evaluation of the operating segments or resource allocation decisions.

The Group disaggregates revenues recognized from contracts with customers into these two segments that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The same disaggregation is used in earnings releases, annual reports and investor presentations.

#### 4.2 Segment Assets and Liabilities

Segment assets and liabilities represent the assets and liabilities reported in the consolidated statements of financial position of the companies included in each segment.

#### 4.3 Intersegment Transactions

Intersegment transactions, such as intercompany sales and purchases, and receivables and payables, are eliminated in consolidation.

#### 4.4 Analysis of Segment Information

Segment information for the years ended December 31, 2022, 2021 and 2020 (in millions) are presented below.

	BRANDY			SCOTCH WHISKY			SEGMENT TOTALS		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
<b>REVENUES AND OTHER INCOME</b>									
External customers	P40,687	P 37,232	P 36,891	P 22,080	P 18,704	P 15,943	P 62,767	P 55,936	P 52,834
Intersegment sales*	609	730	714	157	64	70	766	794	784
	<u>41,296</u>	<u>37,962</u>	<u>37,605</u>	<u>22,237</u>	<u>18,768</u>	<u>16,013</u>	<u>63,533</u>	<u>56,730</u>	<u>53,618</u>
<b>COSTS AND EXPENSES</b>									
Costs of goods sold	29,717	24,378	25,913	11,824	10,431	9,486	41,541	34,809	35,399
Intersegment cost of goods sold*	157	64	70	609	730	714	766	794	784
Selling and distribution expenses	3,147	2,546	3,321	3,058	2,294	1,942	6,205	4,840	5,263
General and administrative expenses	1,325	1,075	1,111	1,306	1,131	997	2,631	2,206	2,108
Interest expense and other charges	382	1,005	413	298	181	215	680	1,186	628
	<u>34,728</u>	<u>29,068</u>	<u>30,828</u>	<u>17,085</u>	<u>14,767</u>	<u>13,354</u>	<u>51,823</u>	<u>43,835</u>	<u>44,182</u>
<b>SEGMENT PROFIT BEFORE TAX</b>	6,568	8,894	6,777	5,142	4,001	2,659	11,710	12,895	9,436
<b>TAX EXPENSE</b>	893	1,314	992	605	1,433	407	1,498	2,747	1,399
<b>SEGMENT NET PROFIT</b>	<u>P 5,675</u>	<u>P 7,580</u>	<u>P 5,785</u>	<u>P 4,537</u>	<u>P 2,568</u>	<u>P 2,252</u>	<u>P 10,212</u>	<u>P 10,148</u>	<u>P 8,037</u>
<b>SEGMENT ASSETS*</b>	P147,349	P136,220	P134,298	P58,148	P54,471	P 50,500	P205,497	190,692	184,798
<b>SEGMENT LIABILITIES*</b>	54,274	50,855	27,080	12,994	11,864	41,148	67,269	62,718	68,228
Depreciation and Amortization	1,163	1,222	1,254	322	325	313	1,485	1,547	1,567
Interest Expense	358	597	441	253	186	108	611	783	549
Equity Share in Net Income of Joint Venture	114	162	185	-	-	-	114	162	185

\*Intersegment accounts are eliminated in consolidation. Numbers may not add up due to rounding. See reconciliation in Note 4.5 below.

The Group's revenues and other income in the years presented range from 63% to 68% from the Asia Pacific, 24% to 27% from Europe and the remaining portion from North and Latin Americas, Middle East and Africa and other countries.

Sales to any of the Group's major customers did not exceed 10% of the Group's revenues in all of the years presented.

#### 4.5 Reconciliations

The reconciliation of total segment balances presented for the Group's operating segments to the Group's consolidated balances as presented in the consolidated financial statements are as follows (in millions):

	<u>Segment Totals</u>	<u>Intercompany Accounts</u>	<u>Consolidated Balances</u>
<b><u>2022</u></b>			
Revenues and other income	P 63,533	(P 766)	P 62,767
Costs and expenses	51,823	( 766)	51,057
Net profit	10,212	-	10,212
Total assets	205,497	( 64,286)	141,211
Total liabilities	67,269	( 14,647)	52,622
Other segment information:			
Depreciation and amortization	1,485	-	1,485
Interest expense	611	-	611
Share in net profit of joint venture	114	-	114
<b><u>2021</u></b>			
Revenues and other income	P 56,730	(P 794)	P 55,936
Costs and expenses	43,835	( 794)	43,041
Net profit	10,148	-	10,148
Total assets	190,692	( 62,175)	128,516
Total liabilities	62,718	( 12,920)	49,798
Other segment information:			
Depreciation and amortization	1,547	-	1,547
Interest expense	783	-	783
Share in net profit of joint venture	162	-	162
<b><u>2020</u></b>			
Revenues and other income	P 53,618	(P 784)	P 52,834
Costs and expenses	44,182	( 784)	43,398
Net profit	8,037	-	8,037
Total assets	184,798	( 62,346)	122,452
Total liabilities	68,228	( 13,140)	55,088
Other segment information:			
Depreciation and amortization	1,567	-	1,567
Interest expense	549	-	549
Share in net profit of joint venture	185	-	185

#### 5. CASH AND CASH EQUIVALENTS

This account includes the following components:

	<u>2022</u>	<u>2021</u>
Cash on hand and in banks	P 2,702,645,383	P 4,485,605,267
Short-term placements	<u>10,035,472,861</u>	<u>4,848,178,171</u>
	<b><u>P 12,738,118,244</u></b>	<b><u>P 9,333,783,438</u></b>

Cash in banks generally earn interest at rates based on daily bank deposit rates. Short-term placements have an average maturity of 30 to 63 days and earn effective annual interest rates ranging from 0.5% to 5.8% in 2022, 0.5% to 0.6% in 2021, and from 0.5% to 3.8% in 2020. Interest earned amounted to P141.8 million, P86.4 million, and P183.0 million in 2022, 2021 and 2020, respectively, and is presented as part of Interest income under the Revenues and Other Income section of the consolidated statements of comprehensive income (see Note 18).

## 6. TRADE AND OTHER RECEIVABLES

Details of this account are as follows [see Note 2.5(a)(i)]:

	Notes	<u>2022</u>	<u>2021</u>
Trade receivables	23.3	<b>P 15,533,051,986</b>	P 13,930,847,017
Advances to suppliers	2.7	<b>7,032,856,076</b>	6,147,264,154
Advances to officers and employees	23.4	<b>682,693,841</b>	103,446,030
Accrued interest receivable		<b>9,240,221</b>	378,467
Other receivables		<b>83,138,984</b>	356,571,487
		<b>23,340,981,108</b>	20,538,507,155
Allowance for impairment	3.2(a)	<b>( 180,655,094)</b>	( 192,652,354)
		<b><u>P 23,160,326,014</u></b>	<b><u>P 20,345,854,801</u></b>

Advances to suppliers pertain to downpayments made primarily for the purchase of goods from suppliers.

All of the Group's trade and other receivables have been assessed for impairment using the ECL model adopted by the Group [see Notes 2.5(b), 3.1(b) and 3.2(a)]. Certain trade and other receivables were found to be impaired using the ECL methodology as determined by the management; hence, adequate amounts of allowance for impairment have been recognized (see Note 27.2).

A reconciliation of the allowance for impairment at the beginning and end of 2022 and 2021 is shown below.

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	<b>P 192,652,354</b>	P 189,441,284
Recoveries	<b>( 17,889,000)</b>	( 15,546,909)
Impairment losses	<b>7,462,310</b>	11,561,171
Translation adjustment	<b>( 1,570,570)</b>	7,196,808
Balance at end of year	<b><u>P 180,655,094</u></b>	<b><u>P 192,652,354</u></b>

Recoveries pertain to collections of certain receivables previously provided with allowance, which are presented as part of Other income under Revenues and Other Income in the consolidated statements of comprehensive income (see Note 18). There were no write-offs of receivables in 2022 and 2021.

Impairment losses on trade and other receivables are presented as Impairment losses on financial assets under the General and Administrative Expenses account in the consolidated statements of comprehensive income (see Note 20).

The carrying amounts of these financial assets are a reasonable approximation of their fair values due to their short-term duration.

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's financial instruments at FVTPL pertain to marketable equity securities classified as held for trading and derivative instruments amounting to P277.6 million and P3.3 million as of December 31, 2022 and 2021, respectively [see Note 2.5(a)(ii)].

The net fair value gains and dividend income earned on these financial instruments are presented in the consolidated statements of comprehensive income as part of Other income under the Revenues and Other Income section (see Note 18) while the net fair value losses are presented as part of Other charges under the Costs and Expenses section. The Group recognized fair value losses amounting to P25.9 million in 2022 and P52.5 million in 2021 and fair value gains amounting to P61.7 million in 2020.

The fair value of the marketable equity securities and derivative financial instruments at FVTPL are measured through quoted market prices and valuation techniques using the net present value computation, respectively [see Notes 3.2(b) and 29.2].

## 8. INVENTORIES

The details of inventories which are valued at lower of cost and net realizable value, are shown below [see Notes 2.6 and 3.2(c)].

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
At cost:			
Finished goods	19, 23.1	<b>P 5,903,047,585</b>	P 4,451,219,952
Work-in-process	9.1, 19, 21.1	<b>25,603,632,966</b>	24,225,660,910
Raw materials	19, 23.1	<b>5,332,535,042</b>	3,385,062,670
Packaging materials	19	<b>630,896,742</b>	393,555,813
Machinery spare parts, consumables and factory supplies		<u><b>359,707,090</b></u>	<u>319,884,044</u>
		<u><b>37,829,819,425</b></u>	<u>32,775,383,389</u>
At net realizable value:			
Finished goods			
Cost	19, 23.1	<b>1,241,383,504</b>	1,123,522,860
Allowance for impairment		<b>( 230,995,029)</b>	( 186,047,864)
Packaging materials			
Cost	19	<b>591,766,847</b>	431,128,500
Allowance for impairment		<b>( 137,404,873)</b>	( 130,842,880)
		<u><b>1,464,750,449</b></u>	<u>1,237,760,616</u>
		<u><b>P 39,294,569,874</b></u>	<u>P 34,013,144,005</u>

WML has a substantial inventory of aged stocks which mature over periods of up to 60 years. The maturing whisky stock inventory amounting to P21.1 billion and P19.7 billion as of December 31, 2022 and 2021, respectively, is presented as part of work-in-process inventories and is stored in various locations across Scotland.

An analysis of the cost of inventories included in costs of goods sold for 2022, 2021 and 2020 is presented in Note 19.

A reconciliation of the allowance for inventory write-down is shown below.

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Balance at beginning of year		<b>P 316,890,744</b>	P 258,776,512
Impairment losses	19	<u>51,509,158</u>	<u>58,114,232</u>
Balance at end of year		<u><b>P 368,399,902</b></u>	<u>P 316,890,744</u>

The Group recognized losses on inventory write-down amounting to P51.5 million, P58.1 million and P44.8 million in 2022, 2021 and 2020, respectively, which are presented as Impairment losses under the Costs of Goods Sold account in the consolidated statements of comprehensive income (see Note 19). There were no reversals of impairment losses in 2022, 2021 and 2020.

In 2022, certain inventories amounting to P162.5 million were impaired, and is presented as Impairment losses on inventories under the General and Administrative Expenses account in the 2022 consolidated statement of comprehensive income (see Note 20).

## 9. PROPERTY, PLANT AND EQUIPMENT

The carrying amount of this account is composed of the following:

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Property, plant and equipment	9.1	<b>P 28,859,820,438</b>	P 26,841,829,799
Right-of-use assets	9.2	<u>396,200,194</u>	<u>1,024,838,886</u>
		<u><b>P 29,256,020,632</b></u>	<u>P 27,866,668,685</u>

No impairment losses were recognized in 2022, 2021 and 2020 for the Group's property, plant and equipment. As of December 31, 2022 and 2021, certain right-of-use assets which are considered as onerous lease were fully impaired through direct offset of portion of provision for onerous lease (see Notes 9.2 and 17.1).

### 9.1 Carrying Values of Property, Plant and Equipment

The gross carrying amounts and accumulated depreciation and amortization of property, plant and equipment at the beginning and end of the reporting periods are shown below.

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings and Improvements</u>	<u>Leasehold Improvements</u>	<u>Machinery and Equipment</u>	<u>Transportation Equipment</u>	<u>Office Furniture and Fixtures</u>	<u>Moulds and Dies</u>	<u>Construction in Progress</u>	<u>Total</u>
December 31, 2022										
Cost	P 6,941,328,737	P 29,078,186	P13,591,834,971	P 271,522,997	P21,012,556,591	P 743,962,398	P 855,108,227	P 116,062,252	P 1,651,252,196	P 45,212,706,555
Accumulated depreciation and amortization	<u>-</u>	<u>( 28,743,792)</u>	<u>( 3,326,632,517)</u>	<u>( 115,098,005)</u>	<u>( 11,872,810,358)</u>	<u>( 444,935,098)</u>	<u>( 495,652,828)</u>	<u>( 69,013,519)</u>	<u>-</u>	<u>( 16,352,886,117)</u>
Net carrying amount	<b><u>P 6,941,328,737</u></b>	<b><u>P 334,394</u></b>	<b><u>P10,265,202,454</u></b>	<b><u>P 156,424,992</u></b>	<b><u>P 9,139,746,233</u></b>	<b><u>P 299,027,300</u></b>	<b><u>P 359,455,399</u></b>	<b><u>P 47,048,733</u></b>	<b><u>P 1,651,252,196</u></b>	<b><u>P 28,859,820,438</u></b>
December 31, 2021										
Cost	P 6,934,892,520	P 29,078,186	P12,180,416,457	P 226,930,047	P19,340,430,582	P 582,039,725	P 903,353,870	P 85,754,687	P 1,270,268,607	P 41,553,164,681
Accumulated depreciation and amortization	<u>-</u>	<u>( 25,835,973)</u>	<u>( 3,394,303,680)</u>	<u>( 96,613,842)</u>	<u>( 10,186,335,879)</u>	<u>( 411,643,527)</u>	<u>( 550,341,151)</u>	<u>( 46,260,830)</u>	<u>-</u>	<u>( 14,711,334,882)</u>
Net carrying amount	<b><u>P 6,934,892,520</u></b>	<b><u>P 3,242,213</u></b>	<b><u>P 8,786,112,777</u></b>	<b><u>P 130,316,205</u></b>	<b><u>P 9,154,094,703</u></b>	<b><u>P 170,396,198</u></b>	<b><u>P 353,012,719</u></b>	<b><u>P 39,493,857</u></b>	<b><u>P 1,270,268,607</u></b>	<b><u>P 26,841,829,799</u></b>
January 1, 2021										
Cost	P 6,073,906,086	P 29,078,186	P11,210,680,623	P 211,699,399	P18,139,646,211	P 653,059,659	P 680,608,649	P 92,080,387	P 1,170,778,831	P 38,261,538,031
Accumulated depreciation and amortization	<u>-</u>	<u>( 22,928,155)</u>	<u>( 3,060,454,886)</u>	<u>( 89,798,677)</u>	<u>( 8,778,306,134)</u>	<u>( 426,207,293)</u>	<u>( 366,515,973)</u>	<u>( 52,266,985)</u>	<u>-</u>	<u>( 12,796,478,103)</u>
Net carrying amount	<b><u>P 6,073,906,086</u></b>	<b><u>P 6,150,031</u></b>	<b><u>P 8,150,225,737</u></b>	<b><u>P 121,900,722</u></b>	<b><u>P 9,361,340,077</u></b>	<b><u>P 226,852,366</u></b>	<b><u>P 314,092,676</u></b>	<b><u>P 39,813,402</u></b>	<b><u>P 1,170,778,831</u></b>	<b><u>P 25,465,059,928</u></b>

A reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the reporting periods is shown below and in the succeeding page.

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings and Improvements</u>	<u>Leasehold Improvements</u>	<u>Machinery and Equipment</u>	<u>Transportation Equipment</u>	<u>Office Furniture and Fixtures</u>	<u>Moulds and Dies</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2022, net of accumulated depreciation and amortization	P6,934,892,520	P 3,242,213	P 8,786,112,777	P 130,316,205	P9,154,094,703	P 170,396,198	P 353,012,719	P 39,493,857	P1,270,268,607	P 26,841,829,799
Additions	2,800,717	-	1,736,254,644	46,877,701	1,402,516,845	179,645,316	59,805,632	30,307,564	724,677,895	4,182,886,314
Translation adjustment	3,635,500	-	12,254,550	-	( 3,682,300)	( 1,538,050)	6,272,950	-	116,700	17,059,350
Disposals	-	-	( 312,319,607)	( 165,338)	( 134,035,489)	( 372,601)	( 28,674)	-	-	( 446,921,709)
Reclassifications of construction in progress	-	-	340,328,864	-	3,482,142	-	-	-	( 343,811,006)	-
Depreciation and amortization charges for the year	<u>-</u>	<u>( 2,907,819)</u>	<u>( 297,428,774)</u>	<u>( 20,603,576)</u>	<u>( 1,282,629,668)</u>	<u>( 49,103,563)</u>	<u>( 59,607,228)</u>	<u>( 22,752,688)</u>	<u>-</u>	<u>( 1,735,033,316)</u>
Balance at December 31, 2022, net of accumulated depreciation and amortization	<b><u>P6,941,328,737</u></b>	<b><u>P 334,394</u></b>	<b><u>P10,265,202,454</u></b>	<b><u>P 156,424,992</u></b>	<b><u>P9,139,746,233</u></b>	<b><u>P 299,027,300</u></b>	<b><u>P 359,455,399</u></b>	<b><u>P 47,048,733</u></b>	<b><u>P1,651,252,196</u></b>	<b><u>P 28,859,820,438</u></b>

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings and Improvements</u>	<u>Leasehold Improvements</u>	<u>Machinery and Equipment</u>	<u>Transportation Equipment</u>	<u>Office Furniture and Fixtures</u>	<u>Moulds and Dies</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2021, net of accumulated depreciation and amortization	P 6,073,906,086	P 6,150,031	P 8,150,225,737	P 121,900,722	P 9,361,340,077	P 226,852,366	P 314,092,676	P 39,813,402	P 1,170,778,831	P 25,465,059,928
Additions	651,867,406	-	720,871,296	23,768,992	353,379,618	11,888,358	99,283,149	13,784,550	465,898,035	2,340,741,404
Translation adjustment	209,119,028	-	226,829,824	-	336,402,873	618,003	17,521,541	-	( 219,224)	790,272,045
Disposals	-	-	-	-	( 18,689,007)	( 24,365,439)	( 104,949)	( 3,147,696)	( 11,634,552)	( 57,941,643)
Reclassifications of construction in progress	-	-	343,299,083	-	11,021,850	-	233,550	-	( 354,554,483)	-
Depreciation and amortization charges for the year	-	( 2,907,818)	( 655,113,163)	( 15,353,509)	( 889,360,708)	( 44,597,090)	( 78,013,248)	( 10,956,399)	-	( 1,696,301,935)
Balance at December 31, 2021, net of accumulated depreciation and amortization	<u>P 6,934,892,520</u>	<u>P 3,242,213</u>	<u>P 8,786,112,777</u>	<u>P 130,316,205</u>	<u>P 9,154,094,703</u>	<u>P 170,396,198</u>	<u>P 353,012,719</u>	<u>P 39,493,857</u>	<u>P 1,270,268,607</u>	<u>P 26,841,829,799</u>
Balance at January 1, 2020, net of accumulated depreciation and amortization	P 6,862,403,632	P 9,057,850	P 8,453,472,779	P 116,209,697	P 10,011,854,874	P 306,147,678	P 364,502,411	P 35,178,540	P 1,224,332,802	P 27,383,160,263
Additions	607,842,161	-	90,677,358	26,040,398	161,187,897	5,284,091	30,886,010	20,576,570	71,265,318	1,013,759,803
Translation adjustment	( 547,451,697)	-	231,638,061	-	130,570,839	-	( 11,823,154)	-	1,855,896	( 195,210,055)
Disposals	-	-	-	-	( 67,470,929)	( 8,438,142)	( 553,379)	-	( 30,881,566)	( 107,344,016)
Reclassifications of construction in progress	-	-	67,910,376	-	27,883,243	-	-	-	( 95,793,619)	-
Reclassifications to non-current assets held for sale	( 848,888,010)	-	( 112,852,585)	-	-	-	-	-	-	( 961,740,595)
Depreciation and amortization charges for the year	-	( 2,907,819)	( 580,620,252)	( 20,349,373)	( 902,685,847)	( 76,141,261)	( 68,919,212)	( 15,941,708)	-	( 1,667,565,472)
Balance at December 31, 2020, net of accumulated depreciation and amortization	<u>P 6,073,906,086</u>	<u>P 6,150,031</u>	<u>P 8,150,225,737</u>	<u>P 121,900,722</u>	<u>P 9,361,340,077</u>	<u>P 226,852,366</u>	<u>P 314,092,676</u>	<u>P 39,813,402</u>	<u>P 1,170,778,831</u>	<u>P 25,465,059,928</u>

In 2021 and 2020, the Group wrote off certain fully-depreciated moulds and dies with original cost amounting to 20.1 million and 12.4 million, respectively. There was no similar transaction in 2022.

The amount of depreciation and amortization is allocated as follows:

	<u>Notes</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Costs of goods sold	19	<b>P 1,131,653,684</b>	P 1,134,012,397	P 1,045,975,108
Selling and distribution expenses	20	<b>86,925,872</b>	74,964,770	81,683,576
General and administrative expenses	20	<u><b>124,800,235</b></u>	<u>114,195,168</u>	<u>210,617,039</u>
		<b>1,343,379,791</b>	1,323,172,335	1,338,275,723
Capitalized as part of work-in-process inventories	8	<u><b>391,653,525</b></u>	<u>373,129,600</u>	<u>329,289,749</u>
		<u><b>P 1,735,033,316</b></u>	<u>P 1,696,301,935</u>	<u>P 1,667,565,472</u>

The amount capitalized to work-in-process inventory represents depreciation expense on barrels and warehouse buildings wherein the maturing bulk stocks of whisky are held, which can reach periods of up to 60 years.

In 2022, 2021 and 2020, certain property, plant and equipment with carrying amounts of P446.9 million, P57.9 million and P107.3 million, were sold for P448.0 million, P58.1 million, and P107.5 million, respectively. The resulting gain on disposals for 2022, 2021 and 2020 amounting to P1.1 million, P0.1 million and P0.1 million was recognized as part of Other income under the Revenues and Other Income section in the consolidated statements of comprehensive income (see Note 18).

## **9.2 Right-of-use Assets**

The Group has leases for certain manufacturing plant, warehouses, building space, commercial building, and vehicles, fittings and equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the consolidated statements of financial position as Right-of-use assets under the Property, Plant and Equipment account and Lease Liabilities account.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For certain leases, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the consolidated statements of financial position.

	Number of right-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with termination options
<b>December 31, 2022</b>					
Plant	1	4 years	7 years	1	-
Warehouses	27	1 to 5 years	2 years and 10 months	3	4
Building space	9	2 to 3 years and 5 months	2 to 5 years and 5 months	1	-
Buildings	4	1 year to 14 years and 9 months	1 year to 17 years and 9 months	-	1
Vehicles, fittings and equipment	72	1 to 3 years	1 to 3 years	-	-
<b>December 31, 2021</b>					
Plant	1	5 years	7 years	1	-
Warehouses	27	1 to 5 years	2 years and 10 months	3	4
Building space	9	2 to 3 years and 5 months	2 to 5 years and 5 months	1	-
Buildings	4	1 year to 15 years and 9 months	1 year to 17 years and 9 months	-	1
Vehicles, fittings and equipment	72	1 to 3 years	1 to 3 years	-	-

The carrying amounts of the Group's right-of-use assets as at December 31, 2022 and 2021 and the movements during the period are shown below.

	Plant	Warehouses	Building Space	Buildings	Vehicles, Fittings and Equipment	Total
<b>December 31, 2022</b>						
Cost						
Balance at beginning of year	P 155,173,656	P 309,034,604	P 199,052,259	P 997,271,834	P 71,235,714	P 1,731,768,067
Additions	-	23,353,768	-	5,290,588	-	28,644,356
Translation adjustment	-	-	-	(10,339,628)	-	(10,339,628)
Termination	(14,601,278)	(5,648,106)	-	(526,821,000)	-	(547,070,384)
Balance at end of year	<u>140,572,378</u>	<u>326,740,266</u>	<u>199,052,259</u>	<u>465,401,794</u>	<u>71,235,714</u>	<u>1,203,002,411</u>
Accumulated amortization						
Balance at beginning of year	38,030,007	281,018,917	101,144,028	266,954,727	19,781,502	706,929,181
Amortization for the year	23,428,730	31,770,984	11,865,491	68,806,306	5,343,185	141,214,696
Termination	(14,601,278)	(5,648,106)	-	-	-	(20,249,384)
Translation adjustment	-	-	-	(22,063,433)	971,157	(21,092,276)
Balance at end of year	<u>46,857,459</u>	<u>307,141,795</u>	<u>113,009,519</u>	<u>313,697,600</u>	<u>26,095,844</u>	<u>806,802,217</u>
Carrying amount at December 31, 2022	<b><u>P 93,714,919</u></b>	<b><u>P 19,598,471</u></b>	<b><u>P 86,042,740</u></b>	<b><u>P 151,704,194</u></b>	<b><u>P 45,139,870</u></b>	<b><u>P 396,200,194</u></b>
<b>December 31, 2021</b>						
Cost						
Balance at beginning of year	P 62,775,915	P 285,087,021	P 199,052,259	P 942,297,767	P 71,235,714	P 1,560,448,676
Additions	-	37,323,562	-	104,245,149	-	141,568,711
Translation adjustment	-	-	-	(49,271,082)	-	(49,271,082)
Termination	-	(13,375,979)	-	-	-	(13,375,979)
Lease modification	<u>92,397,741</u>	-	-	-	-	<u>92,397,741</u>
Balance at end of year	<u>155,173,656</u>	<u>309,034,604</u>	<u>199,052,259</u>	<u>997,271,834</u>	<u>71,235,714</u>	<u>1,731,768,067</u>
Accumulated amortization						
Balance at beginning of year	14,601,278	222,781,874	64,434,521	274,981,502	12,863,949	589,663,124
Amortization for the year	23,428,729	68,937,826	36,709,507	86,571,990	6,707,930	222,355,982
Termination	-	(10,700,783)	-	-	-	(10,700,783)
Translation adjustment	-	-	-	(94,598,765)	209,623	(94,389,142)
Balance at end of year	<u>38,030,007</u>	<u>281,018,917</u>	<u>101,144,028</u>	<u>266,954,727</u>	<u>19,781,502</u>	<u>706,929,181</u>
Carrying amount at December 31, 2021	<b><u>P 117,143,649</u></b>	<b><u>P 28,015,687</u></b>	<b><u>P 97,908,231</u></b>	<b><u>P 730,317,107</u></b>	<b><u>P 51,454,212</u></b>	<b><u>P 1,024,838,886</u></b>

In 2022, 2021 and 2020, additional onerous lease provisions are recognized and is presented as part of Provisions under General and Administrative Expenses account in the consolidated statements of comprehensive income (see Note 17.1).

Provision for dilapidations amounting to P19.3million and P58.4 million was capitalized as part of right-of-use assets in 2022 and 2021, respectively (see Note 17.2).

In 2021, the Group and its lessors have agreed for certain lease modifications pertaining to leased plant and warehouses, which were not accounted for as a separate lease since the modification only involved specific adjustments on the amount of consideration of the leases. Accordingly, the modification resulted in the remeasurement of both lease liabilities and right-of-use assets amounting to P92.4 million. There was no similar transaction in 2022.

The amount of amortization is allocated as follows:

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Costs of goods sold	19, 23.2	<b>P 87,265,654</b>	P 92,129,660
Selling and distribution expenses	20	<b>13,888,327</b>	52,342,878
General and administrative expenses	20	<b>40,060,715</b>	77,883,444
		<b><u>P 141,214,696</u></b>	<b><u>P 222,355,982</u></b>

### ***9.3 Lease Liabilities***

Lease liabilities are presented in the consolidated statements of financial position as at December 31, 2022 and 2021 as follows:

	<u>2022</u>	<u>2021</u>
Current	<b>P 210,555,356</b>	P 205,206,504
Non-current	<b>383,822,672</b>	887,743,550
	<b><u>P 594,378,028</u></b>	<b><u>P 1,092,950,054</u></b>

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's regional markets strategy and the economic benefits of exercising the option exceeds the expected overall cost.

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at December 31 is as follows:

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
<b>December 31, 2022</b>							
Lease liabilities	P 232,302,680	P 125,228,669	P 198,569,758	P 45,481,943	P 21,330,273	P 28,298,162	P 651,211,485
Finance charges	( 21,747,325)	( 13,957,948)	( 9,345,775)	( 5,685,409)	( 3,484,000)	( 2,613,000)	( 56,833,457)
Net present values	<b>P 210,555,355</b>	<b>P 111,270,721</b>	<b>P 189,223,983</b>	<b>P 39,796,534</b>	<b>P 17,846,273</b>	<b>P 25,685,162</b>	<b>P 594,378,028</b>
<b>December 31, 2021</b>							
Lease liabilities	P 281,040,355	P 255,118,593	P 198,168,195	P 261,250,830	P 146,996,000	P 431,965,723	P 1,574,539,695
Finance charges	( 75,833,851)	( 64,003,203)	( 54,192,875)	( 47,822,922)	( 39,816,791)	( 199,920,000)	( 481,589,641)
Net present values	<b>P 205,206,504</b>	<b>P 191,115,390</b>	<b>P 143,975,320</b>	<b>P 213,427,908</b>	<b>P 107,179,209</b>	<b>P 232,045,723</b>	<b>P 1,092,950,054</b>

#### 9.4 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize a lease liability for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expenses relating to short-term leases and low-value assets in 2022 and 2021 is allocated as follows:

	Notes	2022	2021
Costs of goods sold	19	<b>P 179,002,426</b>	P 158,095,637
Selling and distribution expenses	20	<b>33,890,953</b>	26,617,174
General and administrative expenses	20	<b>14,884,794</b>	<u>9,614,890</u>
		<b>P 227,778,173</b>	<u>P 194,327,701</u>

The future minimum rentals payable of the Group arising from short-term leases amounted to P73.7 million and P128.5 million as of December 31, 2022 and 2021, respectively.

#### 9.5 Additional Profit or Loss and Cash Flow Information

The total cash outflows in respect of lease liabilities amounted to P100.6 million, P601.2 million and P216.9 million in 2022, 2021 and 2020, respectively. Interest expense in relation to lease liabilities amounted to P47.8 million, P81.1 million and P95.5 million in 2022, 2021 and 2020, respectively, and is presented as part of Interest Expense account under the Costs and Expenses section of the consolidated statements of comprehensive income.

## 10. INTANGIBLE ASSETS

This account is composed of the following:

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Indefinite useful lives	2.9		
Trademarks – net		<b>P 20,103,888,129</b>	P 20,030,113,136
Goodwill		<u>9,526,228,590</u>	<u>9,406,272,150</u>
		<b>29,630,116,719</b>	29,436,385,286
Definite useful lives			
Trademarks – net	2.9	<u>538,464</u>	<u>2,153,856</u>
		<b>P 29,630,655,183</b>	<b>P 29,438,539,142</b>

The Group’s trademarks include those that were acquired by EDI from Consolidated Distillers of the Far East, Inc. (“Condis”), a related party owned by certain stockholders of AGI, to manufacture and sell distilled spirits, particularly brandy, under the brand names “Emperador Brandy” and “Generoso Brandy”. The Group also has another trademark for its flavored alcoholic beverage under the brand name “The BaR”. In 2013, the Group registered another trademark under the brand name “Emperador Deluxe”, which was introduced during the same year.

EUK’s purchase of WMG Group in 2014 [see Note 1.1(g),(i),(j)] included the acquisition of trademarks amounting to P4.5 billion and P5.5 billion for “Jura” and “The Dalmore” (collectively, “WMG brands”), respectively, and the recognition of goodwill amounting to P7.7 billion in the consolidated financial statements.

BFS’s purchase of the Fundador Business Unit in 2016 [see Note 1.1(l)] in Jerez included the acquisition of four trademarks amounting to P6.7 billion, namely “Fundador Brandy”, “Terry Centenario Brandy”, “Tres Cepas Brandy”, and “Harveys” sherry wine (collectively, “Fundador brands”) and tangible assets (mostly inventories and property, plant and equipment) amounting to P6.6 million; and the recognition of goodwill amounting to P1.5 billion in the consolidated financial statements.

The goodwill recognized from the foregoing acquisitions reflects the opportunity to strengthen the Group’s position in the global drinks market, the synergies and economies of scale expected from combining the operations of the Group, WMG and Fundador Business Unit, and the value attributable to their respective workforce. The trademarks acquired have indefinite useful lives; hence, no amortization was recognized for these brands for the periods presented. The goodwill recognized is not deductible for income tax purposes.

For purposes of determining the goodwill [see Note 2.13(a)], the Group determined the fair value of the identified net assets as of October 31, 2014 and February 29, 2016 for WMG and Fundador Business Unit, respectively, as presented below.

	<u>WMG</u>	<u>Fundador Business Unit</u>
Cash consideration	P 30,272,934,983	P 14,718,366,134
Identifiable assets:		
Tangible assets	21,723,648,592	6,592,734,082
Intangible assets	9,972,144,142	6,662,974,698
Liabilities	( 9,095,752,005)	-
Total identifiable assets	<u>22,600,040,729</u>	<u>13,255,708,780</u>
Goodwill at transaction date	<b><u>P 7,672,894,254</u></b>	<b><u>P 1,462,657,354</u></b>

The asset acquisitions from the Domecq and Garvey Acquisitions in 2017 by DBLC and CBSP, respectively [see Note 1.1(o) and (p)], included various trademarks with indefinite useful lives amounting to P3.5 billion. The trademarks acquired by DBLC include certain brands of Mexican brandies: “Presidente”, “Azteca de Oro”, “Don Pedro” and two Spanish brandies (collectively, “Domecq brands”) while trademarks acquired by CBSP include “Garvey Brandy” and well-known sherries including “Fino San Patricio” and two liquors (collectively, “Grupo Garvey brands”). The consideration paid and the purchase price allocated to identifiable assets based on their individual relative fair values, as translated at exchange rate at transaction dates, are presented below.

	<u>Domecq Acquisition</u>	<u>Garvey Acquisition</u>
Tangible assets	P 1,702,112,882	P 1,554,825,243
Intangible assets	<u>3,123,564,000</u>	<u>332,598,228</u>
	4,825,676,882	1,887,423,471
Liabilities	<u>-</u>	<u>( 34,361,071)</u>
	<b><u>P 4,825,676,882</u></b>	<b><u>P 1,853,062,400</u></b>

The composition of the intangible assets with indefinite useful lives as of December 31 is as follows:

	<u>2022</u>	<u>2021</u>
Goodwill breakdown:		
WMG	<b>P 7,894,890,200</b>	P 7,774,940,800
GES	<u>1,631,338,390</u>	<u>1,631,331,350</u>
	<b><u>9,526,228,590</u></b>	<u>9,406,272,150</u>
Trademarks with indefinite useful lives:		
WMG brands	<b>9,626,426,134</b>	9,770,104,136
Fundador and other brands	<b>7,431,186,976</b>	7,431,154,939
Domecq brands	<b>2,956,243,442</b>	2,738,822,872
Grupo Garvey brands - net	<u>90,031,577</u>	<u>90,031,189</u>
	<b><u>20,103,888,129</u></b>	<u>20,030,113,136</u>
	<b><u>P 29,630,116,719</u></b>	<b><u>P 29,436,385,286</u></b>

A reconciliation of the carrying amounts of intangible assets with indefinite useful lives at the beginning and end of 2022 and 2021 is shown below.

	<u>Goodwill</u>	<u>Trademarks</u>	<u>Total</u>
Balance at January 1, 2022	P 9,406,272,150	P 20,030,113,136	P 29,436,385,286
Translation adjustments	<u>119,956,440</u>	<u>73,774,993</u>	<u>193,731,433</u>
Balance at December 31, 2022	<b><u>P 9,526,228,590</u></b>	<b><u>P 20,103,888,129</u></b>	<b><u>P 29,630,116,719</u></b>
Balance at January 1, 2021	P 8,989,412,323	P 19,372,584,563	P 28,361,996,886
Translation adjustments	<u>416,859,827</u>	<u>657,528,573</u>	<u>1,074,388,400</u>
Balance at December 31, 2021	<u>P 9,406,272,150</u>	<u>P 20,030,113,136</u>	<u>P 29,436,385,286</u>

The net carrying amount of trademarks with definite useful lives is as follows:

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Balance at beginning of year		<b>P 2,153,856</b>	P 3,769,247
Amortization during the year	20	<b>(<u>1,615,392</u>)</b>	<b>(<u>1,615,391</u>)</b>
Balance at end of year		<b><u>P 538,464</u></b>	<b><u>P 2,153,856</u></b>

As of December 31, 2022 and 2021, the remaining useful life of the Group's "Emperador Deluxe" trademark with definite life is 0.5 years and 1.5 years, respectively.

The "The BaR", and "Emperador Brandy" and "Generoso Brandy" trademarks were fully amortized since 2018 and 2017, respectively. Consequently, the Group renewed the trademark application of "Emperador Brandy" with the Intellectual Property Office of the Philippines in 2017.

The Group monitors goodwill and trademarks with indefinite useful lives on the cash generating units to which these assets were allocated. An analysis of how the value-in-use of each of the cash generating units to which these assets were allocated is presented in the succeeding page (amounts in billions of pesos).

	2022				2021			
	Allocated Intangible Assets*	Value in Use	Terminal Growth Rate	Discount Rate	Allocated Intangible Assets*	Value in Use	Terminal Growth Rate	Discount Rate
<b>Goodwill:</b>								
WMG	P 7.89	P 24.83	3.67%	9.32%	P 7.77	P 32.86	2.00%	9.75%
GES	1.63	16.49	2.60%	6.59%	1.63	2.80	1.60%	9.04%
<b>Trademarks with indefinite lives:</b>								
WMG brands	9.63	124.45	3.67%	9.32%	9.77	61.85	2.00%	8.68%
Fundador brands	7.43	21.53	2.60%	6.59%	7.43	18.70	1.60%	9.04%
Domecq brands**	2.96	3.99	1.50%	4.50%	2.74	3.99	1.50%	4.50%
Grupo Garvey brands**	0.09	0.10	0.50%	7.65%	0.09	0.10	0.50%	7.65%

\* Amounts are translated at closing rates as of the end of the reporting periods in accordance with PAS 21, The Effects of Changes in Foreign Exchange Rates.

\*\* Management believes that, after the impairment provided for Grupo Garvey brands in 2019, the value-in-use as of December 31, 2022 and 2021 approximates its carrying value.

The value-in-use of each group of cash generating unit was determined using cash flow projections for five years, taking into consideration the impact of COVID-19 pandemic and Russia – Ukraine conflict, and extrapolating cash flows beyond the projection period using a perpetual terminal growth rate. The discount rates and growth rates are the key assumptions used by management in determining the value-in-use of the cash generating units.

Management believes that both the goodwill and trademarks, except for certain trademarks identified above, are not impaired as of December 31, 2022 and 2021 as the Group's products that carry such brands and trademarks are performing very well in the market; hence, no impairment is necessary to be recognized in the periods presented.

No trademarks have been pledged as security for liabilities.

## 11. OTHER ASSETS

### 11.1 Prepayments and Other Current Assets

This account is composed of the following (see Note 2.7):

	<u>2022</u>	<u>2021</u>
Prepaid taxes	<b>P 971,311,123</b>	P 839,417,169
Prepaid expenses	<b>827,384,320</b>	171,392,040
Refundable security deposits	<b>14,508,692</b>	8,808,208
Deferred input VAT	<b>7,158,647</b>	177,576,724
Others	<b><u>102,874,689</u></b>	<u>51,925,513</u>
	<b><u>P 1,923,237,471</u></b>	<b><u>P 1,249,119,654</u></b>

Prepaid expenses include prepayments of rentals, insurance and general prepayments.

Prepaid taxes pertain to payments made by the Group for the withholding taxes and other government-related obligations. It also includes purchase of labels and advance payment of excise tax for both the local production and importation of alcoholic beverage products.

### 11.2 Other Non-current Assets

This account is composed of the following:

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Advances to suppliers		<b>P 33,612,706</b>	P 29,302,803
Refundable security deposits	23.2	<b>27,100,599</b>	55,109,352
Deferred input VAT		<b>27,058,990</b>	34,176,923
Property mortgage receivable	9.3	-	646,636,072
Others		<b><u>13,943,693</u></b>	<u>8,702,627</u>
		<b><u>P 101,715,988</u></b>	<u>P 773,927,777</u>

In 2016, the Group purchased from one of its property lessors an outstanding mortgage debt on one of the Group's leased properties. The purchased mortgage asset entitled the Group to full security over the leased property and the monthly interest payments from the property lessor. However, the Group remained as lessee over the property; hence, it was still required to make monthly lease payments to the property lessor until 2036. Following the adoption of PFRS 16, the Group recognized right-of-use assets and lease liabilities from this leased property (see Notes 9.2 and 9.3).

In 2022, the property mortgage receivable was reversed upon the Group's acquisition of the subject property, which was classified as part of Buildings and improvements under Property, Plant and Equipment in the 2022 consolidated statement of financial position (see Note 9.1), and the related right-of-use assets and lease liabilities were also derecognized. The resulting gain on lease termination is presented as part of Other income – net under Revenues and Other Income in the 2022 consolidated statement of comprehensive income (see Notes 9.2, 18 and 31.1).

Refundable security deposits were paid by the Group to various lessors for lease agreements covering certain office spaces, manufacturing facilities and storage tanks for raw materials.

## 12. INVESTMENT IN A JOINT VENTURE

On February 2, 2014, GES entered into an agreement with Gonzales Byass, S.A. (“Gonzalez”), for the joint control of BLC for 50% equity interest for each venturer. The 50% participation cost of P3.7 billion is based on the fair valuation of the assets. An amount withdrawn from this investment of P858.4 million was used by the Group as part of the 50% capitalization of DBLC in 2017.

BLC was incorporated on March 19, 2013. Its primary business consists of the planting and growing of wine grapes and the exploitation of vineyards, the production, ageing and preparation of wines and vinegars; the production of alcohol; the production, preparation and ageing of brandy, aguardientes, compounds, liquors and in general, all kinds of spirits.

As of December 31, 2022 and 2021, the carrying amount of the investment in a joint venture, which is accounted for under the equity method [see Note 2.3(b)] in these consolidated financial statements, are as follows:

	<u>2022</u>	<u>2021</u>
Acquisition costs	<b>P 2,845,367,065</b>	P 2,845,367,065
Accumulated share in net profit:		
Balance at beginning of year	637,277,552	448,495,366
Dividend received during the year	( 290,001,250)	-
Share in net profit for the year	<u>113,970,450</u>	<u>161,824,100</u>
Balance at end of year	<u>461,246,752</u>	<u>610,319,466</u>
Translation gain (loss)	( 26,942,698)	26,958,086
	<b>P 3,279,671,119</b>	P 3,482,644,617

The share in net profit is recorded as Equity in net profit of joint venture in the Revenues and Other Income section of the consolidated statements of comprehensive income (see Note 18).

The summarized financial information of the joint venture as of December 31, 2022 and 2021 and for the years then ended are as follows (in thousands):

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	<b>P 559,940</b>	P 461,439
Trade and other receivables	<u>765,039</u>	<u>1,287,888</u>
Financial assets	<b>P 1,324,979</b>	P 1,749,327
Current assets	<b>P 2,068,571</b>	P 2,378,824
Non-current assets	<u>1,952,519</u>	<u>1,997,584</u>
Total assets	<b>P 4,021,090</b>	P 4,376,408
Current financial liabilities (excluding tax payables and provisions)	<b>P 465,465</b>	P 427,987
Non-current financial liabilities	<u>2,992</u>	<u>3,072</u>
Financial liabilities	<b>P 468,457</b>	P 431,059
Current liabilities	<b>P 835,549</b>	P 743,236
Non-current liabilities	<u>2,992</u>	<u>3,072</u>
Total liabilities	<b>P 838,541</b>	P 746,308
Revenues	<b>P 3,357,931</b>	P 2,772,067
Depreciation and amortization	<b>P 64,193</b>	P 78,583
Net profit for the year	<b>P 227,941</b>	P 323,648

A reconciliation of the above summarized financial information to the carrying amount of the investment in BLC is shown below (in thousands):

	<u>2022</u>	<u>2021</u>
Net assets of BLC	<b>P 3,182,549</b>	P 3,630,100
Proportion of ownership interest by the Group	<u>50.0%</u>	<u>50.0%</u>
Ownership share of the Group in net assets of BLC	<b>1,591,275</b>	1,815,050
Fair value and translation adjustments	<u>1,688,396</u>	<u>1,667,595</u>
Carrying amount of investment	<b><u>P 3,279,671</u></b>	<b><u>P 3,482,645</u></b>

The Group has no commitments or other contingent liabilities with regard to this joint venture or has assessed that the probability of loss that may arise from contingent liabilities is remote.

### 13. ASSETS HELD FOR SALE

Assets held for sale consist of land and buildings called as “Complejo Bellavista” and “Cerro Viejo Vineyards” previously occupied by a business unit and classified under property, plant and equipment that the Group has discontinued use and, on December 27, 2020, management approved their sale through the signed letter of intent with Global One Real Estate Spain, SAU (“Global One”), a related party under common ownership. The letter of intent stated that the Group will sell and Global One will purchase the assets at a purchase price of €16.6 million (equivalent to P961.7 million), which is equivalent to the net book value of the property, at any time from the date of signature of the letter of intent until three years after COVID-19 pandemic has ended. On December 27, 2022, the parties renewed their commitment and the term to complete the sale and purchase of properties is set until December 31, 2023.

The breakdown of these assets as of December 31 is as follows:

	<u>2022</u>	<u>2021</u>
Land	<b>P 848,891,700</b>	P 848,888,000
Buildings	<u>112,853,040</u>	<u>112,852,550</u>
	<b><u>P 961,744,740</u></b>	<b><u>P 961,740,550</u></b>

The carrying value of these assets immediately prior to their classification as held for sale is lower than their fair value less cost to sell. Accordingly, the Group did not recognize any loss in connection with the reclassification of the assets. There were also no revenues recognized in 2022, 2021 and 2020 that were associated with the assets. Depreciation expense amounting to €1.0 million (approximately P58.5 million) was incurred prior to reclassification of the assets on December 27, 2020.

The Group believes that the sale of these assets is highly probable (see Note 23.11).

#### 14. INTEREST-BEARING LOANS

The composition of the Group's outstanding bank loans is shown below [see Note 2.11(b)].

	<u>2022</u>	<u>2021</u>
Current:		
Foreign	<b>P 3,451,103,435</b>	P 3,011,082,346
Local	<u>400,000,000</u>	<u>400,000,000</u>
	<b>3,851,103,435</b>	3,411,082,346
Non-current –		
Foreign	<u>19,950,084,000</u>	<u>21,430,348,300</u>
	<b>P 23,801,187,435</b>	<b>P 24,841,430,646</b>

The summarized terms and conditions of each availed loan as at December 31, 2022 and 2021 are as follows:

<u>Outstanding Balance</u>		<u>Explanatory</u>	<u>Interest Rate</u>	<u>Security</u>	<u>Maturity</u>
<u>2022</u>	<u>2021</u>	<u>Notes</u>			<u>date</u>
<b>P 19,140,082,500</b>	P 20,126,000,000	(a)	Margin of 1.05% plus EURIBOR	Unsecured	2024
<b>2,748,115,215</b>	2,633,833,596	(b)	0.85% over SONIA	Secured	2023
<b>1,512,989,720</b>	1,681,597,050	(c)	Fixed at 1.6%	Unsecured	2027
<u>400,000,000</u>	<u>400,000,000</u>	(d)	Fixed at 4% in 2021; Fixed at 4.25% latest	Unsecured	2023
<b><u>P 23,801,187,435</u></b>	<b><u>P 24,841,430,646</u></b>				

- (a) In 2019, EIL obtained an unsecured five-year bank loan from a syndicate of foreign financial institutions at a lower margin, to prepay existing loans. In 2022, EIL paid portion of the loan amounting to P1.0 billion. The loan is presented under the Non-current Liabilities section of the consolidated statements of financial position in the respective period.
- (b) WMG has an existing asset-based-lending facility with a foreign bank (different bank from July 2021) up to June 2026, where it had drawn down P1.4 billion, P1.1 billion and P0.7 billion in 2022, 2021 and 2020, respectively. The loan is secured by way of floating charge against WMG's inventories. The interest and the principal can be paid anytime up to, or balloon payment at, maturity, and WMG has made payments during each year. Since this is a revolver, the drawn amount plus the accrued interest thereon is presented under the Current Liabilities section of the consolidated statements of financial position.
- (c) In 2017, DBLC assumed from BLC unsecured, interest-bearing and foreign-currency-denominated loans totalling P3.0 billion from certain financial institutions relating to Domecq Acquisition (see Note 10). In 2022 and 2018, DBLC acquired additional loans amounting to P467.9 million and P0.1 million, respectively. In 2022, 2021 and 2020, DBLC paid portion of the loans amounting to P636.5 million, P535.3 million and P430.1 million, respectively.
- (d) In 2020, PAI obtained short-term unsecured, interest-bearing revolving loan at a total amount of P400.0 million from a local commercial bank for working capital purposes. The loan is renewable and repriced every six months and is presented under the Current Liabilities section of the consolidated statements of financial position.

Interest expense on loans for 2022, 2021 and 2020 amounted to P292.8 million, P539.1 million and P380.3 million, respectively, and is presented as part of Interest Expense account under the Costs and Expenses section of the consolidated statements of comprehensive income.

Accrued interest payable as of December 31, 2022 and 2021 amounted to P22.0 million and P42.9 million, respectively, and presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

The Group complied with the financial and non-financial covenants on these loans and borrowings as of December 31, 2022 and 2021.

## 15. EQUITY-LINKED DEBT SECURITIES

On November 7, 2014, EMI, as the Issuer, entered into a subscription agreement with Arran Investment Private Limited (“Arran” or “the Holder”) for the issuance of 1.1 billion common shares at a total subscription price of P12.3 billion (see Note 24.1) and an ELS amounting to P5.3 billion (“Issue Price”) [see Note 2.11(b)]. The shares and the ELS were issued on December 4, 2014 (“Issue Date”). The ELS may be converted into a fixed number of common shares (“Conversion Shares”).

Arran had the Holder Conversion Right for the conversion of the ELS into all of Conversion Shares at any time during the period beginning on the Issue Date until December 5, 2019 (“Redemption Date”). The Group had the Issuer Conversion Right (“ICR”) for the conversion of the ELS into all of the Conversion Shares at any time during the period beginning on the date that is two years after the Issue Date until Redemption Date, provided, that the share market price must be greater than the stipulated price (“Share Market Price”) on the date the ICR is exercised [ICR ended in 2017 per First Amendment discussed below]. If Arran and EMI failed to exercise their conversion rights within the said periods and the ELS was not converted into shares, EMI had the option to extend the Redemption Date for the ELS until December 4, 2021 (“Extended Redemption Date”), upon notice to Holder at least 30 days prior to the Redemption Date. The ELS would be mandatorily converted into the Conversion Shares at any time during the period beginning on Redemption Date until Extended Redemption Date when Share Market Price was reached [mandatory conversion removed in 2020 per Third Amendment below].

The ELS bore a fixed interest rate compounded annually (“Fixed Interest”), payable either in cash or in new shares (“Interest Shares”) on the conversion date, Redemption Date, or Extended Redemption Date, as applicable (see First Amendment below) [amended to 0% in 2017 per First Amendment below]. The ELS also bears a variable interest in an amount equal to the dividends that would be payable on the Conversion Shares if they are issued prior to the date that any dividend is declared by EMI (“Variable Interest”), payable in cash on the date that EMI pays dividends to its stockholders.

On June 15, 2017, the parties formally agreed to amend the ELS (the “First Amendment”), which amendments included the following:

- (a) Fixed Interest was amended to 0%, instead of 5%;
- (b) The Accrued Interest Payable amounting to P832.3 million was applied as consideration for 122,391,176 common shares (“Accrued Interest Shares”) (see Note 24.1);
- (c) Conversion Shares became 728,275,862 new and fully paid-up shares, instead of 480.0 million;
- (d) ICR ended on June 15, 2017; and,
- (e) Share Market Price for the mandatory conversion at any time during the period beginning on Redemption Date and ending on the Extended Redemption Date was amended to ‘greater than P7.25 per share’, instead of ‘greater than P11.0 per share’ (“Share Market Price”).

Consequent to the amendments in certain terms of the ELS in 2017 as mentioned in the preceding paragraph, the financial liability component was revalued at P5.1 billion and the equity component was valued at P136.2 million, which represented the residual amount after deducting the financial liability component from the Issue Price. The carrying amounts of the components were presented separately in the consolidated statements of financial position [see Notes 2.25 and 3.2(h)], while the amortization of the revalued financial liability component was presented as part of Interest Expense account under the Costs and Expenses section of the consolidated statements of comprehensive income.

On December 4, 2019, EMI exercised the option to extend the Redemption Date to Extended Redemption Date. This did not result to substantial modification of terms.

On December 23, 2019, the parties entered into an amendment (the “Second Amendment”) which included the following:

- (a) The Holder was given the right to request conversion of:
  - (i) P1,836,250,000 into 253,275,862 shares, which should come from the Parent Company’s treasury shares (“Tranche 1 Conversion Shares”) (“Tranche 1 Conversion”); and,
  - (ii) P3,443,750,000 into 475,000,000 shares (“Tranche 2 Shares”) (“Tranche 2 Conversion”).
- (b) The Holder was allowed to transfer the ELS to an affiliate of EMI.

On January 31, 2020, the parties entered into an amendment (the “Third Amendment”), which removed the mandatory conversion of the ELS when the Share Market Price of greater than P7.25 per share is reached at any time during the period under Extended Redemption Date.

On February 5, 2020, the Holder exercised its right to Tranche 1 Conversion. Pursuant to this conversion (see Note 24.2), the Group also reclassified a portion of the Conversion Options amounting to P47.7 million to APIC in 2020 (see Note 2.25).

On December 3, 2021, the Holder exercised its right to Tranche 2 Conversion and EMI was given a period until February 28, 2022 to issue the Tranche 2 Shares (“Conversion Period”). Pursuant to this, EMI derecognized the financial liability component of the ELS and recognized an equity component amounting to P3.4 billion, which is presented as Deposit on Future Stock Subscription – Equity-linked Securities under the Equity section of the consolidated statements of financial position [see Notes 2.25 and 3.2(h)].

In 2022, EMI and the Holder mutually agreed to amend or modify the Conversion Period to a later date which is presently agreed to be up to August 12, 2023 or such other date as may be mutually agreed in writing between the Holder and EMI.

The issuance of Tranche 2 Shares is expected to happen in 2023. Upon the actual conversion in 2023, EMI will reclassify the remaining portion of the Conversion Options amounting to P88.5 million to APIC (see Note 2.25).

Variable Interest of P152.0 million and P52.3 million were respectively incurred in 2021 and 2020 (no declaration in 2022) and are presented as part of Interest Expense account under the Costs and Expenses section of the consolidated statements of comprehensive income. The accrued interest payable amounting to P36.4 million in 2019 was paid in full in 2020.

On January 26, 2023, EMI and Arran executed an agreement that clarified the continuation of Variable Interest on the Tranche 2 Shares effective from the date of agreement until August 12, 2023 or the issuance of the Tranche 2 Shares, whichever comes earlier (see Note 32).

There were no related collaterals on the ELS.

## 16. TRADE AND OTHER PAYABLES

The breakdown of this account is as follows [see Note 2.11(b)]:

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Trade payables	23.1, 23.7	<b>P 13,665,800,379</b>	P 10,780,556,544
Accrued expenses	14, 23.2(b)	<b>8,203,975,699</b>	6,309,215,929
Output VAT payable		<b>123,149,878</b>	602,515,558
Advances from related parties	23.5	<b>3,070,715</b>	3,070,715
Others		<b><u>143,326,600</u></b>	<u>192,972,584</u>
		<b><u>P 22,139,323,271</u></b>	<b><u>P 17,888,331,330</u></b>

Trade payables arise mostly from purchases of raw materials such as alcohol, molasses, flavorings and other supplies.

Accrued expenses significantly include various accruals relating to interest on interest-bearing loans, marketing, operations, and other activities. The accrued interest is expected to be paid subsequently based on the scheduled interest payment date (see Note 14).

## 17. PROVISIONS

The breakdown of this account as of December 31, 2022 and 2021 is as follows:

	<b>Onerous Lease</b> <i>(see Note 17.1)</i>	<b>Dilapidations</b> <i>(see Note 17.2)</i>	<b>Total</b>
Balance at January 1, 2022	P 29,061,092	P 375,358,504	P 404,419,596
Additional provisions	41,117,103	19,345,607	60,462,710
Utilized amounts	( 7,305,730)	( 11,068,744)	( 18,374,474)
Reversal of provisions	<u>-</u>	<u>(194,300,000)</u>	<u>(194,300,000)</u>
Balance at December 31, 2022	<b><u>P 62,872,465</u></b>	<b><u>P 189,335,367</u></b>	<b><u>P 252,207,832</u></b>
Balance at January 1, 2021	P 65,648,128	P 157,351,424	P 222,999,552
Reclassification from contingent liability	-	163,200,000	163,200,000
Additional provisions	38,060,790	58,370,186	96,430,976
Utilized amounts	<u>(74,647,826)</u>	<u>(3,563,106)</u>	<u>(78,210,932)</u>
Balance at December 31, 2021	<b><u>P 29,061,092</u></b>	<b><u>P 375,358,504</u></b>	<b><u>P 404,419,596</u></b>

### ***17.1 Provision for Onerous Lease***

WML has existing non-cancellable lease agreements on leasehold properties located in Glasgow and Edinburgh, Scotland, covering manufacturing plant facilities, buildings and parking spaces, which are vacant or subleased at a discount. The provisions take account of current market conditions, expected future vacant periods, expected future sublet benefits and are calculated by discounting expected net cash outflows on a pre-tax basis over the remaining period of the lease, which as of December 31, 2022 and 2021, is between one to eight years and one to nine years, respectively.

In 2022, 2021 and 2020, the Group recognized additional provision amounting to P41.1 million, P38.1 million and P56.3 million, respectively [see Note 3.2(k)]. The additional provision is presented as Provisions under General and Administrative Expenses account in the consolidated statements of comprehensive income since the related right-of-use assets were fully impaired as of December 31, 2022 and 2021 (see Note 20).

### ***17.2 Provision for Dilapidations***

WML is a party to lease agreements for properties located in Glasgow and Edinburgh, Scotland, which provide for tenant repairing clauses. The lease agreements require the Group to restore the leased properties to a specified condition at the end of the lease term in 2029. A provision was recognized for the present value of the costs to be incurred for the restoration of the leased properties. Additional provisions are capitalized as part of Right-of-use assets in 2022 and 2021 (see Note 9.2).

In 2022, the provision relating to the property in Grangemouth was reversed upon purchase of the site. In 2021, following a court case settlement with the architects which was previously classified as contingent liability, the Group recognized an additional provision for the estimated future costs of P163.2 million. There was no similar transaction in 2022.

## 18. REVENUES AND OTHER INCOME

The details of revenues and other income are shown below.

	Notes	2022	2021	2020
Sale of goods and services	2.15	<b>P 60,671,033,945</b>	P 54,845,254,471	P 51,395,295,032
Others:				
Unrealized foreign currency gains – net		<b>989,702,796</b>	350,480,854	657,958,309
Interest income	5	<b>141,756,928</b>	86,442,812	183,009,956
Equity in net profit of joint venture	12	<b>113,970,450</b>	161,824,100	185,108,059
Other income – net	6, 7			
	9.1, 11.2	<b>850,606,250</b>	492,270,086	412,933,950
		<b>2,096,036,424</b>	1,091,017,852	1,439,010,274
		<b>P 62,767,070,369</b>	P 55,936,272,323	P 52,834,305,306

## 19. COSTS OF GOODS SOLD

The details of costs of goods sold for the years ended December 31, 2022, 2021 and 2020 are shown below.

	Notes	2022	2021	2020
Finished goods at beginning of year	8	<b>P 5,574,742,812</b>	P 5,159,455,789	P 5,800,242,939
Finished goods purchased	23.1	<b>2,532,488,773</b>	3,748,405,320	10,731,882,891
Costs of goods manufactured				
Raw and packaging materials at beginning of year	8	<b>4,209,746,983</b>	4,700,265,220	3,909,543,916
Net raw material purchases during the year	23.1	<b>37,564,990,740</b>	29,109,202,427	20,543,108,027
Raw and packaging materials at end of year	8	<b>( 6,555,198,631 )</b>	( 4,209,746,983 )	( 4,700,265,220 )
Raw materials used during the year		<b>35,219,539,092</b>	29,599,720,664	19,752,386,723
Work-in-process at beginning of year	8	<b>24,225,660,910</b>	21,071,773,814	20,746,632,386
Direct labor	21.1	<b>1,599,672,660</b>	1,353,455,527	1,290,856,425
Manufacturing overhead:				
Depreciation and amortization	9.1, 9.2	<b>1,218,919,338</b>	1,226,142,057	1,214,677,541
Communication, light and water		<b>551,953,927</b>	359,775,061	269,051,436
Fuel and lubricants		<b>510,611,788</b>	342,040,077	270,206,749
Repairs and maintenance		<b>431,130,827</b>	325,965,699	255,517,659
Taxes and licenses		<b>354,562,526</b>	129,038,067	191,699,994
Outside services	23.7	<b>319,568,784</b>	266,880,588	240,130,937
Labor	21.1	<b>239,301,197</b>	145,330,862	113,430,652
Consumables and supplies		<b>211,353,831</b>	161,066,562	73,696,771
Rentals	9.4, 23.2	<b>179,002,426</b>	158,095,637	104,148,917
Commission		<b>132,760,500</b>	24,830,090	210,989,168
Transportation		<b>84,488,511</b>	37,655,344	27,834,394
<i>Balance carried forward</i>		<b>P 65,278,526,317</b>	P 55,201,770,049	P 44,761,259,752

	Note	2022	2021	2020
<i>Balance brought forward</i>		<b>P 65,278,526,317</b>	P 55,201,770,049	P 44,761,259,752
Waste disposal		73,552,868	51,080,702	57,400,331
Insurance		61,223,282	46,405,030	55,580,524
Gasoline and oil		60,521,652	10,522,542	9,725,787
Impairment losses	8	51,509,158	58,114,232	44,775,076
Meals		44,487,066	43,865,468	37,993,721
Miscellaneous		612,186,392	289,355,246	131,043,187
Work-in-process at end of year	8	( <u>25,603,632,966</u> )	( <u>24,225,660,910</u> )	( <u>21,071,773,814</u> )
		<b><u>40,578,373,769</u></b>	<b><u>31,475,452,359</u></b>	<b><u>24,026,004,564</u></b>
Finished goods at end of year	8	( <u>7,144,431,089</u> )	( <u>5,574,742,812</u> )	( <u>5,159,455,789</u> )
		<b><u>P 41,541,174,265</u></b>	<b><u>P 34,808,570,656</u></b>	<b><u>P 35,398,674,605</u></b>

## 20. OTHER OPERATING EXPENSES

The details of other operating expenses are shown below.

	Notes	2022	2021	2020
Advertising and promotions		<b>P 3,657,157,560</b>	P 2,647,160,744	P 2,750,503,269
Salaries and employee benefits	21.1	1,924,975,169	1,838,913,379	1,748,997,077
Professional fees and outside services		636,031,839	497,690,753	417,905,195
Freight and handling		491,265,922	415,133,136	559,511,059
Travel and transportation		437,492,251	280,013,671	271,544,984
Depreciation and amortization	9.1, 9.2	265,675,149	319,386,260	351,032,885
Representation		180,616,284	152,345,821	363,394,050
Impairment losses on inventories	8	162,489,934	-	-
Other services		143,953,103	28,271,691	132,354,654
Taxes and licenses		126,188,743	112,953,861	92,030,624
Repairs and maintenance		125,068,566	130,536,682	37,913,105
Fuel and oil		106,330,378	64,279,067	66,262,436
Supplies		59,024,047	48,332,763	42,199,885
Rentals	9.4, 23.2	48,775,747	36,232,064	49,237,228
Insurance		41,109,267	36,558,396	36,524,969
Communication, light and water		32,841,938	34,823,961	37,231,823
Meals		21,542,293	26,610,043	31,717,898
Provisions	17	41,117,103	38,060,790	56,331,220
Impairment losses on financial assets	6	7,462,310	11,561,171	109,087,408
Amortization of trademarks	10	1,615,392	1,615,391	1,615,391
Others		<b><u>325,522,230</u></b>	<b><u>325,233,632</u></b>	<b><u>215,891,225</u></b>
		<b><u>P 8,836,255,225</u></b>	<b><u>P 7,045,713,276</u></b>	<b><u>P 7,371,286,385</u></b>

Others include royalty fees, subscription and association dues, postal services and other incidental expenses under the ordinary course of business.

These expenses are classified in profit or loss in the consolidated statements of comprehensive income as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Selling and distribution expenses	<b>P 6,205,108,294</b>	P 4,840,055,978	P 5,263,040,976
General and administrative expenses	<b><u>2,631,146,931</u></b>	<u>2,205,657,298</u>	<u>2,108,245,409</u>
	<b><u>P 8,836,255,225</u></b>	<b><u>P 7,045,713,276</u></b>	<b><u>P 7,371,286,385</u></b>

## 21. EMPLOYEE BENEFITS

### 21.1 Salaries and Employee Benefits Expense

The expenses recognized for salaries and employee benefits are summarized below.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Salaries and wages		<b>P 2,887,221,396</b>	P 2,635,850,721	P 2,503,275,259
Post-employment defined contribution		<b>255,534,650</b>	202,274,995	205,493,775
Social security costs		<b>230,517,794</b>	152,982,990	175,446,538
Post-employment defined benefit	21.3	<b>39,385,934</b>	46,936,416	37,194,025
Share options	21.2, 24.4	<b>76,418,422</b>	44,927,978	26,958,168
Other short-term benefits		<b><u>274,870,830</u></b>	<u>254,726,668</u>	<u>204,916,389</u>
	19, 20	<b><u>P 3,763,949,026</u></b>	<b><u>P 3,337,699,768</u></b>	<b><u>P 3,153,284,154</u></b>

Other short-term benefits represent other employee benefits that were incurred during the reporting periods in which the employees render the related service.

The amount of salaries and employee benefits expense is allocated as follows:

	<u>Notes</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Costs of goods sold (inventoriable costs)	19	<b>P 1,838,973,857</b>	P 1,498,786,389	P 1,404,287,077
General and administrative expenses	20	<b>848,402,793</b>	810,425,862	812,719,240
Selling and distribution expenses	20	<b><u>1,076,572,376</u></b>	<u>1,028,487,517</u>	<u>936,277,837</u>
		<b><u>P 3,763,949,026</u></b>	<b><u>P 3,337,699,768</u></b>	<b><u>P 3,153,284,154</u></b>

In 2022, 2021 and 2020, salaries and wages, post-employment benefits and other short-term benefits totaling P433.8 million, P373.1 million and P329.5 million, respectively, were capitalized to form part of the work-in-process inventory (see Note 8). Such capitalized amount represents salaries and employee benefits of personnel directly involved in the production of whisky.

## 21.2 Employee Share Option

Employee share option expense, included as part of Salaries and employee benefits expense under the General and Administrative Expenses account in the consolidated statements of comprehensive income, amounted to P76.4 million, P44.9 million and P27.0 million in 2022, 2021 and 2020, respectively, while the corresponding cumulative credit to Share Options Outstanding account was presented under the Equity section of the consolidated statements of financial position (see Note 24.4).

## 21.3 Post-employment Defined Benefit Plan

### (a) Characteristics of the Defined Benefit Plan

Except for GES, which provides employee benefits through a defined contribution plan, the Group maintains a funded, tax-qualified, noncontributory retirement benefit plan which is being administered by a trustee bank that is legally separated from the Group.

The post-employment plan covers all regular full-time employees of EDI, AWGI, TEI, PAI and certain employees of WMG, and provides a retirement benefit ranging from 85% to 150% of plan salary for every year of credited service.

The normal retirement age is 60 with a minimum of five years of credited service. The plan provides for an early retirement at the age of 50 with a minimum of ten years of credited service and likewise a late retirement age that is not beyond 65, with a minimum of five years of credited service both subject to the approval of the Parent Company's BOD.

### (b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made regularly to update the post-employment benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation reports obtained from independent actuaries.

The amounts of retirement benefit asset (obligation) recognized in the consolidated statements of financial position are determined as follows:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets	<b>P 9,748,643,491</b>	P 16,232,015,874
Present value of the obligation	<b>( 9,248,560,136)</b>	( 15,318,015,379)
	<b><u>P 500,083,355</u></b>	<b><u>P 914,000,495</u></b>

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	<b>P 15,318,015,379</b>	P 15,155,430,394
Foreign exchange adjustment	<b>( 220,039,000)</b>	924,176,000
Benefits paid	<b>( 457,233,354)</b>	( 495,415,829)
Interest expense	<b>279,316,466</b>	251,476,876
Current service costs	<b>39,385,934</b>	46,936,416
Remeasurements –		
Actuarial losses (gains)		
arising from:		
Changes in financial assumptions	<b>( 6,067,894,002)</b>	( 398,201,782)
Changes in demographic assumptions	<b>562,214,687</b>	( 159,193,525)
Experience adjustments	<b>( 205,205,974)</b>	( 7,193,171)
Balance at end of year	<b><u>P 9,248,560,136</u></b>	<b><u>P 15,318,015,379</u></b>

The movements in the fair value of plan assets are presented below.

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	<b>P 16,232,015,874</b>	P 14,795,901,448
Foreign exchange adjustment	<b>( 238,539,000)</b>	924,032,000
Benefits paid	<b>( 455,442,961)</b>	( 494,279,863)
Return on plan assets (excluding amounts included in net interest)	<b>( 6,151,234,894)</b>	462,875,778
Contributions to the plan	<b>76,985,032</b>	302,588,613
Interest income	<b><u>284,859,440</u></b>	<u>240,897,898</u>
Balance at end of year	<b><u>P 9,748,643,491</u></b>	<b><u>P 16,232,015,874</u></b>

The net effect of the foreign exchange adjustment in the present value of the retirement obligation and the fair value of plan assets amounted to P18.5 million in 2022 and P0.1 million in 2021.

The composition and the fair value of plan assets as at December 31, 2022 and 2021 by category and risk characteristics are shown below.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	<b>P 87,637,840</b>	P 145,985,868
Quoted equity securities	<b>4,198,247,782</b>	6,986,244,234
Diversified growth fund	<u><b>623,202,324</b></u>	<u>1,038,121,728</u>
	<u><b>4,821,450,106</b></u>	<u>8,024,365,962</u>
Debt securities:		
Corporate bonds	<b>1,898,819,580</b>	3,163,027,140
Liability driven instrument	<b>1,752,756,535</b>	2,919,717,360
Index-linked gilts	<u><b>720,577,687</b></u>	<u>1,200,328,248</u>
	<u><b>4,372,153,802</b></u>	<u>7,283,072,748</u>
Property	<u><b>467,401,743</b></u>	<u>778,591,296</u>
	<u><b>P 9,748,643,491</b></u>	<u>P 16,232,015,874</u>

Other than the fair value of property investment, which is classified as Level 3 in the fair value hierarchy, the fair values of the above quoted securities and instruments are determined based on quoted market prices in active markets; hence, classified as Level 1 in the fair value hierarchy.

Plan assets do not comprise any of the financial instruments of the Group or its related parties, or any of its assets occupied and/or used in its operations.

The components of amounts recognized in profit or loss and other comprehensive income or loss in respect of the retirement benefit asset (obligation) are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Reported in profit or loss:</i>			
Current service costs	<b>P 39,385,934</b>	P 46,936,416	P 37,194,025
Interest expense (income)	<b>( 5,542,974)</b>	<u>10,578,978</u>	<u>( 1,003,790)</u>
	<u><b>P 33,842,960</b></u>	<u>P 57,515,394</u>	<u>P 36,190,235</u>
<i>Reported in other comprehensive income or loss:</i>			
Return (loss) on plan assets (excluding amount included in net interest)	<b>(P 6,151,234,894)</b>	P 462,875,778	P 1,237,929,022
Actuarial gains (losses) arising from:			
Changes in financial assumptions	<b>6,067,894,002</b>	398,201,782	( 1,863,005,059)
Changes in demographic assumptions	<b>( 562,214,687)</b>	159,193,525	( 159,808,000)
Experience adjustments	<u><b>205,205,974</b></u>	<u>7,193,171</u>	<u>( 14,720,722)</u>
	<u><b>(P 440,349,605)</b></u>	<u>P 1,027,464,256</u>	<u>(P 799,604,759)</u>

The amounts of post-employment benefits expense recognized in profit or loss are presented as part of General and Administrative Expenses for current service costs and as part of Interest Expense for net interest expense (income) accounts under the Costs and Expenses section in the consolidated statements of comprehensive income.

Amounts recognized in other comprehensive income or loss were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the retirement benefit obligation, the following actuarial assumptions were used:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Discount rate	<b>7.00%-7.50%</b>	3.95%-5.09%	3.95%-3.96%
Expected rate of salary increase	<b>5.00%-6.00%</b>	5.00%-7.00%	5.00%-7.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working life of an individual retiring at the age of 60 is 23 years for both males and females. These assumptions were developed by management with the assistance of independent actuaries. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the retirement benefit obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Benefit Obligation*

The Group is exposed to actuarial risks such as interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Rate Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of reference government bonds will increase the retirement benefit obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in equity securities and debt securities. Due to the long-term nature of the plan obligation, a level of continuing debt and equity investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the participants during their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the participants will result in an increase in the retirement benefit obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the retirement plan are described below.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the retirement benefit obligation as of the end of the reporting periods:

	<u>Impact on Retirement Benefit Obligation</u>		
	<u>Change in Assumption</u>	<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
<b><u>December 31, 2022</u></b>			
Discount rate	+0.25%/-0.25%	(P 619,838,391)	P 193,148,924
Salary growth rate	+1.00%/-1.00%	88,809,847	72,216,702
<b><u>December 31, 2021</u></b>			
Discount rate	+0.25%/-0.25%	(P 689,138,647)	P 743,798,476
Salary growth rate	+1.00%/-1.00%	207,326,284	( 191,924,168)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the retirement benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the retirement benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the retirement benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Asset-liability Matching Strategies*

To efficiently manage the retirement plan, the Group through its Management Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., quoted equity securities and corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of the plan assets as at December 31, 2022 and 2021 consists of quoted equity securities, corporate bonds and other instruments, although the Group also invests in funds.

The expected maturity of undiscounted expected benefits payments within 10 years is as follows:

	<u>2022</u>	<u>2021</u>
Within one year	<b>P 360,143,400</b>	P 346,340,076
More than one but less than five years	<b>1,096,813,638</b>	1,119,290,136
More than five years but less than 10 years	<u>106,659,498</u>	<u>97,766,014</u>
	<b><u>P 1,563,616,536</u></b>	<b><u>P 1,563,396,226</u></b>

The weighted average duration of the retirement benefit obligation at the end of the reporting period is 16.56 years.

## 22. CURRENT AND DEFERRED TAXES

On March 26, 2021, Philippine Republic Act (R.A.) No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, was signed into law and took effect on April 11, 2021 (15 days after publication). The following are the major changes brought about by the CREATE Act that are relevant to and considered by EMI and its Philippine subsidiaries:

- regular corporate income tax (“RCIT”) rate was decreased from 30% to 25% starting July 1, 2020;
- minimum corporate income tax (“MCIT”) rate was decreased from 2% to 1% starting July 1, 2020 until June 30, 2023;
- the imposition of 10% tax on improperly accumulated retained earnings was repealed; and,
- the allowable deduction for interest expense was reduced by 20% (from 33%) of the interest income subjected to final tax.

As a result of the application of the lower RCIT rate, the current income tax expense and income tax payable were lower by P136.4 million in 2020 and such amount was charged to 2021 profit or loss. The recognized net deferred tax liabilities in 2020 was also remeasured to 25%, which resulted in a reduction of P26.4 million and such was recognized in the 2021 profit or loss (P19.7 million) and in other comprehensive income (P6.7 million).

In UK, an increase in corporation tax rates from 19% to 25% shall take effect on April 1, 2023 by the Royal Assent received on June 10, 2021. Accordingly, deferred tax assets and deferred tax liabilities were re-measured at the new tax rate which resulted in additional tax expense of which P672.4 million pertains principally to intangibles at the consolidation level in 2021. This deferred tax adjustment was taken up in the consolidated financial statements only, does not affect the stand-alone operating results of UK business, and it would not be realized or paid unless the business is liquidated or sold in the far future.

The components of tax expense (income) as reported in the consolidated statements of comprehensive income are as follows.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Reported in profit or loss</i>			
Current tax expense:			
RCIT at 30%, 25%, 20%, 19% and 17%	<b>P 1,188,912,294</b>	P 1,896,097,043	P 1,469,668,087
Final tax on interest income at 20% and 15%	<b>19,887,193</b>	2,212,068	9,725,587
Adjustment in 2020 income tax due to change in tax rate	<u>-</u>	<u>( 136,421,080)</u>	<u>-</u>
	<u><b>1,208,799,487</b></u>	<u>1,761,888,031</u>	<u>1,479,393,674</u>
Deferred tax expense (income):			
Relating to origination and reversal of other temporary differences	<b>289,654,392</b>	292,845,452	( 80,308,018)
Relating to effect of change in income tax rate on fair value of assets/intangibles	-	672,384,000	-
Due to the effect of change in income tax rate	<u>-</u>	<u>19,700,325</u>	<u>-</u>
	<u><b>289,654,392</b></u>	<u>984,929,777</u>	<u>( 80,308,018)</u>
	<u><b>P 1,498,453,879</b></u>	<u>P 2,746,871,808</u>	<u>P 1,399,085,656</u>
<i>Reported in other comprehensive income or loss</i>			
Deferred tax expense (income):			
Relating to remeasurements of retirement benefit obligation	<b>(P 110,087,401)</b>	P 255,965,063	P 51,531,692
Due to the effect of change in income tax rate	<u>-</u>	<u>6,721,103</u>	<u>-</u>
	<u><b>(P 110,087,401)</b></u>	<u>P 262,686,166</u>	<u>P 51,531,692</u>

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense is as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Tax on pretax profit at 25% in 2022 and 2021, and 30% in 2020	<b>P 2,927,544,278</b>	P 3,223,794,278	P 2,830,717,684
Adjustments in claiming optional standard deduction (OSD)	<b>( 212,330,067)</b>	( 485,960,848)	( 216,046,654)
Adjustment for income subjected to different tax rates	<b>( 79,244,706)</b>	( 74,807,073)	( 129,169,052)
Tax effects of:			
Non-taxable income	<b>( 1,122,903,079)</b>	( 626,756,835)	( 1,110,417,251)
Adjustments to current tax for prior years due to change in tax rate	-	823,700,864	( 17,399,043)
Change in income tax rate	<u>-</u>	<u>( 116,720,755)</u>	<u>-</u>
<i>Balance carried forward</i>	<u><b>P 1,513,066,426</b></u>	<u>P 2,743,249,631</u>	<u>P 1,357,685,684</u>

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Balance brought forward</i>	<b><u>P 1,513,066,426</u></b>	<b><u>P 2,743,249,631</u></b>	<b><u>P 1,357,685,684</u></b>
Equity in net income of joint venture	( <b>28,492,613</b> )	( 40,456,025)	( 55,324,418)
Non-deductible expenses	<b>12,927,911</b>	86,350,753	102,542,213
Unrecognized deferred tax asset on net operating loss carry-over (NOLCO)	<b>1,290,067</b>	1,523,708	15,875,169
Accelerated capital allowances and other short-term temporary differences	( <b>337,912</b> )	( 43,850,259)	( 21,692,992)
	<b><u>P 1,498,453,879</u></b>	<b><u>P 2,746,817,808</u></b>	<b><u>P 1,399,085,656</u></b>

EMI and its Philippine subsidiaries are subject to the higher of RCIT at 25% in 2022 and 2021 and 30% in 2020 of net taxable income or MCIT at 1% in 2022 and 2021 and 2% in 2020 of gross income, as defined under the Philippine tax regulations. They paid RCIT in 2022, 2021 and 2020 as RCIT was higher in those years.

EMI's foreign subsidiaries are subject to income and other taxes based on the enacted tax laws of the countries and/or jurisdictions where they operate.

The deferred tax assets and liabilities as of December 31 relate to the following:

	<u>2022</u>	<u>2021</u>
Brand valuation	<b>(P 2,524,261,489)</b>	(P 2,491,991,522)
Fair value adjustment	( <b>391,511,922</b> )	( 386,506,864)
Short-term temporary differences	( <b>343,609,823</b> )	( 342,312,232)
Retirement benefit asset	( <b>339,645,280</b> )	( 228,632,315)
Lease liabilities	<b>87,072,265</b>	213,920,274
Right-of-use assets	( <b>69,697,085</b> )	( 164,723,866)
Capitalized borrowing costs	( <b>39,249,784</b> )	( 41,118,820)
Allowance for impairment	<b>22,674,134</b>	22,614,307
Unamortized past service costs	<b>89,048</b>	178,093
Net deferred tax liabilities	<b><u>(P 3,598,139,936)</u></b>	<b><u>(P 3,418,572,945)</u></b>

These are presented in the consolidated statements of financial position as follows:

	<u>2022</u>	<u>2021</u>
Deferred tax liabilities – net	<b>(P 3,685,535,017)</b>	(P 3,552,232,410)
Deferred tax assets – net	<b>87,395,081</b>	133,659,465
	<b><u>(P 3,598,139,936)</u></b>	<b><u>(P 3,418,572,945)</u></b>

Movements in net deferred tax liabilities for the years ended December 31 are as follows:

	Consolidated Profit or Loss			Consolidated Other Comprehensive Income or Loss		
	2022	2021	2020	2022	2021	2020
Right-of-use assets	(P 95,026,781)	(P 278,049,024)	(P 427,277,742)	P -	P -	P -
Lease liabilities	126,848,009	300,258,055	336,786,409	-	-	-
Brand valuation	32,269,966	684,637,361	195,287,001	-	-	-
Retirement benefit obligation (asset)	221,100,366	68,753,919	( 158,441,906)	( 110,087,401)	262,686,166	51,531,692
Short-term temporary differences	1,297,591	113,793,224	( 51,632,911)	-	-	-
Fair value adjustment	5,005,059	106,186,974	30,288,922	-	-	-
Allowance for impairment	( 59,827)	( 326,599)	( 3,181,801)	-	-	-
Capitalized borrowing costs	( 1,869,036)	( 10,466,609)	( 2,242,845)	-	-	-
Unamortized past service costs	89,045	142,476	106,855	-	-	-
Deferred tax expense (income)	<u>P 289,654,392</u>	<u>P 984,929,777</u>	<u>(P 80,308,018)</u>	<u>(P110,087,401)</u>	<u>P 262,686,166</u>	<u>P 51,531,692</u>

In 2022, 2021 and 2020, the Group opted to claim itemized deductions in computing its income tax due, except for EDI, PAI and AWGI which both opted to claim OSD during the same taxable years.

## 23. RELATED PARTY TRANSACTIONS

The Group's related parties include the ultimate parent company, stockholders, officers and employees, and other related parties under common ownership as described below.

The summary of the Group's transactions with its related parties in 2022, 2021 and 2020 and the related outstanding balances as of December 31, 2022 and 2021 are presented below and in the succeeding pages.

Related Party Category	Notes	Amount of Transaction			Outstanding Balance Receivable (Payable)	
		2022	2021	2020	2022	2021
<b>Ultimate Parent Company:</b>						
Advances collected	23.6	P -	(P 2,178,819,411)	P -	P -	P -
Dividends	24.3	-	4,252,534,514	1,403,196,355	-	-
Lease of properties:	23.2(a)					
Rentals paid		26,500,000	26,500,000	10,406,000	-	-
Right-of-use assets		23,428,730	23,428,730	8,029,106	-	117,143,648
Lease liabilities		3,121,304	3,420,712	2,509,133	( 100,242,894)	( 123,621,590)
<b>Related Parties Under Common Ownership:</b>						
Purchase of raw materials	23.1	2,512,076,307	1,414,490,208	2,775,139,348	( 319,428,263)	( 621,856,151)
Advances for land purchase	23.10	-	10,172,131	271,246,367	-	-
Sale of goods	23.3	249,936,592	93,930,713	87,891,147	209,950,624	206,204,092
Lease of properties:	23.2(b & c)					
Rentals paid		79,914,394	70,722,430	73,391,077	-	-
Right-of-use assets		3,182,148	73,691,945	53,281,092	14,931,144	151,388,199
Lease liabilities		1,574,509	17,604,151	18,898,425	69,020,986	( 193,176,272)
Refundable security deposits		-	( 1,123,845)	3,696,842	6,480,688	6,480,688
Management services	23.7	83,550,611	60,000,000	60,000,000	( 115,500,000)	( 33,000,000)
Purchase of finished goods	23.1	545,924,474	16,516,490	14,824,943	-	( 972,593)
Advances obtained		3,067,622	-	-	210,678,177	-
<b>Stockholder –</b>						
Advances obtained	23.5	-	-	-	( 3,070,715)	( 3,070,715)
<b>Officers and Employees:</b>						
Employee share option	24.4	76,418,422	44,927,978	26,958,169	-	-
Advances granted (collected)	23.4	579,247,811	59,146,778	10,780,936	682,693,841	103,446,030
<b>Key Management Personnel –</b>						
Compensation	23.8	236,421,058	232,092,594	222,429,521	-	974,186

The outstanding balances from the above transactions with related parties are unsecured, noninterest-bearing and payable or collectible on demand, unless otherwise stated. No impairment loss was recognized, and none is deemed necessary, in 2022, 2021 and 2020 for the related party receivables.

### **23.1 Purchase of Goods**

The Group imports raw materials such as alcohol, flavorings and other items, and finished goods through Andresons Global, Inc. (“AGL”), a related party under common ownership. These transactions are normally being paid within 30 days. The Group also imports raw materials from Alcoholera dela Mancha Vinicola, S.L., a wholly owned subsidiary of BLC, which is considered a related party under joint control (see Note 8).

The related unpaid purchases as of December 31, 2022 and 2021 are shown as part of Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

### **23.2 Lease of Properties**

The Group recognized right-of-use assets (“ROUA”) and lease liabilities from these lease agreements in accordance with PFRS 16, which will be amortized and paid, respectively, over the lease term in lieu of the annual rent expense. Amortization of ROUA and interest expense recognized from the lease liabilities are presented as part of Depreciation and amortization under Costs of Goods Sold account (see Note 19) and as part of Interest Expense account in the consolidated statements of comprehensive income, respectively.

The outstanding ROUA and lease liabilities from these lease agreements are presented as part of Property, Plant and Equipment – net account and Lease Liabilities account, respectively, in the consolidated statements of financial position (see Note 9).

#### *(a) AGI*

AWGI leases the glass manufacturing plant located in Laguna from AGI for a period of 10 years. The amount of rental is mutually agreed upon by the parties at the start of each year, as provided in their lease contract. In 2021 and 2020, AWGI and AGI agreed to amend the terms in the lease agreement by increasing the amount of annual rent.. This is accounted for as a lease modification, which resulted in the remeasurement of ROUA and lease liabilities during the same year.

Amortization of right-of-use assets amounted to P23.4 million both in 2022 and 2021, and P8.0 million in 2020. Interest expense recognized from the lease liabilities amounted to P3.1 million in 2022, P3.4 million in 2021 and P2.5 million in 2020.

AWGI paid P26.5 million both in 2022 and 2021, and P10.4 million in 2020, and there were no outstanding balances arising from this lease agreement with AGI as of December 31, 2022 and 2021.

#### *(b) Megaworld*

EDI, PAI and AWGI entered into lease contracts with Megaworld, a related party under common ownership, for their head office spaces for a period of five years, subject to 5% increase in annual rent.

Amortization of ROUA amounting to P29.5 million, P31.1 million and P29.2 million in 2022, 2021 and 2020, respectively, are presented as part of Depreciation and amortization under the Costs of Goods Sold account while amortization of ROUA amounting to P5.3 million, P3.9 million, and P11.8 million in 2022, 2021 and 2020, respectively are presented under the General and Administrative Expenses account (see Notes 19 and 20). Interest expense from the lease liabilities amounted to P7.3 million, P12.8 million and P12.2 million in 2022, 2021 and 2020, respectively.

The Group paid P47.1 million in 2022, P40.1 million in 2021, and P44.1 million in 2020 and there were no outstanding balances arising from these lease agreements as of December 31, 2022 and 2021.

The refundable security deposits paid to the lessors are shown as part of Other Non-current Assets account in the consolidated statements of financial position (see Note 11.2).

AWGI also leases from Megaworld a parking space, which is considered as low value asset based on the provision of PFRS 16. The related rent expense amounting to P0.1 million in 2022, 2021 and 2020 is presented as part of Rentals under the General and Administrative Expenses account in the consolidated statements of comprehensive income. The outstanding liability arising from this transaction as of December 31, 2022 and 2021 is presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

(c) *Empire East Land Holdings, Inc.*

EDI entered into a lease contract with Empire East Land Holdings, Inc., a related party under common ownership, for the Company's office and warehouse both for a period of four years. The lease contract is not subject to any escalation clause.

Amortization of ROUA amounted to P38.7 million per year in 2022, 2021 and 2020. Interest expense from the lease liability amounted to P2.6 million P4.8 million, and P6.7 million in 2022, 2021 and 2020, respectively.

EDI paid P32.1 million in 2022, P30.6 million in 2021 and P29.2 million in 2020 and there are no unpaid rentals relating to this lease agreement as of December 31, 2022 and 2021.

### **23.3 Sale of Goods**

The Group sold finished goods to related parties. Goods are sold on the basis of the price lists in force and terms that would be available to non-related parties. The outstanding receivables from sale of goods are generally noninterest-bearing, unsecured and settled through cash within three to six months. These receivables are presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

### ***23.4 Advances to Officers and Employees***

In the normal course of business, the Group grants noninterest-bearing, unsecured, and payable on demand or subject to liquidation cash advances to certain officers and employees. The outstanding balance arising from these transactions is presented as Advances to officers and employees under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

The movements in the balance of Advances to Officers and Employees account are as follows:

	<u>2022</u>		<u>2021</u>
Balance at beginning of year	<b>P 103,446,030</b>	P	44,299,252
Additions	<b>726,908,169</b>		64,405,349
Payments	<b>(147,660,358)</b>	(	5,258,571)
Balance at end of year	<b><u>P 682,693,841</u></b>	P	<u>103,446,030</u>

### ***23.5 Advances from Related Parties***

AGI and other entities within the AGI Group, and other related parties grant cash advances to the Group for its working capital, investment and inventory purchases requirements. These advances are unsecured, noninterest-bearing and repayable in cash upon demand. The outstanding balance as of December 31, 2022 and 2021 amounting to P3.1 million is presented as Advances from related parties under the Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

### ***23.6 Advances to Ultimate Parent Company***

The Group made an unsecured cash advance to AGI for its investment activities which was fully collected in 2021. There were no similar cash advances in 2022, 2021 and 2020.

### ***23.7 Management Services***

EDI had a management agreement with Condis for consultancy and advisory services in relation to the operation, management, development and maintenance of its distillery plant, which was transferred to Progreen when the distillery plant was leased to Progreen starting 2017.

Total management fees incurred are presented as part of Outside services under the Costs of Goods Sold account in the consolidated statements of comprehensive income (see Note 19). The outstanding liability as of December 31, 2022 and 2021 is presented as part of Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 16). The related liabilities are unsecured, noninterest-bearing and payable upon demand.

### **23.8 Key Management Personnel Compensation**

The compensation of key management personnel for employee services is shown below.

	<u>2022</u>		<u>2021</u>		<u>2020</u>
Short-term benefits	<b>P 213,069,672</b>	P	212,314,988	P	203,237,736
Share options	<b>20,242,399</b>		10,022,174		4,212,485
Post-employment defined benefits	<b><u>3,108,987</u></b>		<u>9,755,432</u>		<u>14,979,300</u>
	<b><u>P 236,421,058</u></b>	P	<u>232,092,594</u>	P	<u>222,429,521</u>

### **23.9 Retirement Plan**

The Group's retirement funds for its post-employment defined benefit plan is administered and managed by a trustee bank. The fair value and the composition of the plan assets as of December 31, 2022 and 2021 are presented in Note 21.3. These plan assets do not include EMI Group's own financial instruments nor any financial instruments issued by its related parties. The retirement fund neither provides any guarantee or surety for any obligation of the Group nor its investments covered by any restrictions or liens.

### **23.10 Purchase of Land**

In 2016, the Group entered into a contract to purchase certain parcels of land located in Iloilo and Cebu from Megaworld for a total consideration of P206.0 million inclusive of VAT, which was initially recognized as part of advances to suppliers. In 2021, the legal title and the risks and rewards of ownership over the parcels of land have been transferred to the Group; hence, the cost of related properties was recorded as Land acquisition by the Group.

In 2014, the Group made cash payments to certain related party under common ownership for the acquisition of certain parcels of land located in Davao. However, the planned acquisition was temporarily suspended by both parties. The advance payment amounting to P144.8 million was presented as part of advances to suppliers. In 2021, the sales was finalized for total consideration of P153.0 million inclusive of VAT and titles of ownership over the said parcels of land were transferred to the Group; hence, the cost of related properties was reclassified as Land acquisition.

In 2020, the Group purchased a parcel of land located in Tanza, Cavite from a related party for a total consideration of P273.2 million excluding VAT. The Group already paid P271.2 million, which was presented as part of advances to suppliers. In 2021, the acquisition was fully paid and titles of ownership over the said parcels of land were transferred to the Group; hence, the related properties were reclassified as Land acquisition.

### 23.11 Purchase and Sale Commitment

On December 27, 2020, the Group signed a letter of intent with Global One, a related party under common ownership, for the sale of its land and building for a total purchase price of €16.6 million (see Note 13).

## 24. EQUITY

### 24.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2022	2021	2020	2022	2021	2020
Common shares – P1 par value						
Authorized – 20.0 billion shares						
Issued and outstanding:						
Balance at beginning of year	<b>15,670,991,338</b>	15,772,710,138	15,759,165,376	<b>P 11,494,677,273</b>	P 12,496,806,994	P 12,754,551,764
Treasury shares – at cost (Notes 2.25 and 24.2)	-	( 101,718,800)	13,544,762	-	( 1,002,129,721)	( 257,744,770)
Balance at end of year	<b><u>15,670,991,338</u></b>	<u>15,670,991,338</u>	<u>15,772,710,138</u>	<b><u>P 11,494,677,273</u></b>	<u>P 11,494,677,273</u>	<u>P 12,496,806,994</u>

The BOD of the PSE approved the listing of the common shares of the Parent Company on October 16, 2011.

On December 19, 2011, the Parent Company issued through initial public offering (“IPO”) an additional 22.0 million shares with an offer price of P4.50 per share. The Parent Company incurred P10.9 million IPO-related costs, P4.2 million of which was charged against APIC and the balance of P6.7 million was recognized as part of other operating expenses. Net proceeds from the IPO amounted to P90.8 million.

On December 27, 2012, the Parent Company issued additional 6.0 million shares with an offer price of P5.50 per share through a private placement.

On June 19, August 27 and September 5, 2013, the Parent Company’s BOD, stockholders, and SEC, respectively, approved the increase in authorized capital stock of EMI from P100.0 million divided into 100.0 million shares to P20.0 billion divided into 20.0 billion shares both with par value of P1.00 per share. On July 4, 2013, the Parent Company’s BOD approved the issuance of 6.5 million shares at par value to two foreign investors. On August 28, 2013, AGI and other investors subscribed to an aggregate of 14.9 billion shares. Under the terms of AGI’s subscription, the Parent Company acquired all of EDI shares held by AGI.

On September 17, 2013, AGI launched an offering of 1.8 billion EMI shares, which is approximately 12.0% of the total issued shares. The said offering was priced at P8.98 per share. On September 25, 2013, the settlement date, the amount of P11.2 billion out of the net proceeds was directly remitted to EMI as an additional subscription price from AGI under the terms of the amended agreement with AGI; such amount is recorded as APIC in EMI’s books. Costs related to the issuances amounting to P176.3 million were deducted from APIC.

On September 25, 2013, AGI beneficially acquired two of EMI's minority corporate stockholders which held a combined 9.55% of the total issued shares. Thus, AGI beneficially owned 87.55% of EMI as of December 31, 2013.

On December 4, 2014, the Parent Company issued additional 1.1 billion common shares with an offer price of P11.0 per share through private placement (see Note 15). This resulted to a decrease in AGI's ownership from 87.55% to 81.46% as of December 31, 2014. The excess of the subscription price over the par value amounting to P11.2 billion was recorded as APIC.

On November 28, 2017, the Parent Company issued 122.4 million common shares at P6.80 per share in consideration of the accrued interest on ELS amounting to P832.3 million (see Note 15). The excess of accrued interest over the par value amounting to P709.9 million was recorded as part of APIC (see Note 2.25).

On February 5, 2020, the Parent Company issued 253.3 million shares for the Tranche 1 Conversion of the ELS (see Notes 15 and 24.2). Consequently, Conversion Options amounting to P47.7 million was transferred to APIC.

On December 3, 2021, Tranche 2 Conversion of the ELS amounting to P3,443.8 million was transferred into equity with the Tranche 2 shares to be issued in 2023. Consequently, the ELS is reported as Deposit on Future Subscription – Equity-Linked Securities (see Note 15).

On July 14, 2022, the Parent Company secondary listed its shares on the Main Board of the SGX-ST.

As of December 31, 2022 and 2021, the quoted closing price per share is P20.60 and P20.80, respectively, and there are 134 and 135 holders in 2022 and 2021, respectively, which include nominee accounts, of the Parent Company's total issued and outstanding shares. The percentage shares of stock owned by the public are 20.10% and 15.01% as of December 31, 2022 and 2021, respectively.

#### ***24.2 Treasury Shares***

On May 12, 2017, the Parent Company's BOD authorized the buy-back of EMI's common shares of up to P5.0 billion for a term of 2 years commencing on May 16, 2017 and ending on May 16, 2019. On May 7, 2019, the buy-back program of the Parent Company's common shares of up to P3.0 billion was extended for 12 months ending May 16, 2020. On May 16, 2020, the BOD approved another 12-month extension ending on May 16, 2021 under the same terms and conditions. On April 12, 2021, the Parent Company's BOD authorized another buy-back program of EMI's common shares of up to P1.0 billion ending on December 31, 2021 under the same terms and conditions as the previous ones. The allotment was fully used up by the end of June 30, 2021.

The Parent Company had spent P6.12 billion, including trading charges, to purchase a total of 759.20 million shares under the buy-back program. In 2021 and 2020, the Parent Company has repurchased 101.7 million and 174.2 million shares for P1.0 billion, and P2.1 billion, respectively (nil in 2022). Out of these, a total of 253.3 million shares had been issued to Arran for the Tranche 1 Conversion pursuant to the exercise of its right to convert under Second Amendment of the ELS (see Note 15). As of December 31, 2022 and 2021, there were 505,919,938 shares costing P4.28 billion that were reported under Treasury Shares account in the consolidated statements of changes in equity.

Under the Revised Corporation Code of the Philippines, a stock corporation can purchase or acquire its own shares provided that it has unrestricted retained earnings to cover the cost of the shares to be purchased or acquired (see Note 24.3). Nevertheless, the Parent Company has sufficient retained earnings available for dividend distribution.

There are 65,479,900 shares held by a subsidiary at a total cost of P0.5 billion that are also reported as part of Treasury Shares (see Note 2.25).

### **24.3 Declaration of Dividends**

The Parent Company's cash dividend declarations in 2021 and 2020 (nil in 2022) are as follows:

<u>Date of Declaration</u>	<u>Date of Stockholders' Record</u>	<u>Payable Date</u>	<u>Dividend per Share</u>	<u>Total</u>
August 2, 2021	August 13, 2021	September 8, 2021	P 0.1100	P1,731,011,836
March 8, 2021	March 19, 2021	April 15, 2021	0.0900	1,425,437,103
January 4, 2021	January 15, 2021	February 3, 2021	0.1200	1,900,582,805
August 5, 2020	August 18, 2020	September 3, 2020	0.1100	1,751,016,634
December 17, 2019	January 7, 2020	January 20, 2020	0.0500	787,958,269

The amount of the Parent Company's retained earnings available for dividend distribution is restricted by the cost of the treasury shares that the Parent Company hold (see Note 24.2).

The outstanding dividends payable in 2019 amounting to P779.2 million was fully paid in 2020. There were no unpaid dividends as of December 31, 2022 and 2021 (see Note 32).

### **24.4 Employee Share Option**

On November 7, 2014, the BOD approved an employee share option plan ("ESOP") for qualified employees of the Group. The ESOP was adopted by the shareholders on December 15, 2014 ("Plan Adoption Date"). On August 17, 2021, the BOD approved certain amendments to the plan.

The options shall generally vest on the 60<sup>th</sup> birthday or the date of retirement of the option holder, whichever is later, provided that the option holder had continuously served as an employee for eleven years after the option offer date or three years from retirement date for option holder who has continuously served for at least 20 years before the option offer date, and may be exercised within five years from vesting date, subject to the terms and conditions of the amended ESOP. The exercise price shall be at most a 15% discount from the volume weighted average closing price of the Parent Company's shares for nine months immediately preceding the date of grant.

Pursuant to this ESOP, on November 6, 2015, share options were granted to certain key executives of EDI to subscribe to 118.0 million common shares of the Parent Company, at an exercise price of P7.00 per share. As of December 31, 2022, a total of 9.0 million share options were cancelled due to resignations.

On March 15, 2021 and August 25, 2021, share options were granted to certain qualified grantees to subscribe to 20.0 million and 55.0 million common shares of the Parent Company, at an exercise price of P10.10 and P10.65 per share, respectively.

On February 11, 2022, share options were granted to a qualified employee of EDI to subscribe to 5.0 million common shares of the Parent Company at an exercise price of P13.95 per share.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation:

Average option life	11 – 22 years
Share price at grant date	P8.90 – P22.50
Exercise price at grant date	P7.00 – P13.95
Average fair value of option at grant date	P3.26 – P13.35
Average standard deviation of share price returns	10.24% - 13.13%
Average dividend yield	1.08% - 1.10%
Average risk-free investment rate	4.44% - 5.24%

The underlying expected volatility was determined by reference to historical prices of the Parent Company's shares over a period of one year.

Share option benefits expense, which is included as part of Salaries and employee benefits under the General and Administrative Expenses account, amounting to P76.4 million in 2022 (net of resignees), P44.9 million in 2021 and P27.0 million in 2020 was recognized (see Note 21.2), while the corresponding credit to Share Options Outstanding account is presented as part of Equity Attributable to Owners of the Parent Company under the Equity section of the consolidated statements of financial position.

#### ***24.5 Appropriation of Retained Earnings***

In 2017, the Group appropriated a portion of its retained earnings amounting to P600.0 million for capital expenditures at the glass manufacturing plant. On January 22, 2019, the Group appropriated additional P200.0 million for a project expected to be completed in 2022. In 2021, the Group reversed the appropriated retained earnings of P800.0 million. Also, in 2021, the Group appropriated P1,200.0 million for the rehabilitation of furnace and other capital expenditures for the glass manufacturing plant which are expected to be completed in 2025.

## 24.6 Subsidiaries with Non-controlling Interest

The composition of NCI account is as follows (see Note 2.25):

	Notes	Percentage of Ownership of NCI	2022	2021
DBLC	1.1(p)	50%	<b>P 1,219,811,450</b>	P 1,021,025,250
Boozylife	1.1(d)	38%	<b>( 22,327,557)</b>	( 20,855,756)
			<b><u>P1,197,483,893</u></b>	<u>P1,000,169,494</u>

The summarized information of DBLC, which is considered as material non-controlling interest, before intragroup eliminations, is shown below.

	2022	2021
Current assets	<b>P 4,220,488,289</b>	P 3,369,126,316
Non-current assets	<b><u>3,825,418,995</u></b>	<u>3,429,833,757</u>
Total assets	<b><u>P 8,045,907,284</u></b>	<u>P 6,798,960,073</u>
Financial Assets	<b><u>P 3,023,933,909</u></b>	<u>P 2,331,662,524</u>
Current liabilities	<b>P 3,383,215,106</b>	P 2,203,170,324
Non-current liabilities	<b><u>1,565,874,736</u></b>	<u>2,185,012,753</u>
Total liabilities	<b><u>P 4,949,089,842</u></b>	<u>P 4,388,183,077</u>
Financial liabilities	<b><u>P 3,047,388,432</u></b>	<u>P 3,022,334,064</u>
Revenues	<b><u>P 4,046,763,210</u></b>	<u>P 2,880,332,027</u>
Profit for the period attributable to:		
Owners of Parent Company	<b>P 152,318,685</b>	P 178,280,699
NCI	<b><u>152,318,684</u></b>	<u>178,280,698</u>
Profit for the year	<b><u>304,637,369</u></b>	<u>356,561,397</u>
Other comprehensive loss attributable to:		
Owners of Parent Company	<b>50,382,636</b>	44,363,865
NCI	<b><u>50,382,636</u></b>	<u>44,363,865</u>
Other comprehensive loss for the year	<b><u>100,765,272</u></b>	<u>88,727,730</u>
Total comprehensive income for the year	<b><u>P 405,402,641</u></b>	<u>P 445,289,127</u>
Net cash from (used in):		
Operating activities	<b>P 377,346,233</b>	P 513,484,528
Investing activities	<b>( 392,661,516)</b>	( 152,405,382)
Financing activities	<b><u>( 337,573,708)</u></b>	<u>( 331,056,622)</u>
Net cash inflow (outflow)	<b><u>(P 352,888,991)</u></b>	<u>P 30,022,524</u>

No dividends were paid to the NCI in 2022 and 2021.

## 25. EARNINGS PER SHARE

Earnings per share were computed as follows (see Note 2.25):

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Consolidated net profit attributable to owners of the parent company	<b>P10,060,876,272</b>	P 9,971,065,303	P 7,967,261,504
Divided by the weighted average number of outstanding common shares	<u><b>15,670,991,338</b></u>	<u>15,839,884,723</u>	<u>15,845,014,032</u>
Basic and diluted earnings per share	<u><b>P 0.64</b></u>	<u>P 0.63</u>	<u>P 0.50</u>

Share options were granted to qualified grantees totalling 118.0 million common shares of the Parent Company, out of which a total of 9.0 million were cancelled in 2022 due to resignations; 75.0 million common shares in 2021; and 5.0 million in 2022 (see Note 24.4).

In 2022, 2021 and 2020, the ELS instrument has 475.0 million shares that have not yet been issued (see Note 15).

The basic and diluted earnings per share as presented above are the same because the dilutive effects of potential common shares from the employee share options and convertible ELS are negligible for the periods presented. Thus, the weighted average number of issued and outstanding common shares presented above does not include the effect of the potential common shares from the employee share options and convertible ELS.

## 26. COMMITMENTS AND CONTINGENCIES

The Group has entered a purchase and sale commitment with a related party, in the amount of €16.6 million, for the sale of its land and building (see Notes 13 and 23.11). In addition, the Group has made advances for purchases of land with total contract price of P304.9 million for future construction of warehouses (see Note 23.10).

Except for those provisions recognized (see Note 17) and commitments disclosed above in the consolidated financial statements, there are other commitments and contingent liabilities that arise in the normal course of the Group's operations which are not reflected in the consolidated financial statements. Management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Group's consolidated financial statements.

## 27. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to certain financial risks which result from its operating activities. The main types of risks are market risk, credit risk, liquidity risk and price risk. There have been no significant changes in the Group's financial risk management objectives and policies during the period.

The Group's risk management is coordinated with AGI, in close cooperation with the BOD appointed by AGI, and focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below and in the succeeding pages.

### 27.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing and financing activities.

#### (a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, Euros, U.K. pounds, and U.S. dollars, which are the entities' functional currencies. Exposures to currency exchange rates arise from the Group's foreign currency-denominated transactions at each entity level. The Group has no significant exposure to other foreign currency exchange rates at each entity level, except for U.S. dollars of EDI and foreign subsidiaries, since these other foreign currencies are not significant to the Group's consolidated financial statements. EDI has cash and cash equivalents in U.S. dollars as of December 31, 2022 and 2021 while the foreign subsidiaries have cash and cash equivalents, receivables and payables in U.S. dollars. To mitigate the Group's exposure to foreign currency risk, non-functional currency cash flows are monitored.

Foreign currency-denominated financial assets and financial liabilities with exposure to foreign currency risk, translated into Philippine pesos at the closing rate, are as follows:

	<u>2022</u>	<u>2021</u>
Financial assets	<b>P 795,291,913</b>	P 432,911,894
Financial liabilities	<b>( 591,381,805)</b>	( 2,750,063,007)
	<b><u>P 203,910,108</u></b>	<b><u>(P 2,317,151,113)</u></b>

The table below illustrates the sensitivity of the Group's consolidated profit before tax with respect to changes in Philippine pesos against U.S. dollar exchange rates. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 68% confidence level.

	<u>Reasonably possible change in rate</u>	<u>Effect in consolidated profit before tax</u>	<u>Effect in consolidated equity</u>
2022	5.31%	<u>P 10,827,627</u>	<u>P 8,120,720</u>
2021	4.11%	<u>(P 95,234,911)</u>	<u>(P 71,426,183)</u>

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

*(b) Interest Rate Risk*

As at December 31, 2022 and 2021, the Group is exposed to changes in market rates through its cash in banks and short-term placements which are generally subject to 30-day repricing intervals (see Note 5). Due to the short duration of short-term placements, management believes that interest rate sensitivity and its effect on the net results and equity are not significant. The Group's interest-bearing loans are subject to fixed interest rates and are therefore not subject to interest rate risk, except for certain loans that are based on EURIBOR and SONIA (see Note 14). EURIBOR was at a negative rate or a zero rate for several years and it has entered positive territory towards the second quarter of 2022 due to inflation, yet the Group does not see a material interest rate risk in the short-term.

The sensitivity of the Group's profit before tax on its loans arising from SONIA is analyzed based on a reasonably possible change in interest rates of +/-9.99% in 2022 and +/-0.42% in 2021. These changes in rates have been determined based on the average market volatility in interest rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at each reporting date, with effect estimated from the beginning of the year. All other variables held constant, if SONIA increased by 9.99% and 0.42% in 2022 and 2021, profit before tax would have decreased by P20.4 million and P9.8 million, respectively. Conversely, if the interest rates decreased by the same percentages, profit before tax in 2022 and 2021 would have been higher by the same amounts.

*(c) Other Price Risk*

The Group was exposed to other price risk in respect of its financial instruments at FVTPL, which pertain to marketable equity securities and derivative instruments arising from foreign exchange margins trading spot and forward contracts. These financial instruments will continue to be measured at fair value based on quoted market prices and the index reference provided by certain foreign financial institution and through reference to quoted bid prices, respectively.

For equity securities listed in the Philippines, an average volatility of 46% has been observed in 2022. If quoted price for these securities increased or decreased by that amount, profit before tax and equity would have changed by P192.5 million and P144.4 million, respectively, in 2022.

The Group believes that the change in foreign exchange rate related to foreign exchange margins trading spot rate and forward contracts will not materially affect the consolidated financial statements. The Group has recognized fair value losses in 2022 and 2021 and fair value gains in 2020 (see Note 7).

## 27.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting advances and selling goods to customers including related parties and placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

In general, the Group's financial assets are not covered with any collateral or credit enhancement. Accordingly, the Group manages credit risk by setting limits on the amount of risk in relation to a particular customer including requiring payment of any outstanding receivable before a new credit is extended. Such risk is monitored on a regular basis and subject to an annual or more frequent review. Approval for credit limits are secured from the credit manager.

Generally, the maximum credit risk exposure of financial assets is the total carrying amount of the financial assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as presented below.

	Notes	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	5	<b>P 12,738,118,244</b>	P 9,333,783,438
Trade and other receivables – net	6	<b>15,444,776,097</b>	14,095,144,617
Refundable security deposits	11.1, 11.2	<b>41,609,291</b>	63,917,560
Property mortgage receivable	11.2	-	646,636,072
		<b><u>P 28,224,503,632</u></b>	<b><u>P 24,139,481,687</u></b>

The Group's management considers that all the above financial assets that are not impaired as at the end of reporting period under review are of good credit quality.

### (a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Cash and cash equivalents include cash in banks and short-term placements in the Philippines which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

### (b) Trade and Other Receivables, Property Mortgage Receivable, and Refundable Security Deposits

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade receivables and other receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets).

The expected loss rates for trade receivables are based on the payment profiles of sales over a period of 36 months before December 31, 2022 and 2021, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product and inflation rates to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at December 31 was determined based on months past due, as follows for trade receivables:

	<u>1-30 Days</u>	<u>31-90 Days</u>	<u>Over 90 Days</u>	<u>Total</u>
<b>December 31, 2022</b>				
Expected loss rate	0%	0%	100%	
Gross carrying amount	P 10,522,719,262	P 4,829,677,630	P 180,655,094	P15,533,051,986
Loss allowance	-	-	180,655,094	180,655,094
<b>December 31, 2021</b>				
Expected loss rate	0%	0%	100%	
Gross carrying amount	P 9,194,359,031	P 4,543,835,632	P 192,652,354	P13,930,847,017
Loss allowance	-	-	192,652,354	192,652,354
<b>December 31, 2020</b>				
Expected loss rate	0%	0%	100%	
Gross carrying amount	P 9,548,359,708	P 5,152,412,710	P 189,441,284	P14,890,213,702
Loss allowance	-	-	189,441,284	189,441,284

In general, the Group's financial assets are not covered with any collateral or credit enhancement. Accordingly, the Group manages credit risk by setting limits on the amount of risk in relation to a particular customer including requiring payment of any outstanding receivable before a new credit is extended. Such risk is monitored on a regular basis and subject to an annual or more frequent review. Approval for credit limits are secured from the credit manager.

For the advances to the ultimate parent company and refundable security deposits, the lifetime ECL rate is assessed at 0%, as there were no historical credit loss experience from the counterparties. The counterparties have low credit risk and strong financial position and sufficient liquidity to settle its obligations to the Group once they become due. With respect to property mortgage receivable, management assessed that these financial assets have low probability of default since the Parent Company is also a lessee over the same property and can apply such receivable against future lease payments.

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include the cessation of enforcement activity and where the value of any assets that the Group may get from the customers is less than the outstanding contractual amounts of the financial assets to be written-off. There are no write-offs made in 2022 and 2021.

### 27.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 60-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The contractual maturities of Trade and Other Payables (except for output VAT payable, and withholding tax payables and advances from suppliers under Others) and Interest-bearing Loans reflect the gross cash flows, which approximate the carrying values of the liabilities at the end of each reporting period.

The maturity profile of the Group's financial liabilities as at December 31, 2022 based on contractual undiscounted payments is as follows:

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	More Than 5 Years
Interest-bearing loans and borrowings	P 482,653,749	P 3,617,557,011	P20,159,679,800	P -
Trade and other payables	21,932,783,788	-	-	-
Lease liabilities	<u>116,151,340</u>	<u>116,151,340</u>	<u>390,610,643</u>	<u>28,298,162</u>
	<b><u>P22,531,588,877</u></b>	<b><u>P 3,733,708,351</u></b>	<b><u>P20,550,290,443</u></b>	<b><u>P 28,298,162</u></b>

This compares to the maturity profile of the Group's financial liabilities as of December 31, 2021 as follows:

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	More Than 5 Years
Interest-bearing loans and borrowings	P 734,323,235	P 2,946,647,836	P21,946,907,378	P -
Trade and other payables	17,205,504,621	-	-	-
Lease liabilities	<u>146,261,792</u>	<u>134,778,563</u>	<u>861,533,617</u>	<u>431,965,723</u>
	<b><u>P18,086,089,648</u></b>	<b><u>P 3,081,426,399</u></b>	<b><u>P22,808,440,995</u></b>	<b><u>P 431,965,723</u></b>

The Group maintains cash to meet its liquidity requirements for up to seven-day periods. Excess cash funds are invested in short-term placements.

## 28. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 28.1 Carrying Values and Fair Values of Financial Assets and Financial Liabilities

The carrying values and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

Notes	2022		2021		
	Carrying Values	Fair Values	Carrying Values	Fair Values	
<b>Financial Assets:</b>					
Financial assets at amortized cost:					
Cash and cash equivalents	5	P 12,738,118,244	P 12,738,118,244	P 9,333,783,438	P 9,333,783,438
Trade and other receivables – net	6	15,444,776,097	15,444,776,097	14,095,144,617	14,095,144,617
Property mortgage receivable	11.2	-	-	646,636,072	646,636,072
Refundable security deposits	11.1, 11.2	41,609,291	41,609,291	63,917,560	63,917,560
		<u>P 28,224,503,632</u>	<u>P 28,224,503,632</u>	<u>P 24,139,481,687</u>	<u>P 24,139,481,687</u>
Financial assets at FVTPL	7	<u>P 277,586,460</u>	<u>P 277,586,460</u>	<u>P 3,294,192</u>	<u>P 3,294,192</u>
<b>Financial Liabilities:</b>					
Financial liabilities at amortized cost:					
Interest-bearing loans	14	P 23,801,187,435	P 23,801,187,435	P 24,841,430,646	P 24,841,430,646
Trade and other payables	11	21,932,783,788	21,932,783,788	17,205,504,621	17,205,504,621
Lease liabilities	9.3	594,378,028	594,378,028	1,092,950,054	1,092,950,054
		<u>P 46,328,349,251</u>	<u>P 46,328,349,251</u>	<u>P 43,139,885,321</u>	<u>P 43,139,885,321</u>

See Notes 2.5 and 2.11 for a description of the accounting policies for each category of financial instruments including the determination of fair values. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 27.

### 28.2 Offsetting of Financial Assets and Financial Liabilities

Currently, the Group's financial assets and financial liabilities are settled on a gross basis because there is no relevant offsetting arrangement on them as of December 31, 2022 and 2021 (see Note 2.12). In subsequent reporting periods, each party to the financial instruments (particularly those involving related parties) may decide to enter into an offsetting arrangement in the event of default of the other party.

## 29. FAIR VALUE MEASUREMENT AND DISCLOSURES

### *29.1 Fair Value Hierarchy*

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

### *29.2 Financial Instruments Measured at Fair Value*

The Group's financial instruments measured at fair value pertain to the Group's marketable equity securities and derivative instruments (see Note 7). These were presented as financial assets at FVTPL amounting to P277.6 million and P3.3 million as of December 31, 2022 and 2021, respectively.

Marketable equity securities classified as financial assets at FVTPL are included in Level 1 as their prices are derived from quoted prices in the active market that the entity can access at the measurement date.

The derivative instruments, which comprise of foreign exchange spots and forward contracts, are included in Level 2. The fair values of derivative financial instruments that are not quoted in an active market are determined through valuation techniques using the net present value computation.

### *29.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed*

The table in the succeeding page summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

	<u>2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b><i>Financial assets:</i></b>				
Cash and cash equivalents	P 12,738,118,244	P -	P -	P 12,738,118,244
Trade and other receivables	-	-	15,444,776,097	15,444,776,097
Refundable security deposits	-	-	41,609,291	41,609,291
	<b><u>P 12,738,118,244</u></b>	<b><u>P -</u></b>	<b><u>P 15,486,385,388</u></b>	<b><u>P 28,224,503,632</u></b>
<b><i>Financial liabilities:</i></b>				
Interest-bearing loans	P -	P -	P 23,801,187,435	P 23,801,187,435
Trade and other payables	-	-	21,932,783,788	21,932,783,788
Lease liabilities	-	-	594,378,028	594,378,028
	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P 46,328,349,251</u></b>	<b><u>P 46,328,349,251</u></b>
	<u>2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b><i>Financial assets:</i></b>				
Cash and cash equivalents	P 9,333,783,438	P -	P -	P 9,333,783,438
Trade and other receivables	-	-	14,095,144,617	14,095,144,617
Property mortgage receivable	-	-	646,636,072	646,636,072
Refundable security deposits	-	-	63,917,560	63,917,560
	<b><u>P 9,333,783,438</u></b>	<b><u>P -</u></b>	<b><u>P 14,805,698,249</u></b>	<b><u>P 24,139,481,687</u></b>
<b><i>Financial liabilities:</i></b>				
Interest-bearing loans	P -	P -	P 24,841,430,646	P 24,841,430,646
Trade and other payables	-	-	17,205,504,621	17,205,504,621
Lease liabilities	-	-	1,092,950,054	1,092,950,054
	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P 43,139,885,321</u></b>	<b><u>P 43,139,885,321</u></b>

For financial assets with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

### 30. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to stockholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the face of the consolidated statements of financial position. Capital at the end of each reporting period is summarized as follows:

	<u>2022</u>	<u>2021</u>
Total liabilities	<b><u>P 52,621,701,045</u></b>	P 49,798,141,454
Total equity	<b><u>88,589,423,116</u></b>	<u>78,718,235,367</u>
Liabilities-to-equity ratio	<b><u>0.59 : 1.00</u></b>	<u>0.63 : 1.00</u>

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to stockholders, issue new shares or sell assets to reduce debt.

### 31. SUPPLEMENTAL INFORMATION ON CASH FLOWS

#### 31.1 Reconciliation of Liabilities from Financing Activities

The Group presents below the reconciliation of the Group's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Equity-linked Debt Securities (see Note 15)	Accrued Interest Payable (see Notes 14, 15 and 16)	Interest- bearing Loans (see Note 14)	Lease Liabilities (see Note 9.3)	Total
Balance as of January 1, 2022	P -	P 42,924,364	P 24,841,430,646	P 1,092,950,054	P 25,977,305,064
Cash flows from financing activities:					
Repayment of loans	-	-	( 2,866,909,770)	-	( 2,866,909,770)
Proceeds from additional loans obtained	-	-	1,846,932,636	-	1,846,932,636
Repayment of lease Liabilities	-	-	-	( 100,605,609)	( 100,605,609)
Payment of interest expense	-	( 437,013,951)	-	( 47,792,003)	( 484,805,954)
Non-cash financing activities:					
Translation adjustment	-	-	( 20,266,077)	358,789,223	338,523,146
Additions to lease liabilities in exchange for increased right-of-use assets	-	-	-	28,644,356	28,644,356
Interest amortization on lease liabilities	-	-	-	47,792,003	47,792,003
Termination of lease	-	-	-	( 785,399,996)	( 785,399,996)
Accrual of interest	-	416,131,552	-	-	416,131,552
Balance as of December 31, 2022	<u>P -</u>	<u>P 22,041,965</u>	<u>P 23,801,187,435</u>	<u>P 594,378,028</u>	<u>P 24,417,607,428</u>
Balance as of January 1, 2021	P 3,443,750,000	P 72,855,493	P 30,380,344,605	P 1,462,894,265	P 35,359,844,363
Cash flows from financing activities:					
Repayment of loans	-	-	( 6,732,937,709)	-	( 6,732,937,709)
Proceeds from additional loans obtained	-	-	1,194,023,750	-	1,194,023,750
Repayment of lease liabilities	-	-	-	( 601,235,467)	( 601,235,467)
Payment of interest expense	-	( 765,121,926)	-	( 81,073,626)	( 846,195,552)
Non-cash financing activities:					
Transfer to equity component	( 3,443,750,000)	-	-	-	( 3,443,750,000)
Additions to lease liabilities in exchange for increased right-of-use assets	-	-	-	141,568,711	141,568,711
Lease modification	-	-	-	92,397,741	92,397,741
Interest amortization on lease liabilities	-	-	-	81,073,626	81,073,626
Termination of lease	-	-	-	( 2,675,196)	( 2,675,196)
Accrual of interest	-	735,190,797	-	-	735,190,797
Balance as of December 31, 2021	<u>P -</u>	<u>P 42,924,364</u>	<u>P 24,841,430,646</u>	<u>P 1,092,950,054</u>	<u>P 25,977,305,064</u>

	Equity-linked Debt Securities (see Note 15)	Interest Payable (see Notes 14, 15 and 16)	Interest- bearing Loans (see Note 14)	Lease Liabilities (see Note 9.2)	Total
Balance as of January 1, 2020	P 5,280,000,000	P 141,479,085	P 31,939,838,586	P 2,021,932,115	P 39,383,249,786
Cash flows from financing activities:					
Repayment of loans	-	-	( 2,741,784,226)	-	( 2,741,784,226)
Proceeds from additional loans obtained	-	-	1,182,290,245	-	1,182,290,245
Repayment of lease liabilities	-	-	-	( 216,881,185)	( 216,881,185)
Payment of interest expense	-	( 502,451,033)	-	( 95,519,833)	( 597,970,866)
Non-cash financing activities:					
Conversion of ELS	( 1,836,250,000)	-	-	-	( 1,836,250,000)
Additions to lease liabilities in exchange for increased right-of-use assets	-	-	-	41,491,316	41,491,316
Lease modification	-	-	-	( 383,647,981)	( 383,647,981)
Interest amortization on lease liabilities	-	-	-	95,519,833	95,519,833
Accrual of interest	-	433,827,441	-	-	433,827,441
Balance as of December 31, 2020	<u>P 3,443,750,000</u>	<u>P 72,855,493</u>	<u>P 30,380,344,605</u>	<u>P 1,462,894,265</u>	<u>P 35,359,844,363</u>

### 31.2 Supplemental Information on Non-cash Activities

The following discusses the supplemental information on non-cash investing and financing activities as presented in the consolidated statements of cash flows for the years ended December 31, 2022, 2021 and 2020:

- In 2022, property mortgage receivable was reversed upon acquisition of the subject property, which was reclassified as part of Buildings and improvements under Property, Plant and Equipment (see Notes 9.1 and 11.2). The related right-of-use assets and lease liabilities were also terminated (see Notes 9.2 and 31.1).
- Share option benefits expense amounting to P76.4 million in 2022, P44.9 million in 2021 and P27.0 million in 2020 was recognized with corresponding credits to Share Options account (see Notes 21.2 and 24.4).
- In 2022, 2021 and 2020, the Group recognized additional right-of-use assets and lease liabilities amounting to P28.6 million, P141.6 million and P41.5 million, respectively. In addition, the Group and its lessors have agreed for certain lease modifications pertaining to leased plant and warehouses, which were not accounted for as a separate lease. Accordingly, the modification resulted in the remeasurement of both lease liabilities and right of-use assets amounting to P92.4 million and P383.6 million in 2021 and 2020 (nil in 2022) [see Note 9.2].
- In 2021, certain advances to suppliers amounting to P602.0 million were reclassified as Land acquisition (see Notes 9.1 and 23.10).
- In 2021, Tranche 2 of the ELS amounting to P3,443.8 million was transferred to Deposit on Future Stock Subscription – Equity-linked Securities for future issuance of shares. In 2020, Tranche 1 of the ELS amounting to P1,836.3 million was converted into capital stock taken from the treasury shares. Correspondingly, conversion options amounting to P47.7 million in 2020 were reclassified to APIC (see Notes 15 and 24).

**32. EVENTS OCCURRING AFTER THE END OF REPORTING PERIOD**

On January 26, 2023, EMI and Arran executed an agreement that clarified the continuation of Variable Interest on the Tranche 2 Shares effective from the date of the agreement until August 12, 2023 or the issuance of the Tranche 2 shares, whichever comes earlier (see Note 15). On March 30, 2023, the BOD declared dividends of 29 centavos per share payable on May 25, 2023 to all stockholders on record as of May 2, 2023. The Tranche 2 shares will receive interest at the same rate as the dividends (see Notes 15 and 24.3).



# Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

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The Board of Directors and Stockholders  
Emperador Inc. and Subsidiaries  
(A Subsidiary of Alliance Global Group, Inc.)

7<sup>th</sup> Floor, 1880 Eastwood Avenue

Eastwood City CyberPark

188 E. Rodriguez, Jr. Avenue

Bagumbayan, Quezon City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Emperador Inc. and Subsidiaries (the Group) for the year ended December 31, 2022, on which we have rendered our report dated March 30, 2023. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) are presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68, and are not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information are the responsibility of the Group's management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

## PUNONGBAYAN & ARAULLO

By: **Romualdo V. Murcia III**  
Partner

CPA Reg. No. 0095626

TIN 906-174-059

PTR No. 9566639, January 3, 2023, Makati City

SEC Group A Accreditation

Partner - No. 95626-SEC (until financial period 2026)

Firm - No. 0002 (until Dec. 31, 2024)

BIR AN 08-002511-022-2022 (until Oct. 13, 2025)

Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 30, 2023

**EMPERADOR INC. AND SUBSIDIARIES**  
**List of Supplementary Information**  
**December 31, 2022**

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A	Financial Assets	1
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	3
D	Long-term Debt	4
E	Indebtedness to Related Parties (Long-term Loans from Related Companies)	N/A
F	Guarantees of Securities of Other Issuers	N/A
G	Capital Stock	5
<b>Other Required Information</b>		
H	Reconciliation of Retained Earnings Available for Dividend Declaration	6
I	Map Showing the Relationship Between the Company and its Related Entities	7
J	Aging Schedule of Trade and Other Receivables	8

**EMPERADOR INC. AND SUBSIDIARIES**

SEC Released Revised SRC Rule 68

Annex 68-J

Schedule A - Financial Assets

December 31, 2022

*(Amounts in Philippine Pesos)*

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount	Amount Shown in the Consolidated Statement of Financial Position	Value Based on Market Quotation at Statement of Condition Date	Income Received and Accrued
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**FINANCIAL ASSETS AT AMORTIZED COST**

Cash and cash equivalents	P 12,738,118,244	P 12,738,118,244	P 141,756,928
Trade and other receivables - net	15,444,776,097	15,444,776,097	-
Refundable security deposits	<u>41,609,291</u>	<u>41,609,291</u>	<u>-</u>
<b>GRAND TOTAL</b>	<b><u>P 28,224,503,632</u></b>	<b><u>P 28,224,503,632</u></b>	<b><u>P 141,756,928</u></b>

**EMPERADOR INC. AND SUBSIDIARIES**

SEC Released Revised SRC Rule 68

Annex 68-J

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

December 31, 2022

*(Amounts in Philippine Pesos)*

Name and designation of debtor	Balance at beginning of period	Additions	Deductions		Ending Balance		Balance at end of period
			Amounts paid (collected)	Amounts written off	Current	Not current	

***Advances to Officers and Employees***

(under the "Trade and Other Receivables" account)

P	<u>103,446,030</u>	P	<u>726,908,169</u>	(	P	<u>147,660,358</u>	)	P	<u>-</u>	P	<u>682,693,841</u>	P	<u>-</u>	P	<u>682,693,841</u>
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**EMPERADOR INC. AND SUBSIDIARIES**

SEC Released Revised SRC Rule 68

Annex 68-J

Schedule C - Amounts of Receivable/Payable from/to Related Parties which are Eliminated During the Consolidation of Financial Statements

December 31, 2022

*(Amounts in Philippine Pesos)*

**TERMS & CONDITIONS:**

All receivables/payables are unsecured, noninterest-bearing, collectible/payable on demand, unimpaired and generally settled in cash.

Name and designation of debtor	Affected accounts	Balance at beginning of year	Additions	Deductions		Ending balance		Balance at the end of the period
				Amounts collected	Amounts written off	Current	Non current	
Emperador Distillers, Inc.	Trade and other payables	P 2,347,141,814	P 2,272,427,800	( P 2,347,141,814	p -	P 2,272,427,800	p -	P 2,272,427,800
Emperador International, Ltd.	Trade and other receivables	2,347,141,814	2,272,427,800	( 2,347,141,814	-	2,272,427,800	-	2,272,427,800
Emperador Distillers, Inc.	Trade and other payables	7,321,220	71,971,735	( 7,321,220	-	71,971,735	-	71,971,735
Whyte and Mackay Group Limited	Trade and other receivables	7,321,220	71,971,735	( 7,321,220	-	71,971,735	-	71,971,735
Emperador Distillers, Inc.	Trade and other payables	239,587,908	725,667,348	( 239,587,908	-	725,667,348	-	725,667,348
Bodegas Fundador S.L.U.	Trade and other receivables	239,587,908	725,667,348	( 239,587,908	-	725,667,348	-	725,667,348
Emperador Distillers, Inc.	Trade and other payables	501,315,113	-	( 23,736,462	-	477,578,651	-	477,578,651
Anglo Watsons Glass, Inc.	Trade and other receivables	501,315,113	-	( 23,736,462	-	477,578,651	-	477,578,651
Alcazar De Bana Holdings Company, Inc.	Trade and other payables	5,795,564,668	8,230,346,900	( 5,795,564,668	-	8,230,346,900	-	8,230,346,900
Emperador Distillers, Inc.	Trade and other receivables	5,795,564,668	8,230,346,900	( 5,795,564,668	-	8,230,346,900	-	8,230,346,900
Emperador Distillers, Inc.	Trade and other payables	184,211,409	204,324,801	( 184,211,409	-	204,324,801	-	204,324,801
Tradewind Estates, Inc.	Trade and other receivables	184,211,409	204,324,801	( 184,211,409	-	204,324,801	-	204,324,801
Emperador Distillers, Inc.	Trade and other payables	-	-	-	8,689,983,210	-	-	8,689,983,210
Alcazar De Bana Holdings Company, Inc.	Trade and other receivables	-	-	-	8,689,983,210	-	-	8,689,983,210
Emperador Distillers, Inc.	Trade and other receivables	14,413,360	13,843,745	( 14,413,360	-	13,843,745	-	13,843,745
Boozylife, Inc.	Trade and other payables	9,671,872	6,999,073	( 9,671,872	-	6,999,073	-	6,999,073
Progreen Agricorp, Inc.	Trade and other payables	4,548,692	4,043,069	( 4,548,692	-	4,043,069	-	4,043,069
Anglo Watsons Glass, Inc.	Trade and other payables	192,796	2,928	( 192,796	-	2,928	-	2,928
The World's Finest Liquor	Trade and other payables	-	2,798,675	-	-	2,798,675	-	2,798,675
Emperador Distillers, Inc.	Subscription payable	1,875,000	-	-	-	1,875,000	-	1,875,000
The Bar Beverage, Inc.	Subscription receivable	1,875,000	-	-	-	1,875,000	-	1,875,000
Emperador Distillers, Inc.	Subscription payable	1,875,000	-	-	-	1,875,000	-	1,875,000
Cocos Vodka Distillers Philippines, Inc.	Subscription receivable	1,875,000	-	-	-	1,875,000	-	1,875,000
Emperador Distillers, Inc.	Subscription payable	1,875,000	-	-	-	1,875,000	-	1,875,000
Zabana Rum Company, Inc.	Subscription receivable	1,875,000	-	-	-	1,875,000	-	1,875,000
Emperador Distillers, Inc.	Subscription payable	25,270	-	-	-	25,270	-	25,270
Alcazar De Bana Holdings, Inc.	Subscription receivable	25,270	-	-	-	25,270	-	25,270
Emperador Inc.	Trade and other payables	773,773,546	495,267,544	-	-	1,269,041,090	-	1,269,041,090
Emperador International, Ltd.	Trade and other receivables	773,773,546	495,267,544	-	-	1,269,041,090	-	1,269,041,090
Whyte and Mackay Group Limited	Trade and other payables	106,351,796	98,833,392	( 106,351,796	-	98,833,392	-	98,833,392
Bodegas Fundador S.L.U.	Trade and other receivables	106,351,796	98,833,392	( 106,351,796	-	98,833,392	-	98,833,392
Bodegas Fundador S.L.U.	Trade and other payables	17,082,552	3,918,763	( 17,082,552	-	3,918,763	-	3,918,763
Whyte and Mackay Group Limited	Trade and other receivables	17,082,552	3,918,763	( 17,082,552	-	3,918,763	-	3,918,763
Emperador Inc.	Trade and other receivables	1,111,500,000	300,000,000	( 1,111,500,000	-	300,000,000	-	300,000,000
Emperador Distillers, Inc.	Trade and other payables	1,111,500,000	300,000,000	( 1,111,500,000	-	300,000,000	-	300,000,000

**EMPERADOR INC. AND SUBSIDIARIES**

SEC Released Revised SRC Rule 68

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Schedule D - Long-term Debt

December 31, 2022

*(Amounts in Philippine Pesos)*

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
Interest-bearing loans	P <u>23,801,187,435</u>	P <u>3,851,103,435</u>	P <u>19,950,084,000</u>

**EMPERADOR INC. AND SUBSIDIARIES**

SEC Released Revised SRC Rule 68

Annex 68-J

Schedule G - Capital Stock

December 31, 2022

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Capital stock - P1 par value	20,000,000,000	15,736,471,238	673,000,000	12,573,440,500	7	3,163,030,731

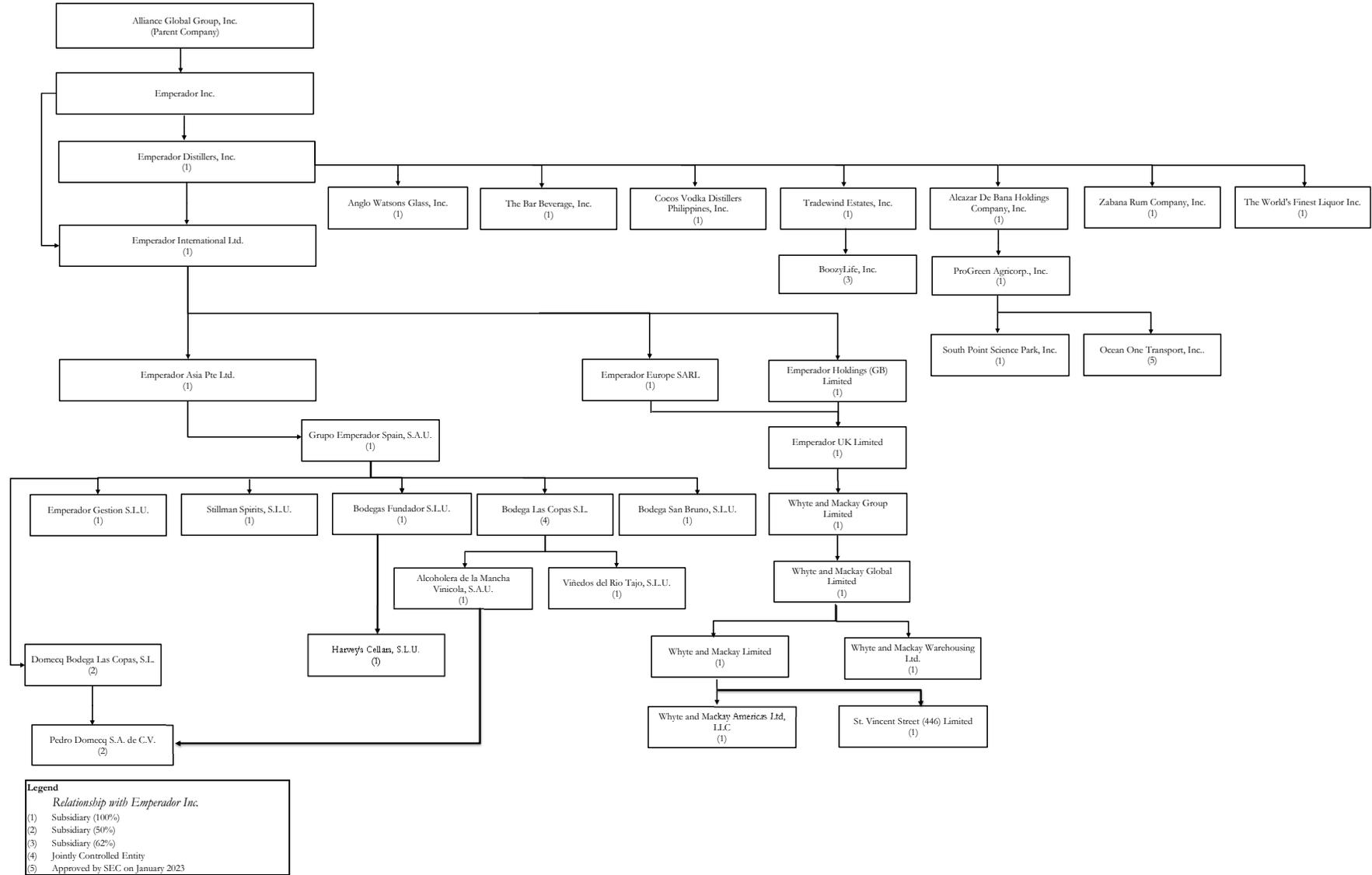
EMPERADOR INC.

7<sup>th</sup> Floor, 1880 Eastwood Avenue, Eastwood City CyberPark  
188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City

Schedule H - Reconciliation of Retained Earnings Available for Dividend Declaration  
For the Year Ended December 31, 2022

Unappropriated Retained Earnings at Beginning of Year	P	5,297,597,402
Retained Earnings Restricted for Treasury Shares	(	<u>4,280,113,441</u> )
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		1,017,483,961
Net Income per Audited Financial Statements		<u>3,702,092,780</u>
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	<b>P</b>	<b><u>4,719,576,741</u></b>

**EMPERADOR INC. AND SUBSIDIARIES**  
**Map Showing the Relationship Between Emperor Inc.**  
**and its Related Parties**  
**December 31, 2022**



**EMPERADOR INC. AND SUBSIDIARIES**  
**SCHEDULE J - AGING SCHEDULE OF TRADE AND OTHER RECEIVABLES**  
**DECEMBER 31, 2022**  
*(Amounts in Thousand Philippine Pesos)*

Trade Receivables		
Current	P	11,889,147
1 to 30 days		2,445,282
31 to 60 days		582,642
Over 60 days		<u>435,326</u>
Total		15,352,397
Other receivables		<u>7,807,929</u>
<b>Balance at December 31, 2022</b>	<b>P</b>	<b><u><u>23,160,326</u></u></b>



## Report of Independent Auditors on Components of Financial Soundness Indicators

**Punongbayan & Araullo**  
20<sup>th</sup> Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 8988 2288

**The Board of Directors and Stockholders  
Emperador Inc. and Subsidiaries  
(A Subsidiary of Alliance Global Group, Inc.)**  
7<sup>th</sup> Floor, 1880 Eastwood Avenue  
Eastwood City CyberPark  
188 E. Rodriguez, Jr. Avenue  
Bagumbayan, Quezon City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Emperador Inc. and Subsidiaries (“the Group”) as of and for the years ended December 31, 2022 and 2021, on which we have rendered our report dated March 30, 2023. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group’s management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group’s consolidated financial statements as of and for the years ended December 31, 2022 and 2021 and no material exceptions were noted.

### **PUNONGBAYAN & ARAULLO**

**By: Romualdo V. Murcia III**  
Partner

CPA Reg. No. 0095626  
TIN 906-174-059  
PTR No. 9566639, January 3, 2023, Makati City  
SEC Group A Accreditation  
Partner - No. 95626-SEC (until financial period 2026)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-022-2022 (until Oct. 13, 2025)  
Firm’s BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 30, 2023

**EMPERADOR INC. AND SUBSIDIARIES**  
**Supplemental Schedule of Financial Soundness Indicators**  
**December 31, 2022 and 2021**

<b>Ratio</b>	<b>Formula</b>	<b>2022</b>	<b>Formula</b>	<b>2021</b>
Current ratio	Total Current Assets divided by Total Current Liabilities  Total Current Assets 77,393,838,063 Divide by: Total Current Liabilities 28,350,051,524 Current ratio 2.73	2.73	Total Current Assets divided by Total Current Liabilities  Total Current Assets 64,945,196,090 Divide by: Total Current Liabilities 23,523,397,598 Current ratio 2.76	2.76
Acid test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities  Total Current Assets 77,393,838,063 Less: Inventories 39,294,569,874 Other Current Assets 1,923,237,471 Quick Assets 36,176,030,718 Divide by: Total Current Liabilities 28,350,051,524 Acid test ratio 1.28	1.28	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities  Total Current Assets 64,945,196,090 Less: Inventories 34,013,144,005 Other Current Assets 1,249,119,654 Quick Assets 29,682,932,431 Divide by: Total Current Liabilities 23,523,397,598 Acid test ratio 1.26	1.26
Solvency ratio	Earnings before interest, taxes, depreciation and amortization (“EBITDA”) divided by Total Debt  EBITDA 13,806,817,562 Divide by: Total Debt 23,801,187,435 Solvency ratio 0.58	0.58	Earnings before interest, taxes, depreciation and amortization (“EBITDA”) divided by Total Debt  EBITDA 15,225,034,396 Divide by: Total Debt 24,841,430,646 Solvency ratio 0.61	0.61
Debt-to-equity ratio	Total Debt divided by Total Equity  Total Debt 23,801,187,435 Divide by: Total Equity 88,589,423,116 Debt-to-equity ratio 0.27	0.27	Total Debt divided by Total Equity  Total Debt 24,841,430,646 Divide by: Total Equity 78,718,235,367 Debt-to-equity ratio 0.32	0.32
Assets-to-equity ratio	Total Assets divided by Total Equity  Total Assets 141,211,124,161 Divide by: Total Equity 88,589,423,116 Assets-to-equity ratio 1.59	1.59	Total Assets divided by Total Equity  Total Assets 128,516,376,821 Divide by: Total Equity 78,718,235,367 Assets-to-equity ratio 1.63	1.63
Interest rate coverage ratio	Earnings before interest and taxes (“EBIT”) divided by Interest expense  EBIT 12,320,607,683 Divide by: Interest expense 610,430,573 Interest rate coverage ratio 20.18	20.18	Earnings before interest and taxes (“EBIT”) divided by Interest expense  EBIT 13,677,890,688 Divide by: Interest expense 782,713,575 Interest rate coverage ratio 17.47	17.47
Liabilities-to-equity ratio	Total Liabilities divided by Total Equity  Total Liabilities 52,621,701,045 Divide by: Total Equity 88,589,423,116 Liabilities-to-equity ratio 0.59	0.59	Total Liabilities divided by Total Equity  Total Liabilities 49,798,141,454 Divide by: Total Equity 78,718,235,367 Liabilities-to-equity ratio 0.63	0.63
Return on equity	Net Profit divided by Total Equity  Net Profit 10,211,723,231 Divide by: Total Equity 88,589,423,116 Return on equity 0.12	0.12	Net Profit divided by Total Equity  Net Profit 10,148,359,305 Divide by: Total Equity 78,718,235,367 Return on equity 0.13	0.13

<b>Ratio</b>	<b>Formula</b>	<b>2022</b>	<b>Formula</b>	<b>2021</b>
Return on assets	Net Profit divided by Average Total Assets  Net Profit 10,211,723,231 Divide by: Average total Assets 134,863,750,491 <hr/> Return on assets 0.08	0.08	Net Profit divided by Average Total Assets  Net Profit 10,148,359,305 Divide by: Average total Assets 125,484,264,528 <hr/> Return on assets 0.08	0.08
Net profit margin	Net Profit divided by Total Revenue  Net Profit 10,211,723,231 Divide by: Total Revenue 62,767,070,369 <hr/> Net profit margin 0.16	0.16	Net Profit divided by Total Revenue  Net Profit 10,148,359,305 Divide by: Total Revenue 55,936,272,323 <hr/> Net profit margin 0.18	0.18