108142019002759

SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	0000001803
Company Name	ABS-CBN CORPORATION
Industry Classification	
Company Type	Stock Corporation

Document Information

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Remarks	

COVER SHEET

SEC Registration Number

							1	8	0	3

Company Name

ABS-CBN CORPORATION AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town/Province)

ABS-CBN Broadcast Center, Sgt. Esguerra Avenue corner Mother Ignacia St. Quezon City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17Q		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	415-2272	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
8,332	Apr 25	June 30

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Aldrin M. Cerrado	Aldrin_Cerrado@abs-cbn.com	415-2272	

Contact Person's Address

ABS-CBN Broadcast Center, Sgt. Esguerra Avenue corner Mother Ignacia St. Quezon City

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: **June 30, 2019**

2. SEC Identification Number: **1803**   3. BIR Tax Identification No.: **000-406-761-000**

4. Exact name of issuer as specified in its charter: **ABS-CBN CORPORATION AND SUBSIDIARIES**

5. **Philippines**
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

7. **ABS-CBN Broadcast Center, Sgt. Esguerra Avenue corner Mother Ignacia St., Quezon City 1100**
   Address of principal office

8. **(632) 924-4101 to 22 / (632) 415-2272**
   Issuer's telephone number, including area code

9. **Not applicable**
   Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Stock Issued
Common Stock, P1.00 par value	**883,294,529 shares**
Preferred Stock, P0.20 par value	**1,000,000,000 shares**

Short-term & Long-term debt (current & non-current) **₱33.1 billion**

11. Are any or all of these securities listed on a Stock Exchange?
    Yes [✓]   No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:
    Philippine Stock Exchange   **Common Stock**

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

    Yes [✓]   No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.

    Yes [✓]   No [ ]

ABS-CBN CORPORATION
QUARTERLY REPORT

PART I - FINANCIAL INFORMATION

PART II - OTHER FINANCIAL INFORMATION

SIGNATURES

ANNEX A

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of ABS-CBN Corporation and Subsidiaries' ("ABS-CBN" or the "Company") financial performance for the six-month periods ended June 30, 2019 and 2018.

All values are presented in Philippine Peso and are rounded to the nearest millions, except when otherwise indicated.

The table below summarizes the results of operations for the six-month period ended June 30, 2019.

	1H 2019	1H 2018	Variance	
			Amount	%
Consolidated Revenues	**₱20,802**	**₱18,936**	**₱1,866**	**9.8**
Advertising Revenues	11,286	9,577	1,709	17.8
Consumer Sales	9,516	9,359	157	1.7
Sale of Services	7,912	7,900	*12*	*0.2*
Sale of Goods	1,343	1,365	*(22)*	*(1.6)*
Others	261	94	*167*	*177.7*
Costs and Expenses	**18,872**	**18,494**	**378**	**2.0**
Production Costs	6,687	6,456	231	3.6
Cost of Sales and Services	6,242	6,271	(29)	(0.5)
General and Administrative Expenses (GAEX)	5,943	5,767	176	3.1
Financial Costs – net	**456**	**(153)**	**(609)**	**(398)**
Equity in Net Loss of Associates and Joint Ventures	**15**	**12**	**(3)**	**(25)**
Other Income – net	**(156)**	**(261)**	**(105)**	**(40.2)**
Net Income	**₱1,468**	**₱741**	**₱727**	**98.1**
EBITDA	**₱4,469**	**₱3,788**	**₱681**	**18.0**

Consolidated Revenues

For the six-month period ended June 30, 2019, ABS-CBN generated consolidated revenues of ₱20.8 billion from advertising and consumer sales, ₱1.9 billion or 9.8% higher year-on-year.

Advertising revenues increased by ₱1.7 billion or 17.8% higher, attributable to both political placements and growth in regular advertising. Excluding political placements, regular advertising increased by ₱303 million or 3.2% higher year-on-year. Consumer sales increased by ₱157 million mainly resulting from higher TVPlus Boxes sold, theatrical receipts from ABS-CBN Films and higher subscription revenues from Sky Cable.

Comparative revenue mix is as follows:

	1H 2019	1H 2018
Advertising revenues	54%	51%
Consumer sales	46%	49%

Consolidated Costs and Expenses

Direct costs and expenses amounted to ₱18.9 billion, or a 2.0% increase year-on-year.

Production cost increased by ₱231 million or 3.6%. This was due to the costs related to original Iwant produced content and Halalan expenses amounting to ₱148 million and ₱66 million, respectively.

Cost of sales and services decreased by ₱29 million or 0.5% year-on-year. This is mainly attributable to the cessation of the ABS-CBN Mobile MVNO, publishing, remittance and cargo businesses which reduced costs by ₱232 million. The reduction in costs were partially offset by a 7% increase in sales of ABS-CBN TVPlus Boxes and increase in employee related costs amounting to ₱129 million or 17.3% higher year-on year.

GAEX increased by ₱176 million or 3.1% compared to the previous year. The increase is attributable mainly to the Company's investments on various initiatives such as content building, information security measures, and digital initiatives.

Net Income and EBITDA

The Company generated ₱1.47 billion net income for the six-month period ended June 30, 2019. EBITDA increased to ₱4.47 billion, an 18.0% increase year-on-year.

Business Segments

For management purposes, the Company categorizes its operations into the following reportable businesses: (i) Media Networks & Studio Entertainment, (ii) Cable, Satellite & Broadband, (iii) Digital & Interactive Media and (iv) Consumer Products & Experiences. This segmentation is the basis upon which the Company measures its business operations.

	Media Network & Studio Entertainment - Entertainment - News - Global - Film & Music - DTT - Sports - Cable Networks
	Cable, Satellite & Broadband - Pay TV (Cable & Satellite) - Broadband
	Digital & Interactive Media - Online - Over-the-top
	Consumer Products & Experiences - Live events - Themeparks - Home shopping - Licensing & merchandising

The following analysis presents results of operations of the Company's business segments for the six-month period ended June 30, 2019:

Segment	Operating Revenue		Net Income	
	1H 2019	1H 2018	1H 2019	1H 2018
Media & Studio Entertainment	₱15,201	₱13,450	₱1,825	₱1,010
Cable, Satellite & Broadband	4,658	4,400	(71)	(81)
Digital & Interactive Media	543	580	(279)	(209)
Consumer Product & Experiences	400	506	(7)	21

A. Media Networks & Studio Entertainment

ABS-CBN channels (Channel 2, Sports & Action, Cinemo, Yey, Knowledge Channel, Teleradyo, MYX, Jeepney TV, O Shopping Channel, Asianovela Channel, and Movie Central) led in national audience share and ratings. Overall audience share was at 55.32% for the first half of 2019. ABS-CBN programs continuously filled out the Top 10 highest rating programs in June 2019, which was led by the top rating program and long running telenovela "Ang Probinsyano", with an average national TV rating of 39.5%. "World of Dance Philippines", "The General's Daughter", "Search for the Idol Philippines", "Ngayon at Kailanman" and, "Maalala Mo Kaya" were also included in the Top 10 programs.

Aside from the top programs mentioned above, ABS-CBN's TV Patrol and Bandila were among the most watched news and current affairs programs with average national ratings of 27.7 and 3.0, respectively.

Revenue from international business decreased by ₱258 million or 8.8% year-on-year. The decrease in international business were attributable to Global's cessation of its money remittance and cargo business which reduced its revenues by ₱76 million and from the timing of international events, specifically, ASAP Honolulu which was held on June 30, 2018.

Film & Music's revenues increased by ₱147 million or 38% higher year on year. During the first half, 7 locally produced quality movies added up to Star Cinema's movie library build-up namely: Sakaling Maging Tayo, Alone Together, Eerie, Last Fool Show, Between Maybes, Quezon's Game and Clarita. Total gross receipts generated from these movies, including receipts from Fantastika reached more than ₱900 million.

ABS-CBN TVPlus contributed significant increase in revenues during the first half with a total of 1.21 million boxes sold, or a 7% increase in comparison to same period last year.

B. Cable, Satellite & Broadband

Sky's revenue increased by ₱258 million or 5.9% year-on-year. The increase in Sky's performance was triggered by the increase in broadband and DTH subscribers by 36 and 496 thousand, respectively.

C. Digital & Interactive Media

Since the Company's direction is to go digital, various platforms are continuously developed and enhanced to address the rapid digital preference of its audiences. This thrust in digital content production in various platforms such as, ABS-CBN One Domain and Iwant, further drove consumer engagement reflected through increasing monthly active subscribers throughout the year. In 2018, the Company also released its newest digital platform, "Iwant", wherein content from entertainment, music, films, publishing, as well as originals are made available to subscribers. "Iwant" has been able to attract 1.5 million average active monthly users on its platform as of June 30, 2019.

Total revenues generated from digital platforms amounted to ₱580 million, higher by 6.8% compared to the same period last year.

D. Consumer Products & Experiences

Kidzania generated ₱239 million in revenues with a total of 162 thousand visitors, while ABS-CBN Studio Experiences generated ₱11 million in revenues with a total of 29 thousand visitors for the first half of 2019.

Capital Expenditures

Cash capital expenditures and program rights acquisitions amounted to ₱2.28 billion as of June 30, 2019.

Statement of Financial Position Accounts

As at June 30, 2019, total consolidated assets stood at ₱90.4 billion, 6.9% higher than total assets of ₱84.6 billion as of December 31, 2018.

Shareholders' equity increased to ₱36.6 billion or 2.5% in June 30, 2019 compared to the previous year.

The company's net debt-to-equity ratio was at 0.34x and 0.28x as of June 30, 2019 and December 31, 2018, respectively.

ABS–CBN Corporation and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
June 30, 2019
and for the Six Months Ended June 30, 2019 and 2018
(With Comparative Audited Consolidated Statements of Financial Position
as at December 31, 2018

ABS-CBN CORPORATION AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)

(Amounts in Thousands)

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱20,621,098**	₱18,104,686
Short-term investments (Note 6)	**5,509,623**	1,804,041
Trade and other receivables (Notes 7 and 23)	**10,005,762**	10,369,080
Inventories (Note 8)	**570,440**	680,628
Program rights and other intangible assets (Note 12)	**1,362,006**	1,359,188
Other current assets (Notes 9, 15 and 23)	**5,941,325**	5,383,138
Total Current Assets	**44,010,254**	37,700,761
Noncurrent Assets		
Property and equipment (Notes 10, 18 and 31)	**27,696,912**	27,875,625
Goodwill, program rights and other intangible assets - net of current portion (Note 12)	**12,884,382**	13,310,366
Financial assets at fair value through other comprehensive income (FVOCI) (Note 13)	**271,052**	268,304
Investment properties (Notes 11 and 18)	**200,302**	202,763
Investments in associates and joint ventures (Note 14)	**439,786**	495,247
Deferred tax assets (Note 29)	**3,116,792**	3,020,803
Other noncurrent assets (Notes 7, 16 and 23)	**1,763,590**	1,685,348
Total Noncurrent Assets	**46,372,816**	46,858,456
TOTAL ASSETS	**₱90,383,070**	₱84,559,217
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 4, 17, 23 and 30)	**₱13,894,633**	₱13,637,426
Contract liabilities (Note 9)	**792,459**	890,644
Income tax payable	**215,186**	208,056
Obligations for program rights (Note 19)	**184,723**	441,875
Interest-bearing loans and borrowings (Notes 10, 11 and 18)	**477,994**	414,911
Total Current Liabilities	**15,564,995**	15,592,912
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Notes 10, 11 and 18)	**32,590,642**	27,810,584
Obligations for program rights - net of current portion (Note 19)	**472,966**	541,548
Accrued pension obligation and other employee benefits (Note 30)	**4,306,329**	4,029,891
Deferred tax liability (Note 29)	**138,271**	138,271
Convertible note (Note 20)	**228,985**	221,217
Other noncurrent liabilities (Note 21)	**462,305**	500,346
Total Noncurrent Liabilities	**38,199,498**	33,241,857
Total Liabilities	**53,764,493**	48,834,769

(Forward)

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 22):		
Common	**₱872,124**	₱872,124
Preferred	**200,000**	200,000
Additional paid-in capital	**4,745,399**	4,745,399
Treasury shares and Philippine depository receipts convertible to common shares (Note 22)	**(1,638,719)**	(1,638,719)
Exchange differences on translation of foreign operations	**821,855**	921,624
Fair value reserves on financial assets at FVOCI (Note 13)	**208,717**	205,969
Retained earnings (Note 22)	**31,366,792**	30,291,703
Equity attributable to Equity Holders of the Parent	**36,576,168**	35,598,100
Noncontrolling Interests (Note 4)	**42,409**	126,348
Total Equity	**36,618,577**	35,724,448
TOTAL LIABILITIES AND EQUITY	**₱90,383,070**	₱84,559,217

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Amounts in Thousands, Except Per Share Amounts)

	For the Quarter Ended June 30 (Unaudited)		Six Months Ended June 30 (Unaudited)	
	2019	2018	**2019**	2018
REVENUES (Notes 23, 24 and 31)	**₱10,444,032**	₱9,925,834	**₱20,802,265**	₱18,936,201
PRODUCTION COSTS (Notes 10, 12, 23, 25, 30 and 31)	**(3,426,891)**	(3,372,525)	**(6,686,658)**	(6,455,517)
COST OF SERVICES (Notes 8, 10, 12, 15, 23, 26, 30 and 31)	**(2,404,179)**	(2,577,607)	**(5,155,476)**	(5,142,712)
COST OF SALES (Notes 8, 10, 23, 26, 30 and 31)	**(503,227)**	(526,261)	**(1,086,498)**	(1,128,874)
GROSS PROFIT	**4,109,735**	3,449,441	**7,873,633**	6,209,098
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 7, 8, 10, 11, 12, 22, 23, 27, 30 and 31)	**(3,100,608)**	(3,244,489)	**(5,942,602)**	(5,767,182)
FINANCE COSTS (Notes 18, 20 and 28)	**(328,014)**	(277,799)	**(610,386)**	(534,330)
INTEREST INCOME (Notes 6 and 23)	**126,152**	45,501	**197,569**	101,400
FOREIGN EXCHANGE GAINS (LOSSES) - net	**(8,369)**	187,792	**(44,119)**	585,558
EQUITY IN NET LOSSES OF ASSOCIATES AND JOINT VENTURES (Note 14)	**(9,955)**	(10,024)	**(14,861)**	(12,185)
OTHER INCOME - net (Notes 15, 21, 28 and 31)	**52,142**	164,641	**155,993**	260,875
INCOME BEFORE INCOME TAX	**841,083**	315,063	**1,615,227**	843,234
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 29)				
Current	**205,460**	206,394	**377,590**	518,369
Deferred	**(24,224)**	(221,837)	**(230,574)**	(416,260)
	181,236	(15,443)	**147,016**	102,109
NET INCOME	**₱659,847**	₱330,506	**₱1,468,211**	₱741,125
Attributable to:				
Equity holders of the Parent Company (Note 34)	**₱695,797**	₱397,356	**₱1,552,150**	₱849,882
Noncontrolling interests	**(35,950)**	(66,850)	**(83,939)**	(108,757)
	₱659,847	₱330,506	**₱1,468,211**	₱741,125
Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent Company (Note 34)	**₱0.841**	₱0.473	**₱1.881**	₱1.018

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(Amounts in Thousands)

	For the Quarter Ended June 30 (Unaudited)		Six Months Ended June 30 (Unaudited)	
	2019	2018	**2019**	2018
NET INCOME	**₱659,847**	₱330,506	**₱1,468,211**	₱741,125
OTHER COMPREHENSIVE INCOME				
Other comprehensive income not to be reclassified to profit and loss in subsequent periods:				
Fair value adjustments on financial assets at FVOCI - net of tax (Note 13)	**2,748**	19,227	**2,748**	12,975
	2,748	19,227	**2,748**	12,975
Other comprehensive income (loss) to be reclassified to profit and loss in subsequent periods:				
Exchange differences on translation of foreign operations	**(230,333)**	356,869	**(99,769)**	520,403
	(230,333)	356,869	**(99,769)**	520,403
OTHER COMPREHENSIVE INCOME (LOSS)	**(227,586)**	376,096	**(97,021)**	533,378
TOTAL COMPREHENSIVE INCOME	**₱432,262**	₱706,602	**₱1,371,190**	₱1,275,503
Attributable to:				
Equity holders of the Parent Company	**₱468,212**	₱773,452	**₱1,455,129**	₱1,383,260
Noncontrolling interests	**(35,950)**	(66,850)	**(83,939)**	(108,757)
	₱432,262	₱706,602	**₱1,371,190**	₱1,274,503

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED JUNE 30, 2019, AND DECEMBER 31, 2018

(Unaudited)

(Amounts in Thousands)

	Attributable to the Equity Holders of the Parent Company											
	Capital Stock (Note 22)		**Additional Paid-in**	**Subscription**	**Treasury Shares and Philippine Depository Receipts Convertible to Common Shares**	**Exchange Differences in Translation of Foreign**	**Fair Value Reserves on Financial Assets At FVOCI**	**Retained Earnings** (Note 22)			**Noncontrolling Interests** (Notes 17	
	Common	**Preferred**	**Capital**	**Receivable**	(Note 22)	**Operations**	(Note 13)	**Appropriated**	**Unappropriated**	**Total**	and 20)	**Total Equity**
At December 31, 2018 (Audited)	**₱872,124**	**₱200,000**	**₱4,745,399**	**₱–**	**(₱1,638,719)**	**₱921,624**	**₱205,969**	**₱16,200,000**	**₱14,091,703**	**₱35,598,100**	**₱126,348**	**₱35,724,448**
Net income (loss)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,552,150**	**1,552,150**	**(83,939)**	**1,468,211**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(99,769)**	**2,748**	**–**	**–**	**(97,021)**	**–**	**(97,021)**
Total comprehensive income (loss)	**–**	**–**	**–**	**–**	**–**	**(99,769)**	**–**	**–**	**1,552,150**	**1,455,129**	**(83,939)**	**1,371,190**
Cash dividends declared	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(477,061)**	**(477,061)**	**–**	**(477,061)**
At June 30, 2019 (Unaudited)	**₱872,124**	**₱200,000**	**₱4,745,399**	**₱–**	**(₱1,638,719)**	**₱821,855**	**₱208,717**	**₱16,200,000**	**₱15,166,792**	**₱36,576,186**	**₱42,409**	**₱36,618,577**
At December 31, 2017 (Audited)	₱872,124	₱200,000	₱4,745,399	–	(₱1,638,719)	₱359,816	₱180,408	₱16,200,000	₱12,360,106	₱33,279,134	₱431,810	₱33,710,944
Net income (loss)	–	–	–	–	–	–	–	–	849,882	849,882	(108,757)	741,125
Other comprehensive income	–	–	–	–	–	520,403	12,975	–	–	533,378	–	533,378
Total comprehensive income (loss)	–	–	–	–	–	520,403	12,975	–	849,882	1,383,260	(108,757)	1,274,503
Cash dividends declared	–	–	–	–	–	–	–	–	(794,894)	(794,894)	–	(794,894)
Employee stock subscription	11,391	–	353,336	(343,248)	–	–	–		–	21,479	–	21,479
At June 30, 2018 (Unaudited)	₱883,515	₱200,000	₱5,098,735	(₱343,248)	(₱1,638,719)	₱880,219	₱193,383	₱16,200,000	₱12,415,094	₱33,888,979	₱323,053	₱34,212,032

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Amounts in Thousands)

	Six Months Ended June 30 (Unaudited)	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱1,615,227**	₱843,234
Adjustments to reconcile income before tax to net cash flows:		
Depreciation and amortization (Notes 10 and 11)	**1,734,022**	1,855,089
Amortization of:		
Program rights and other intangibles (Note 12)	**886,018**	779,674
Debt issue costs (Note 28)	**15,913**	18,773
Deferred charges (Note 26)	**292**	6,993
Interest expense (Note 28)	**585,728**	506,951
Movements in accrued pension obligation and other employee benefits (Note 30)	**387,858**	518,651
Interest income (Notes 6 and 23)	**(197,569)**	(101,400)
Equity in net losses of associates and joint ventures (Note 14)	**14,862**	12,185
Net unrealized foreign exchange loss (gain)	**(11,418)**	373,311
Gain on sale of property and equipment (Notes 10 and 28)	**(612)**	(945)
Working capital changes:		
Decrease (increase) in:		
Other current assets	**(587,573)**	(867,205)
Trade and other receivables	**494,895**	787,277
Inventories	**108,777**	(137,825)
Decrease in:		
Obligations for program rights	**(325,568)**	(219,772)
Trade and other payables	**(141,846)**	(611,723)
Other noncurrent liabilities	**(38,300)**	(151,960)
Cash generated from operations	**4,540,706**	3,611,308
Income taxes paid	**(370,460)**	(601,234)
Net cash provided by operating activities	**4,170,246**	3,010,074
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property and equipment (Notes 5 and 10)	**(1,593,202)**	(2,460,083)
Goodwill, program rights and other intangible assets (Notes 12 and 35)	**(372,610)**	(875,680)
Decrease (increase) in short-term investments	**(3,705,582)**	1,350,077
Interest received	**171,985**	95,115
Increase (decrease) in other noncurrent assets	**(30,966)**	441,398
Sale of investment in joint ventures and associates (Note 14)	**40,600**	–
Proceeds from sale of property and equipment	**(3,667)**	29,993
Net cash used in investing activities	**(5,493,442)**	(1,419,180)

(Forward)

	Six Months Ended June 30 (Unaudited)	
	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Dividends	**(₱462,893)**	(₱550,966)
Interest	**(556,439)**	(422,799)
Long-term debt (Note 18)	**(128,234)**	(874,500)
Obligations under finance lease	**(7,626)**	(4,603)
Proceeds from long-term debt	**5,000,000**	8,762,000
Issuances of common shares (Note 22)	**–**	21,479
Net cash provided by financing activities (Note 35)	**3,844,808**	6,930,611
EFFECTS OF EXCHANGE RATE CHANGES AND TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(5,200)**	178,295
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,516,412**	8,699,800
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**18,104,686**	12,346,556
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱20,621,098**	₱21,046,356

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Amounts in Thousands Unless Otherwise Specified)

1. Corporate Information

ABS-CBN Corporation ("ABS-CBN" or "Parent Company") was incorporated in the Philippines on July 11, 1946. On July 27, 1994, the Philippine Securities and Exchange Commission (SEC) approved the extension of the corporate term of the Parent Company for another 50 years. The Parent Company's core business is television and radio broadcasting. Its subsidiaries and associates are involved in the following related businesses: cable and direct-to-home television distribution and movie production, audio recording and distribution, video/audio post-production and film distribution. Other activities of the subsidiaries include merchandising, internet services and theme parks. The Parent Company is a holder of a legislative franchise to construct, install, operate and maintain, for commercial purposes and in the public interest, radio and television broadcasting stations in the Philippines. The latest franchise renewal was approved on March 30, 1995 for a period of 25 years.

Lopez Inc., a Philippine entity, has 56% economic interest in the Parent Company, with 79% voting rights. Lopez, Inc. is the ultimate Parent Company.

The common shares of ABS-CBN were listed beginning July 8, 1992 and have been traded in the Philippine Stock Exchange (PSE) since then.

The registered office address of the Parent Company is ABS-CBN Broadcast Center, Sgt. Esguerra Avenue corner Mother Ignacia St., Quezon City.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The interim condensed consolidated financial statements of ABS-CBN and its subsidiaries (collectively referred to as "the Company") have been prepared on a historical cost basis, except for investments in equity shares and club shares which have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. All values are rounded to the nearest thousand, except for number of shares, per share amounts and when otherwise indicated.

Statement of Compliance

The interim condensed consolidated financial statements of the Company were prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

The interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual consolidated financial statement and should be read in conjunction with the 2018 audited annual consolidated financial statements, comprising the consolidated statements of financial position as at December 31, 2018, 2017 and January 2017, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2018, 2017 and 2016, issued and approved on February 28, 2019 (referred to as the "2018 audited annual consolidated financial statements").

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's 2018 audited annual consolidated financial statements.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

  These amendments have no impact on the interim condensed consolidated financial statements of the Company.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Philippine Accounting Standards (PAS) 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Company is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Company does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

- Philippine Interpretation on International Financial Reporting Interpretations Committee-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- o Whether an entity considers uncertain tax treatments separately
- o The assumptions an entity makes about the examination of tax treatments by taxation authorities
- o How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- o How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Company is currently assessing the impact of adopting this interpretation.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - o Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Company but may apply to future transactions.

  - o Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Company because dividends declared by the Company do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Company's current practice is in line with these amendments, the Company does not expect any effect on its consolidated financial statements upon adoption.

Basis of Consolidation and Noncontrolling Interests

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries.

The following is a list of the subsidiaries as at June 30, 2019 and December 31, 2018:

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest 2019	Effective Interest 2018
Media, Network, and Studio Entertainment					
Global:					
ABS-CBN Global Ltd. (ABS-CBN Global)[(a) (j)]	Cayman Islands	Holding company	United States dollar (USD)	**100.0**	100.0
ABS-CBN Europe Ltd. (ABS-CBN Europe)[(b)(c) (j)]	United Kingdom	Cable and satellite programming services	Great Britain pound (GBP)	**100.0**	100.0
ABS-CBN Japan, Inc. (ABS- CBN Japan)[(d) (j) (r)]	Japan	Cable and satellite programming services	Japanese yen (JPY)	**100.0**	100.0
ABS-CBN Middle East FZ-LLC (ABS-CBN Middle East)[(b) (j)]	Dubai, UAE	Cable and satellite programming services	United Arab Emirates dirham (AED)	**100.0**	100.0
ABS-CBN Middle East LLC[(b) (j)]	Dubai, UAE	Trading	AED	**100.0**	100.0
ABS-CBN Global Hungary Kft. (ABS-CBN Hungary)	Budapest, Hungary	Holding company	USD	**100.0**	100.0
ABS-CBN International, Inc. (ABS-CBN International)[(j) (n)]	California, USA	Cable and satellite programming services	USD	**100.0**	100.0
ABS-CBN Australia Pty. Ltd. (ABS-CBN Australia)[(j) (k)]	Victoria, Australia	Cable and satellite programming services	Australian dollar (AUD)	**100.0**	100.0
ABS-CBN Canada, ULC (ABS-CBN Canada)[(j) (k)]	Canada	Cable and satellite programming services	Canadian dollar (CAD)	**100.0**	100.0
ABS-CBN Telecom North America, Inc.[(j) (k)]	California, USA	Telecommunications	USD	**100.0**	100.0
ABS-CBN Global Netherlands B.V. (ABS-CBN Netherlands)[(j) (n)]	Amsterdam, Netherlands	Intermediate holding and financing company	Euro (EUR)	**100.0**	100.0
Films and Music:					
ABS-CBN Film Productions, Inc. (ABS-CBN Films)	Philippines	Movie production	Philippine peso	**100.0**	100.0
Cinescreen, Inc. (Cinescreen)	Philippines	Theater operator	Philippine peso	**100.0**	100.0
Tarsier Records, Inc. (Tarsier) [(u)]	Philippines	Music production	Philippine peso	**100.0**	100.0
Narrowcast:					
Creative Programs, Inc. (CPI) [(v)]	Philippines	Content development and programming services	Philippine peso	**100.0**	100.0
Others:					
ABS-CBN Europe Remittance Inc.[(d) (f) (j)]	United Kingdom	Services - money remittance	GBP	**100.0**	100.0
E-Money Plus, Inc.[(b)]	Philippines	Services - money remittance	Philippine peso	**100.0**	100.0
ABS-CBN Global Remittance Inc. [(f) (j) (k)]	California, USA	Services - money remittance	USD	**100.0**	100.0
ABS-CBN Canada Remittance Inc. [(f) (j) (n)]	Canada	Services - money remittance	CAD	**100.0**	100.0
ABS-CBN Center for Communication Arts, Inc.[(e)]	Philippines	Educational/training	Philippine peso	**100.0**	100.0

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest 2019	Effective Interest 2018
ABS-CBN Global Cargo Corporation[(t)]	Philippines	Non-vessel operations common carrier	Philippine peso	**100.0**	100.0
ABS-CBN Integrated and Strategic Property Holdings, Inc.	Philippines	Real estate	Philippine peso	**100.0**	100.0
ABS-CBN Shared Service Center PTE. Ltd.[(j) (m)]	Singapore	Services - support	Singapore dollar (SGD)	**100.0**	100.0
Probabilistic Insights, Inc. [(y)]	Philippines	Services – support	Philippine perso	**100.0**	–
Professional Services for Television & Radio, Inc.	Philippines	Services - production	Philippine peso	**100.0**	100.0
Rosetta Holdings Corporation (RHC)	Philippines	Holding company	Philippine peso	**100.0**	100.0
Sarimanok News Network, Inc.	Philippines	Content development and programming services	Philippine peso	**100.0**	100.0
The Big Dipper Digital Content & Design, Inc. (Big Dipper)	Philippines	Digital film archiving and central library, content licensing and transmission	Philippine peso	**100.0**	100.0
The Chosen Bun, Inc. (Chosen Bun) [(z)]	Philippines	Services - restaurant and food	Philippine peso	**100.0**	–
TV Food Chefs, Inc.	Philippines	Services - restaurant and food	Philippine peso	**100.0**	100.0
iConnect Convergence, Inc.	Philippines	Service - call center	Philippine peso	**100.0**	100.0
ABS-CBN Studios, Inc.	Philippines	Production facility	Philippine peso	**100.0**	100.0
Medianow Strategies, Inc. (Medianow) [(x)]	Philippines	Marketing, sales and advertising	Philippine peso	**79.7**	79.7
Digital and Interactive Media					
Sapientis Holdings Corporation (Sapientis)	Philippines	Holding company	Philippine peso	**100.0**	100.0
Columbus Technologies, Inc. (CTI)[(q)]	Philippines	Holding company	Philippine peso	**70.0**	70.0
ABS-CBN Convergence, Inc, (ABS-C)[(q)]	Philippines	Telecommunication	Philippine peso	**69.3**	69.3
Cable, Satellite and Broadband					
Sky Vision Corporation (Sky Vision) [(w)] (see Note 4)	Philippines	Holding Company	Philippine peso	**75.0**	75.0
Sky Cable Corporation (Sky Cable) [(w)] (see Note 4)	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Bisaya Cable Television Network, Inc.[(h) (i) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Bright Moon Cable Networks, Inc.[(h) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Cavite Cable Corporation[(h) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Cepsil Consultancy and Management Corporation[(h) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Davao Cableworld Network, Inc.[(h) (o) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
HM Cable Networks, Inc.[(h) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
HM CATV, Inc.[(h) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Hotel Interactive Systems, Inc.[(h) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Isla Cable TV, Inc.[(h) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Moonsat Cable Television, Inc.[(h) (o) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Pilipino Cable Corporation (PCC)[(h) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Satellite Cable TV, Inc.[(h) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Sun Cable Holdings, Incorporated (SCHI)[(h) (w)]	Philippines	Holding company	Philippine peso	**59.4**	59.4
Sun Cable Systems Davao, Inc.[(h) (i) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Sunvision Cable, Inc.[(h) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Tarlac Cable Television Network, Inc.[(h) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Telemondial Holdings, Inc.[(h) (i) (w)]	Philippines	Holding company	Philippine peso	**59.4**	59.4
JMY Advantage Corporation[(h) (w)]	Philippines	Cable television services	Philippine peso	**56.4**	56.4
Cebu Cable Television, Inc.[(h) (o) (p) (w)]	Philippines	Cable television services	Philippine peso	**57.4**	57.4
Suburban Cable Network, Inc.[(h) (w)]	Philippines	Cable television services	Philippine peso	**54.9**	54.9
Pacific CATV, Inc. (Pacific)[(h) (o) (w)]	Philippines	Cable television services	Philippine peso	**58.0**	58.0
First Ilocandia CATV, Inc.[(h) (o) (w)]	Philippines	Cable television services	Philippine peso	**54.9**	54.9
Mactan CATV Network, Inc.[(h) (o) (p) (w)]	Philippines	Cable television services	Philippine peso	**56.6**	56.6
Discovery Mactan Cable, Inc.[(h) (s) (w)]	Philippines	Cable television services	Philippine peso	**41.6**	41.6
Home-Lipa Cable, Inc.[(h) (s) (w)]	Philippines	Cable television services	Philippine peso	**35.6**	35.6
Consumer Products and Experiences					
ABS-CBN Theme Parks and Resorts Holdings, Inc. (ABS-CBN Theme Parks)	Philippines	Holding company	Philippine peso	**100.0**	100.0
ABS-CBN Themed Experiences, Inc. (ABS-CBN Themed Experiences)	Philippines	Management of locations	Philippine peso	**100.0**	100.0
Play Innovations, Inc. (PII)[(g)]	Philippines	Theme park	Philippine peso	**73.0**	73.0
Play Innovations Hungary Kft. (Play Innovations)[(j) (g)]	Budapest, Hungary	Theme park	USD	**73.0**	73.0

[a] *With branches in the Philippines and Taiwan*
[b] *Through ABS-CBN Global*
[c] *With branches in Italy and Spain*
[d] *Subsidiary of ABS-CBN Europe*
[e] *Nonstock ownership interest*
[f] *On June 30, 2018, ABS-CBN Europe Remittance Inc., ABS-CBN Global Remittance Inc. and ABS-CBN Canada Remittance Inc. ceased operations.*
[g] *Through ABS-CBN Theme Parks*
[h] *Through Sky Cable*
[i] *Subsidiary of SCHI*
[j] *Considered as foreign subsidiary*
[k] *Subsidiary of ABS-CBN International*
[l] *With a branch in Luxembourg*
[m] *With a regional operating headquarters in the Philippines*
[n] *Through ABS-CBN Hungary*
[o] *Subsidiary of PCC*
[p] *Through Pacific*
[q] *Through Sapientis*
[r] *With branch in Korea*
[s] *A subsidiary of Sky Cable where Sky Cable effectively owns more than 50% interest*
[t] *In liquidation*
[u] *On February 14, 2018, the SEC approved the incorporation of Tarsier. Tarsier was established primarily to own, manufacture, create, produce, reproduce, distribute, purchase, sell, export, import, lease, license, sublicense, merchandise, exploit, promote, market or otherwise deal in any kind of audio-visual materials, music records, musical compositions and scores, and other forms of music-related/entertainment activities.*
[v] *On September 18, 2018, the SEC approved the merger of CPI and ABS-CBN Publishing with the former being the surviving entity.*
[w] *In 2012, ABS-CBN acquired additional interest in Sky Vision increasing its economic interest to 24.8%. On the same year, Lopez, Inc. also executed a proxy in favor of ABS-CBN assigning its voting rights in Sky Vision. As a result, ABS-CBN has a voting interest of 75% in Sky Vision since 2012. Sky Vision is the holding company of Sky Cable, where ABS-CBN has an economic interest of 57.4% in 2014. In 2015, ABS-CBN purchased additional shares in Sky Vision increasing its economic interest on Sky Vision and Sky Cable to 75% and 59.4%, respectively.*
[x] *In 2014, CPI and Sky Cable entered into an agreement to form a joint venture company. Medianow, which was incorporated on August 22, 2014, is 78.7% effectively owned by the Company in 2014. As a result of the acquisition of additional interest in Sky Vision, economic interest on Medianow increased to 79.7% in 2015.*
[y] *On June 18, 2019, the SEC approved the incorporation of Probabilistic Insights, Inc.. Probabilistic Insights, Inc. was established primarily to provide software products and data science services including but not limited to management consulting, marketing services such as direct marketing, database marketing, work shop facilitation and marketing training.*
[z] *On March 12, 2019, the SEC approved the incorporation of Chosen Bun. Chose Bun was established primarily to raise, process, manufacture and package all kinds of food products; to establish, operate, manage and maintain restaurants, coffee shops, and refreshments parlors; to serve and cater foods, drinks, refreshments and other food or commodities.*

Future Changes in Accounting Policies

The standards, amendments and interpretations that are issued, but not yet effective as at June 30, 2019 are disclosed in the next section. The Company intends to adopt these standards, if applicable, when these become effective.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Company.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. The amendments will not cause any material impact.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted. This standard is not applicable to the Company.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards

Board completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Management's Use of Judgments, Estimates and Assumptions

The Company's interim condensed consolidated financial statements prepared under PFRS require management to make judgments and estimates that affect amounts reported in the interim condensed consolidated financial statements and related notes. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the interim condensed consolidated financial statements as they become reasonably determinable.

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.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Determination of Functional Currency. The Parent Company and all other subsidiaries and associates, except for foreign subsidiaries, have determined that their functional currency is the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Parent Company and all other subsidiaries and associates, except for foreign subsidiaries, operate. The Philippine peso is also the currency that mainly influences the sale of goods and services as well as the costs of selling such goods and providing such services.

Each foreign subsidiary determines its functional currency (i.e., USD, GBP, JPY, AUD, CAD, EUR or SGD). Thus, the accounts of foreign subsidiaries were translated to Philippine peso for purposes of consolidation to the ABS-CBN Group's accounts.

Leases. The evaluation of whether an arrangement contains a lease is based on its substance. An arrangement is, or contains, a lease when the fulfillment of the arrangement depends on a specific asset or assets and the arrangement conveys the right to use the asset.

The Company has entered into lease arrangements as a lessor and as a lessee. Such contracts are accounted for as operating leases when the Company, as a lessee, has determined that the lessor retains substantial risks and benefits of ownership of these properties, and as a lessor, the Company retains substantially all the risks and benefits incidental to ownership of the assets.

The Company has also entered into lease agreements covering certain property and equipment. Such contracts are accounted for as finance leases when the Company, as a lessee, has determined that it bears substantially all the risks and benefits incidental to ownership of said asset and as a lessor, it does not retain all the significant risks and rewards of ownership of the leased assets.

Bayan Telecommunications, Inc. (Bayantel) has entered into an agreement with Sky Cable for the grant of Indefeasible Right of Use (IRU) in certain capacities in the network. The arrangement is assessed as a transaction which contains a lease on the basis that fulfilment of the arrangement is dependent on the use of a specific asset or assets and arrangement conveys a right to use the asset. Sky Cable has accounted for the arrangement as a finance lease on the basis that the lease term is for the major part of the economic life of the asset of 25 years. The IRU was included as part of "Other equipment" account (see Note 10).

The carrying amount of property and equipment under finance lease amounted to ₱365 million and ₱311 million as at June 30, 2019 and December 31, 2018, respectively (see Notes 10 and 31).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation at the financial reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Allowance for Doubtful Accounts Prior to 2019. The Company reviews its loans and receivables, including unbilled receivables, at each financial reporting date to assess whether an allowance for impairment should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes in the allowance.

Allowance for Doubtful Accounts After March 1, 2019

a. *Definition of Default and Credit-Impaired Financial Assets*. Upon adoption of PFRS 9, the Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

   - *Quantitative Criteria*. The borrower is generally more than 60 to 90 days past due on its contractual payments, which is consistent with the Company's definition of default.

   - *Qualitative Criteria*. The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

     a. The borrower is experiencing financial difficulty or is insolvent;
     b. The borrower is in breach of financial covenant(s); or
     c. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

   The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the probability of default (PD), loss given default (LGD) and exposure at default (EAD) throughout the Company's ECL calculation.

b. *Simplified Approach for Trade and Other Receivables.* The Company uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

   The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

   The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

c. *Macro-economic Forecasts and Forward-looking Information*. Macro-economic forecasts is determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost and effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

   The Company takes into consideration different macro-economic variables to ensure linear relationship between internal rates and outside factors. Regression analysis was used to objectively determine which variables to use.

   Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 3 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

Provision for doubtful accounts amounted to ₱95 million and ₱166 million for the six months ended June 30, 2019 and 2018, respectively (see Notes 7 and 27). Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱10.0 billion and ₱10.4 billion as at June 30, 2019 and December 31, 2018, respectively. Allowance for doubtful accounts amounted to ₱2.3 billion and ₱2.0 billion as at June 30, 2019 and December 31, 2018, respectively (see Note 7).

Recoverability of Goodwill, Cable Channels, Trademarks, Licenses and IP Block. The Company performs recoverability testing annually or more frequently when there are indications of impairment for goodwill and intangible assets with indefinite lives. The Company has identified that cable channels of CPI, trademarks, licenses and IP block have indefinite lives. Recoverability testing requires an estimation of the value-in-use of the cash-generating units to which goodwill, cable channels, trademarks, licenses and IP block to operate wireless business are allocated. Goodwill acquired through business combination has been allocated to one cash-generating unit which is also the operating entity acquired through business combination and to which the goodwill relates. Estimating the recoverable amount of the cash-generating unit involves significant assumptions about the future results of the business such as revenue growth and gross margins in its cable subscription, advertising, broadband and mobile businesses, and discount rates which were applied to cash flow forecasts. The cash flow forecasts were based on financial budgets approved by senior management of the subsidiaries covering a five-year period.

Present Value of Pension Obligation and Other Employee Benefits. The cost of defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions such as discount rates and future salary increases, among others. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each financial reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 30.

Employee leave entitlements that is expected to be settled within one year from reporting date is classified as a current liability in the consolidated statement of financial position. Otherwise, this is classified as part of the noncurrent portion of other employee benefits liability. Accrued pension obligation and other employee benefits of the Company amounted to ₱6.0 billion and ₱5.6 billion as at June 30, 2019 and December 31, 2018, respectively (see Note 30).

Recoverability of Deferred Tax Assets. Management's assessment of the deferred tax assets to be recognized involves significant judgments and is based on assumptions regarding the entities' current performance, future plans for the business and tax planning strategies. Management exercised judgment on the financial forecast used in determining the forecasted taxable income of the entities, including the timing of reversal of future taxable and deductible temporary differences.

Provisions and Contingencies. The Company is currently involved in various legal proceedings and periodic examinations by tax authorities, which may result in taxation issues due to different interpretation and implementation of the relevant laws and regulations. Significant estimates and judgment are made by management regarding the outcome of these legal proceedings and tax examinations. The Company's estimate of the costs of the resolution of these claims has been developed in consultation with their external legal counsels and considering the correspondences with relevant tax authorities and any relevant historical and recent judgments issued by the court or tax authorities. Any change on these assumptions and the estimates may have a material impact on the Company's consolidated financial statements (see Note 36).

Seasonality of Operations

The Company's operations are not generally affected by any seasonality or cyclicality.

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4. Significant Acquisitions, Re-organization and Material Noncontrolling interests

Significant Acquisitions and Re-organization

a. Subscription agreement between Sky Cable, Sky Vision, Sampaquita Communications PTE LTD (Sampaquita) and the Parent Company

   On December 18, 2017, Sky Cable, Sky Vision, Sampaquita and the Parent Company entered into a subscription agreement with the following salient provisions:

   - The Parent Company agreed to subscribe to 162,373,928 PDRs for ₱9.6853 per PDR from Sky Vision.

   - Sky Cable agreed to offer 314,910,225 shares to its shareholders from an increase in capital stock. Sky Vision agreed to subscribe to 288,338,018 offered shares and the Parent Company agreed to subscribe to 26,572,207 offered shares for ₱9.6853 per share.

   The Parent Company and Sampaquita agreed that the following aggregate economic interests shall be maintained:

   - ABS-CBN, Lopez Holdings Corporation, Lopez, Inc. and Sky Vision shall have an aggregate economic interest of at least 59.4% of the total issued share capital of Sky Cable on a fully diluted basis; and

   - Sampaquita shall have an aggregate economic interest of 40% of the total issued share capital of Sky Cable on a fully diluted basis.

On December 19, 2017, the Parent Company and Sky Vision paid Sky Cable their respective subscription for shares. The Parent Company and Sampaquita also paid Sky Vision their subscription for PDRs. The payment of Sampaquita of ₱1.2 billion is recorded under “Deposit for future subscription” under “Trade and Other Payables” account in the 2018 interim condensed consolidated statement of financial position (see Note 17). As at June 30, 2019, the PDR instruments remain unissued.

b. Merger of ABS-CBN Publishing and CPI

On January 25, 2018, the Board of Directors (BOD) of the Parent Company approved the merger of ABS-CBN Publishing and CPI, with the latter as the surviving corporation. The SEC approved the merger on September 18, 2018. The merger has no impact on the interim condensed consolidated financial statements.

<u>Material non-controlling interests</u>
Financial information of subsidiaries that have material non-controlling interests is provided below.

Proportion of Equity Interest Held by Non-controlling Interests

		Percentage	
Company	Place of Incorporation	**June 30, 2019** (Unaudited)	December 31, 2018 (Audited)
Sky Cable Corporation and Subsidiaries	Philippines	**40.6%**	40.6%
Sapientis Holdings Corporation and Subsidiaries	Philippines	**30.7%**	30.7%

Accumulated Earnings (Losses) of Material Noncontrolling Interests

Company	**June 30, 2019** (Unaudited)	December 31, 2018 (Audited)
Sky Cable Corporation and Subsidiaries	**₱1,698,766**	₱1,812,352
Sapientis Holdings Corporation and Subsidiaries	**(1,594,339)**	(1,593,917)

Net Loss Attributable to Material Noncontrolling Interests

	Six Months Ended June 30 (Unaudited)	
Company	**2019**	2018
Sapientis Holdings Corporation and Subsidiaries	**(₱36,597)**	(₱60,550)
Sky Cable Corporation and Subsidiaries	**(32,812)**	(37,022)

The summarized financial information of Sky Cable and Sapientis are provided in the succeeding section. This information is based on amounts before intercompany eliminations and after fair value adjustments.

a. Sky Cable

Summarized Consolidated Statements of Financial Position

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Cash and cash equivalents	**₱3,963,332**	₱3,899,012
Other current assets	**2,795,809**	2,287,015
Goodwill	**4,491,817**	4,491,817
Trademarks	**1,111,784**	1,111,784
Customer relationships	**593,101**	606,940
Other noncurrent assets	**13,361,088**	14,241,214
Current liabilities	**(7,789,593)**	(7,522,348)
Noncurrent liabilities	**(5,690,348)**	(6,708,295)

Summarized Consolidated Statements of Comprehensive Income

	Six Months Ended June 30 (Unaudited)	
	2019	2018
Revenue	**₱4,613,031**	₱4,339,220
Cost of services	**(3,750,742)**	(3,306,349)
General and administrative expenses	**(867,163)**	(1,268,426)
Finance costs	**(139,781)**	(119,130)
Other income - net	**48,420**	226,495
Loss before income tax	**(96,235)**	(128,190)
Benefit from income tax	**(18,478)**	(44,487)
Net loss	**(77,757)**	(83,703)
Total comprehensive loss	**(₱77,757)**	(₱83,703)

Summarized Consolidated Statements of Cash Flows

	Six Months Ended June 30 (Unaudited)	
	2019	2018
Operating	**₱1,059,252**	₱1,171,498
Investing	**(835,330)**	(1,050,623)
Financing	**(159,602)**	1,984,019
	₱64,320	₱2,104,894

b. Sapientis

Summarized Consolidated Statements of Financial Position

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Cash and cash equivalents	**₱6,819**	₱9,007
Other current assets	**887,580**	1,251,477
Goodwill	**567,836**	567,836
Other noncurrent assets	**1,621,445**	1,667,404
Current liabilities	**(49,503)**	(386,667)
Noncurrent liabilities	**(10,252,066)**	(10,165,776)

Summarized Consolidated Statements of Comprehensive Income

	Six Months Ended June30 (Unaudited)	
	2019	2018
Revenue	**₱–**	₱214,845
Cost of services	**–**	(66,257)
General and administrative expenses	**(78,425)**	(243,995)
Noncash expenses	**(41,209)**	(67,853)
Finance costs	**(907)**	(1,226)
Other income - net	**1,097**	(1,112)
Loss before income tax	**(119,444)**	(165,598)
Benefit from income tax	**(129)**	(410)
Net loss	**(119,315)**	(165,188)
Total comprehensive loss	**(₱119,315)**	(₱165,118)

Summarized Consolidated Statements of Cash Flows

	Six Months Ended June 30 (Unaudited)	
	2019	2018
Operating	**(₱469,369)**	(₱2,852,333)
Investing	**(33,366)**	(1,680,642)
Financing	**500,547**	4,460,445
	(₱2,188)	(₱15,651)

5. **Segment Information**

Segment information is prepared on the following bases:

Business Segments
For management purposes, the Company is organized into four business activities – Media, Network and Studio Entertainment, Cable, Satellite and Broadband, Digital and Interactive Media, and Consumer Products and Live Experience. This segmentation is the basis upon which the Company reports its primary segment information.

- Media, network and studio entertainment comprise broadcast, news and current affairs, digital terrestrial TV, global operations, film and music production, cable channels and publishing. This consists of local and global content creation and distribution through television and radio broadcasting.

- Cable, satellite and broadband includes cable television and broadband services of Sky Cable and its subsidiaries in Metro Manila and in certain provincial areas in the Philippines.

- Digital and interactive media comprise of content distribution through digital platforms and wireless telecommunications business.

- Consumer products and live experience comprise of retail and licensing, theme parks and live events and concerts.

Geographical Segments
The Company operates in three major geographical areas namely, the Philippines, United States and Other Countries. In the Philippines, its home country, the Company is involved in TV and studio entertainment, pay TV networks and new businesses. In the United States and in other locations (which include Middle East, Europe, Australia, Canada and Japan), the Company operates its cable and satellite operations to bring television programming outside the Philippines.

The Company does not have revenue from transactions with a single external customer amounting to 10% or more of the Company's revenues.

Inter-segment Transactions
Segment revenue, segment expenses and operating results include transfers among business segments and among geographical segments. The transfers are accounted for at competitive market prices charged to unrelated customers for similar services. Such transfers are eliminated upon consolidation.

The Executive Committee, the Company's chief operating decision maker, monitors operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit and loss in the consolidated financial statements.

On a consolidated basis, the Company's performance is evaluated based on consolidated net income for the year, earnings before interest, taxes and depreciation and amortization (EBITDA) and EBITDA margin. EBITDA margin pertains to EBITDA divided by gross revenues.

EBITDA and EBITDA margin are non-PFRSs measures.

The following table shows the reconciliation of the consolidated EBITDA to consolidated net income:

	Six Months Ended June 30 (Unaudited)	
	2019	2018
Consolidated EBITDA	**₱4,468,638**	₱3,787,786
Depreciation and amortization	**(1,734,022)**	(1,855,089)
Amortization of intangible assets**	**(715,317)**	(665,139)
Finance costs*	**(601,641)**	(525,724)
Interest income	**197,569**	101,400
Provision for income tax	**(147,016)**	(102,109)
Consolidated net income	**₱1,468,211**	₱741,125

**Excluding bank service charges*

***Excluding amortization of movie in-process and filmed entertainment and story, video and publication and record master*

Business Segment Data

The following tables present revenue and income information for the six months ended June 30, 2019 and 2018 and certain asset and liability information regarding business segments as of June 30, 2019 and December 31, 2018:

	Media, Network and Studio Entertainment		Cable, Satellite and Broadband		Digital and Interactive Media		Consumer Products and Live Experience		Eliminations		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue												
External sales	₱15,562,295	₱13,453,990	₱4,501,339	₱4,339,220	₱710,256	₱658,769	₱681,802	₱907,310	₱–	₱–	₱21,455,692	₱19,359,289
Inter-segment sales	2,073,532	2,102,978	111,692	–	–	–	–	458	(2,185,224)	(2,103,436)	–	–
Revenue deductions	(558,861)	(357,744)	–	–	(166,924)	(71,582)	(45,168)	(14,237)	117,526	20,475	(653,427)	(423,088)
Total revenue	₱17,076,966	₱15,199,224	₱4,613,031	₱4,339,220	₱543,332	₱587,187	₱636,634	₱893,531	(₱2,067,698)	(₱2,082,961)	₱20,802,265	₱18,936,201
Results												
Operating results	₱2,223,020	₱730,556	(₱4,874)	(₱235,555)	(₱110,178)	(₱145,861)	(₱423,886)	(₱66,392)	₱246,949	₱159,168	₱1,931,031	₱441,916
Finance costs	(558,390)	(493,555)	(139,781)	(119,130)	(907)	(1,226)	(27,934)	(23,122)	116,626	102,703	(610,386)	(534,330)
Foreign exchange gains (losses) – net	164,811	421,327	(42,681)	136,808	844	(1,687)	1,754	(3,284)	(168,847)	32,394	(44,119)	585,558
Interest income	176,781	80,726	36,222	27,669	7	103	1,364	1,139	(16,805)	(8,237)	197,569	101,400
Equity in net losses of associates and joint ventures	(14,861)	(12,185)	–	–	–	–	–	–	–	–	(14,861)	(12,185)
Other income – net	440,766	491,878	54,879	62,018	247	472	1,204	140	(341,103)	(293,633)	155,993	260,875
Income tax	(169,846)	(147,193)	18,478	44,487	129	410	4,223	187	–	–	(147,016)	(102,109)
Net income (loss)	₱2,262,281	₱1,071,554	(₱77,757)	(₱83,703)	(₱109,858)	(₱147,789)	(₱443,275)	(₱91,332)	(₱163,180)	(₱7,605)	₱1,468,211	₱741,125
EBITDA											₱4,468,638	₱3,787,786
EBITDA Margin											%21	20%
Assets and Liabilities												
Operating assets	₱76,944,304	₱71,015,096	₱24,136,314	₱23,686,425	₱2,943,547	₱3,322,420	₱256,641	₱348,120	(₱17,454,314)	(₱17,328,894)	₱86,826,492	₱81,043,167
Investments in associates and joint ventures	22,270,340	21,311,093	1,562	1,562	–	–	–	–	(21,832,116)	(20,817,408)	439,786	495,247
Deferred tax assets - net	2,033,066	1,972,430	932,811	935,276	132,525	137,303	36,708	21,343	(18,318)	(45,549)	3,116,792	3,020,803
Total assets	₱101,247,710	₱94,298,619	₱25,070,687	₱24,623,263	₱3,076,072	₱3,459,723	₱293,349	₱369,463	(₱39,304,748)	(₱38,191,851)	₱90,383,070	₱84,559,217
Operating liabilities	₱12,931,307	₱12,493,529	₱6,761,745	₱6,780,074	₱3,002,566	₱3,088,112	₱590,692	₱354,902	(₱3,521,183)	(₱3,136,258)	₱19,765,127	₱19,580,359
Contract liabilities	207,144	420,438	585,315	83,411	–	153,459	–	233,336	–	–	792,459	890,644
Interest-bearing loans and borrowings	27,249,848	22,357,737	6,099,330	6,140,674	–	–	240,000	240,000	(541,331)	(541,331)	33,047,847	28,197,080
Deferred tax liability	–	–	–	–	138,271	138,271	–	–	–	–	138,271	138,271
Obligations under finance lease	–	–	11,826	13,589	8963	14,826	–	–	–	–	20,789	28,415
Total liabilities	₱40,388,299	₱35,271,704	₱13,458,216	₱13,017,748	₱3,149,800	₱3,394,668	₱830,692	₱828,238	(₱4,062,514)	(₱3,677,589)	₱53,764,493	₱48,834,769
Other Segment Information												
Capital expenditures:												
Property and equipment	₱541,163	₱2,728,505	₱872,799	₱3,217,990	₱40	₱14,260	₱179,200	₱9,948	₱–	₱–	₱1,593,202	₱5,970,703
Intangible assets	416,633	1,797,313	51,150	248,991	–	15,822	–	–	–	–	467,783	2,062,126
Depreciation and amortization	2,288,684	4,805,242	868,426	1,747,389	41,259	107,728	38,736	79,011	(617,065)	(1,197,931)	2,620,040	5,541,439
Noncash expenses other than depreciation and amortization	19,401	61,770	91,291	302,339	–	7,668	–	–	–	–	110,692	371,777

Geographical Segment Data

The following tables present revenue and expenditure for the six months ended June 30, 2019 and 2018 and certain asset information regarding geographical segments as of June 30, 2019 and December 31, 2018:

	Philippines		United States		Others		Eliminations		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Revenue										
External sales	**₱18,813,681**	₱16,535,246	**₱2,004,308**	₱2,171,545	**₱637,703**	₱652,498	**₱–**	₱–	**₱21,455,692**	₱19,359,289
Inter-segment sales	**2,185,224**	2,103,436	**–**	–	**–**	–	**(2,185,224)**	(2,103,436)	**–**	–
Revenue deductions	**(770,953)**	(443,563)	**–**	–	**–**	–	**117,526**	20,475	**(653,427)**	(423,088)
Total revenue	**₱20,227,952**	₱18,195,119	**₱2,004,308**	₱2,171,545	**₱637,703**	₱652,498	**(₱2,067,698)**	(₱2,082,961)	**₱20,802,265**	₱18,936,201
Assets										
Operating assets	**₱93,449,550**	₱87,638,370	**₱1,889,519**	₱1,882,190	**₱8,896,467**	₱8,806,231	**(₱17,454,314)**	(₱17,328,894)	**₱86,781,222**	₱80,997,897
Contract assets	**45,270**	45,270	**–**	–	**–**	–	**–**	–	**45,270**	45,270
Investments in associates and joint ventures	**22,271,902**	21,312,655	**–**	–	**–**	–	**(21,832,116)**	(20,817,408)	**439,786**	495,247
Deferred tax assets - net	**3,037,753**	2,974,813	**78,120**	83,870	**19,237**	7,669	**(18,318)**	(45,549)	**3,116,792**	3,020,803
Total assets	**₱118,804,475**	₱111,971,108	**₱1,967,639**	₱1,966,060	**₱8,915,704**	₱8,813,900	**(₱39,304,748)**	(₱38,191,851)	**₱90,383,070**	₱84,559,217
Liabilities										
Operating liabilities	**₱19,589,798**	₱19,406,373	**₱398,184**	₱137,769	**₱3,298,328**	₱3,172,475	**(₱3,521,183)**	(₱3,136,258)	**₱19,765,127**	₱19,580,359
Contract liabilities	**615,847**	714,032	**176,612**	176,612	**–**	–	**–**	–	**792,459**	890,644
Interest-bearing loans and borrowings	**33,556,501**	28,703,540	**29,953**	32,154	**2,724**	2,717	**(541,331)**	(541,331)	**33,047,847**	28,197,080
Deferred tax liability	**138,271**	138,271	**–**	–	**–**	–	**–**	–	**138,271**	138,271
Obligations under finance lease	**20,789**	28,415	**–**	–	**–**	–	**–**	–	**20,789**	28,415
Total liabilities	**₱53,921,206**	₱48,990,631	**₱604,749**	₱346,535	**₱3,301,052**	₱3,175,192	**(₱4,062,514)**	(₱3,677,589)	**₱53,764,493**	₱48,834,769
Other Segment Information										
Capital expenditures:										
Property and equipment	**₱1,574,688**	₱5,945,910	**₱18,514**	₱24,727	**₱–**	₱66	**₱–**	₱–	**₱1,593,202**	₱5,970,703
Intangible assets	**467,783**	2,053,824	**–**	–	**–**	–	**–**	–	**467,783**	2,053,824

6. Cash and Cash Equivalents and Short-term Investments

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Cash on hand and in banks	**₱10,799,252**	₱11,232,571
Cash equivalents	**9,821,846**	6,872,115
	₱20,621,098	₱18,104,686

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term placements, which are made for varying periods of up to three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term placement rates.

Cash deposits amounting to ₱5,510 million and ₱1,804 million as at June 30, 2019 and December 31, 2018, respectively, and with maturities of more than three months but less than one year are classified as "Short-term investments" in the interim condensed consolidated statements of financial position.

Interest earned from cash and cash equivalents and short-term investments amounted to ₱198 million and ₱101 million for the six months ended June 30, 2019 and 2018, respectively.

7. Trade and Other Receivables

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade:		
Airtime	**₱5,930,934**	₱6,132,965
Subscriptions	**2,756,145**	2,572,585
Others	**1,992,752**	2,318,899
Advances to employees and talents (see Note 23)	**518,244**	361,328
Due from related parties (see Note 23)	**255,500**	458,285
Others	**815,297**	574,972
	12,268,872	12,419,034
Less allowance for doubtful accounts	**2,263,110**	2,049,954
	₱10,005,762	₱10,369,080

Trade receivables are noninterest-bearing and are generally on 60 to 90-days term upon receipt of invoice by the customer.

Airtime receivables include unbilled airtime arising from advertisements which have been aired during the year. Invoicing normally takes around 7 days from airing.

Subscription receivables include unbilled subscription, where revenue has been accrued based on the rates in the subscription agreements multiplied by the number of subscribers based on the latest report from the cable providers.

For terms and conditions relating to due from related parties, refer to Note 23.

Advances to employees and talents are usually settled within one year (see Note 23).

Other trade receivables pertain to other revenue generated from the sale of goods and services and usually collected within one year.

The aging analysis of the unbilled airtime and subscription receivables follows:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Less than 30 days	**₱1,019,729**	₱1,210,930
31 to 60 days	**1,462**	30,219
	₱1,021,191	₱1,241,149

Allowance for Doubtful Accounts

Movements in the allowance for doubtful accounts are as follows:

	Trade				
	Airtime	Subscriptions	Others	Nontrade	Total
Balance at January 1, 2018	₱333,473	₱1,176,738	₱311,805	₱69,965	₱1,891,981
Provisions (see Note 27)	23,635	292,113	23,102	–	338,850
Write-offs and others	(39,623)	(126,631)	(14,158)	(465)	(180,877)
Balance at December 31, 2018	317,485	1,342,220	320,749	69,500	2,049,954
Provisions* (see Note 27)	**250**	**86,684**	**7,845**	**–**	**94,779**
Write-offs and others	**(37,061)**	**192,711**	**(34,409)**	**(2,864)**	**118,377**
Balance at June 30, 2019	**₱280,674**	**₱1,621,615**	**₱294,185**	**₱66,636**	**₱2,263,110**

* *The Company uses a provision matrix to calculate ECLs for trade and other receivables beginning January 1, 2018.*

8. Inventories

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
At cost:		
Merchandise inventories	**₱373,148**	₱524,868
Office supplies	**4,817**	4,777
At net realizable value:		
Merchandise inventories	**93,525**	51,753
Materials, supplies and spare parts	**98,950**	99,230
	₱570,440	₱680,628

Merchandise inventory consists mainly of set-top boxes, records and other consumer products held for sale by the Parent Company and subsidiaries. Materials, supplies and spare parts comprise mainly of cable, construction and installation supplies of Sky Cable and the Parent Company's spare parts and supplies.

In 2015, the Parent Company launched the ABS-CBN TVPlus, a digital box which allows users to receive clear pictures and sounds in the television sets through digital transmission. Cost of sales related to digital boxes amounting to ₱1,079 million and ₱1,071 million for the six months ended June 30, 2019 and 2018, respectively, is recorded as part of "Inventory costs" under the "Cost of sales" account in the interim condensed consolidated statements of income (see Note 26). Total inventory costs, recognized under "Cost of sales and services" amounted to ₱1,134 million and ₱1,137 million for the six months ended June 30, 2019 and 2018, respectively (see Note 26).

The cost of inventories carried at net realizable value amounted to ₱324 million and ₱330 million as at June 30, 2019 and December 31, 2018, respectively. Inventory losses amounted to nil and ₱1 million for the six months ended June 30, 2019 and 2018, respectively (see Note 27).

9. Contract Cost Assets and Contract Liabilities

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Contract cost assets (see Note 15)	**₱45,270**	₱45,270
Contract liabilities	**792,459**	890,644

Incremental Costs to Obtain Contracts
Contract cost assets pertain to the incremental costs incurred by the Company in obtaining contracts with customers.

Sky Cable pays sales commission to its sales agents for each contract that they obtain from subscribers. This sales commission is considered incremental cost of obtaining the contract and has been capitalized in accordance with PFRS 15 since Sky Cable expects that sales commission is recoverable. This is amortized on a straight-line basis over the period the services are provided to the customer.

For the year ended December 31, 2018, the amortization related to incremental costs to obtain contracts recorded in “Advertising and promotion” under “General and administrative expense account in the interim condensed consolidated statement of income amounted to ₱74 million (see Note 27).

No impairment loss was recognized in 2019.

Contract Liabilities
Contract liabilities pertain to the payments received before broadcast, subscription fees billed and received in advance, nonrefundable installation service fee received in advance, payments received for distribution of music catalogue and advance payments from the industry partners of PII. These are recognized as revenue when the Company performs under the contract.

Out of the contract liabilities as at beginning of year, total revenue recognized amounted to ₱620 million for the year ended December 31, 2018.

10. **Property and Equipment**

			June 30, 2019 (Unaudited – Six Months)			
	Land and Land Improvements	**Buildings and Improvements**	**Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment**	**Other Equipment**	**Construction in Progress**	**Total**
Cost						
Balance at beginning of year	**₱2,231,209**	**₱12,861,957**	**₱24,866,855**	**₱13,439,510**	**₱6,843,518**	**₱60,243,049**
Additions	**–**	**1,328**	**589,727**	**184,441**	**817,706**	**1,593,202**
Disposals/retirements	**(3,822)**	**(38,104)**	**(176,926)**	**(439,934)**	**–**	**(658,786)**
Reclassifications	**–**	**85,155**	**(62,825)**	**99,306**	**(121,636)**	**–**
Translation adjustments	**(2,401)**	**(9,506)**	**(2,579)**	**(11,375)**	**(80)**	**(25,941)**
Balance at end of year	**2,224,986**	**12,900,830**	**25,214,252**	**13,271,948**	**7,539,508**	**61,151,524**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**43,424**	**7,759,026**	**16,395,378**	**8,169,596**	**–**	**32,367,424**
Depreciation and amortization (see Notes 25, 26 and 27)	**1,058**	**216,081**	**1,001,919**	**514,088**	**–**	**1,733,146**
Disposals/retirements	**(3,822)**	**(32,572)**	**(175,477)**	**(451,194)**	**–**	**(663,065)**
Translation adjustments	**(28)**	**(3,390)**	**(10,848)**	**313,373**	**–**	**17,107**
Balance at end of year	**40,632**	**7,939,145**	**17,210,972**	**8,263,863**	**–**	**33,454,612**
Net Book Value	**₱2,184,354**	**₱4,961,685**	**₱8,003,280**	**₱5,008,085**	**₱–**	**₱27,696,912**

			December 31, 2018 (Audited – One Year)			
	Land and Land Improvements	Buildings and Improvements	Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Other Equipment	Construction in Progress	Total
Cost						
Balance at beginning of year	₱2,221,854	₱12,802,354	₱22,897,683	₱13,547,798	₱4,026,682	₱55,496,371
Additions	2,060	11,890	2,147,527	589,286	3,219,940	5,970,703
Disposals/retirements	–	(179,333)	(240,457)	(906,908)	–	(1,326,698)
Reclassifications	2,547	196,398	38,604	165,149	(402,698)	–
Translation adjustments	4,748	30,648	23,498	44,185	(406)	102,673
Balance at end of year	2,231,209	12,861,957	24,866,855	13,439,510	6,843,518	60,243,049
Accumulated Depreciation and Amortization						
Balance at beginning of year	40,989	7,422,247	14,385,557	7,946,581	–	29,795,374
Depreciation and amortization (see Notes 25, 26 and 27)	2,379	504,646	2,231,912	1,079,213	–	3,818,150
Impairment	–	–	–	9,438	–	9,438
Disposals/retirements	–	(179,333)	(228,873)	(900,964)	–	(1,309,170)
Translation adjustments	56	11,466	6,782	35,328	–	53,632
Balance at end of year	43,424	7,759,026	16,395,378	8,169,596	–	32,367,424
Net Book Value	₱2,187,785	₱5,102,931	₱8,471,477	₱5,269,914	₱6,843,518	₱27,875,625

Construction in progress pertains to cost of building the production facilities.

Certain property and equipment of Sky Cable and PCC with a carrying value of ₱492 million as at December 31, 2009 were pledged as collateral to secure the long-term debt of Sky Cable. As part of the refinancing of the restructured long-term debt of Sky Cable in 2010, creditors of Sky Cable, executed a deed of release of property from indenture lien and cancellation of mortgage. As at June 30, 2019, the cancellation of mortgage annotations with the remaining register of deeds located in some provinces is still in process.

Certain property and equipment with cost amounting to ₱23,198 million and ₱21,088 million as at June 30, 2019 and December 31, 2018, respectively, have been fully depreciated but are still being used by the Company.

Unamortized borrowing costs capitalized as part of property and equipment amounted to ₱1,556 million and ₱1,470 million as at June 30, 2019 and December 31, 2018, respectively. Borrowing costs capitalized in 2019 and 2018 amounted to ₱100 million and ₱200 million, respectively. Borrowing cost capitalization rate in 2019 and 2018 is 5.335%.

Property and equipment, classified as other equipment, includes the following amounts where the Company is a lessee under a finance lease (see Note 31):

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Cost capitalized under finance lease	**₱637,743**	₱846,994
Accumulated depreciation	**(273,168)**	(536,035)
Net book value	**₱364,575**	₱310,959

The amount of property and equipment under finance lease includes the net book value of the IRU covered by the lease agreement between Sky Cable and Bayantel.

11. Investment Properties

	June 30, 2019 (Unaudited – Six Months)		
	Land	**Building**	**Total**
Cost:			
Balance at beginning of year	**₱173,016**	**₱45,618**	**₱218,634**
Translation adjustments	**(945)**	**(1,144)**	**(2,089)**
Balance at end of year	**172,071**	**44,474**	**216,545**
Accumulated depreciation:			
Balance at beginning of year	**–**	**15,871**	**15,871**
Depreciation (see Note 27)	**–**	**876**	**876**
Translation adjustments	**–**	**(504)**	**(504)**
Balance at end of year	**–**	**16,243**	**16,243**
Net book value	**₱172,071**	**₱28,231**	**₱200,302**

	December 31, 2018 (Audited – One Year)		
	Land	Building	Total
Cost:			
Balance at beginning of year	₱170,878	₱43,072	₱213,950
Translation adjustments	2,138	2,546	4,684
Balance at end of year	173,016	45,618	218,634
Accumulated depreciation:			
Balance at beginning of year	–	13,210	13,210
Depreciation (see Note 27)	–	1,769	1,769
Translation adjustments	–	892	892
Balance at end of year	–	15,871	15,871
Net book value	₱173,016	₱29,747	₱202,763

The Parent Company owns a parcel of land for capital appreciation purposes costing ₱136 million as at June 30, 2019 and December 31, 2018. The Parent Company did not obtain updated appraisal reports for the year ended June 30, 2019 since management believes that the change in the fair values is not material. The fair value of the land, based on the latest appraisal report dated August 4, 2017, amounted to ₱1.6 billion as determined by an independent appraiser using the Sales Comparison Approach, which considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. The fair value of this investment property is categorized under Level 3 of the fair value hierarchy as the market for the identical or similar properties is not active. The highest and best use of the asset is as a commercial utility.

Land and building with carrying value of ₱58 million and ₱61 million as at June 30, 2019 and December 31, 2018, respectively, pertain to a parcel of land purchased by ABS-CBN International, with a two-storey house constructed thereon, located in Redwood City, California, USA. The real property, which was acquired in July 2008 at a purchase price of US$1.4 million (₱67 million), was intended to be held by ABS-CBN International as investment properties. To fund the acquisition, ABS-CBN International obtained a loan from Citibank, North America amounting to US$1 million (₱50 million) for which the property was pledged as collateral (see Note 18). The building has a useful life of 28 years.

As at June 30, 2019 and December 31, 2018, the fair value of the land and building of ABS-CBN International, which is based on market price of similar properties within the area, amounted to ₱118 million and ₱121 million, respectively. The fair value of these investment properties is categorized under Level 3 of the fair value hierarchy as the market for the identical or similar properties is not active.

Rental income derived from the investment properties amounted to ₱1 million for the six months ended June 30, 2019 and 2018. Direct operating expenses, which consist mainly of depreciation, amounted to ₱876 thousand and ₱872 thousand for the six months ended June 30, 2019 and 2018, respectively.

12. Goodwill, Program Rights and Other Intangible Assets

	Goodwill	Program Rights	Music Rights	Movie In-Process and Filmed Entertainment	Story, Video and Publication and Record Master	Trademarks	Licenses	Customer Relationships	Cable Channels - CPI	Production and Distribution Business - Middle East	Business Process Re-engineering	Digital Platforms and IP Block	Total
Balance as at December 31, 2018 (Audited – One Year)	**₱5,328,818**	**₱4,773,920**	**₱806**	**₱1,056,361**	**₱124,599**	**₱1,111,784**	**₱990,237**	**₱619,475**	**₱459,968**	**₱50,702**	**₱101,384**	**₱51,500**	**₱14,669,554**
Additions	**–**	**191,507**	**–**	**224,005**	**1,121**	**–**	**–**	**–**	**–**	**–**	**51,150**	**–**	**467,783**
Amortization (see Notes 25, 26 and 27)	**–**	**(673,900)**	**–**	**(167,342)**	**(3,359)**	**–**	**(2,340)**	**(26,374)**	**–**	**(3,325)**	**–**	**(9,378)**	**(886,018)**
Translation adjustments	**(6,625)**	**–**	**–**	**–**	**–**	**–**	**(427)**	**–**	**–**	**2,121**	**–**	**–**	**(4,931)**
Balance as at June 30, 2019 (Unaudited – Six Months)	**5,322,193**	**4,291,527**	**806**	**1,113,024**	**122,361**	**1,111,784**	**987,470**	**593,101**	**459,968**	**49,498**	**152,534**	**42,122**	**14,246,388**
Less current portion	**–**	**1,133,051**	**–**	**123,781**	**105,174**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,362,006**
Noncurrent portion	**₱5,322,193**	**₱3,158,476**	**₱806**	**₱989,243**	**₱17,187**	**₱1,111,784**	**₱987,470**	**₱593,101**	**₱459,968**	**₱49,498**	**₱152,534**	**₱42,122**	**₱12,884,382**
Balance as at December 31, 2017 (Audited – One Year)	₱5,473,725	₱4,514,725	₱3,356	₱1,003,400	₱128,922	₱1,111,784	₱993,973	₱511,214	₱459,968	₱57,247	₱–	**₱60,105**	₱14,318,419
Additions	–	1,518,112	–	412,087	6,412	–	–	–	–	–	101,384	**15,829**	2,053,824
Effect of business combination (see Note 4)	(158,010)	–	–	–	–	–	–	154,249	–	–	–	**8,313**	4,552
Reclassification	–	–	(121,746)	–	121,746	–	–	–	–	–	–	**–**	–
Amortization (see Notes 25, 26 and 27)	–	(1,258,917)	(2,550)	(359,126)	(10,735)	–	(4,745)	(45,988)	–	(6,712)	–	**(32,747)**	(1,721,520)
Translation adjustments	13,103	–	–	–	–	–	1,009	–	–	167	–	**–**	14,279
Balance as at December 31, 2018 (Audited – One Year)	5,328,818	4,773,920	806	1,056,361	124,599	1,111,784	990,237	619,475	459,968	50,702	101,384	**51,500**	14,669,554
Less current portion	–	1,139,931	–	111,939	107,318	–	–	–	–	–	–	**–**	1,359,188
Noncurrent portion	₱5,328,818	₱3,633,989	₱806	₱944,422	₱17,281	₱1,111,784	₱990,237	₱619,475	₱459,968	₱50,702	₱101,384	**₱51,500**	₱13,310,366

Goodwill

Goodwill arose from the following acquisitions and business combination:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Sky Cable	**₱4,491,817**	₱4,491,817
CTI and ABS-C	**567,836**	567,836
ABS-CBN International*	**253,339**	259,964
Sapientis	**9,201**	9,201
	₱5,322,193	₱5,328,818

*Includes translation adjustments

Costs of other intangible assets with infinite life are as follows:

	Trademarks	**Licenses**	**Cable Channels - CPI**	**IP Block**	**Total**
Balance as at December 31, 2018 (Audited – One Year) and June 30, 2019 (Unaudited – Six Months)	**₱1,111,784**	**₱965,049**	**₱459,968**	**₱37,804**	**₱2,574,605**

	Trademarks	**Licenses**	**Cable Channels - CPI**	**IP Block**	**Total**
Balance as at December 31, 2017 (Audited – One Year)	₱1,111,784	₱965,049	₱459,968	₱29,491	₱2,566,292
Effect of business combination (see Note 4)	–	–	–	8,313	8,313
Balance as at December 31, 2018 (Audited – One Year)	₱1,111,784	₱965,049	₱459,968	₱37,804	₱2,574,605

Other intangible assets assessed to have indefinite life include trademarks and licenses to operate the wireless business. Trademarks pertain to Destiny Cable, Incorporated and Sky Cable distinctive sign to promote and distinguish its products and services from those of other entities. Based on the Company's analysis of all the relevant factors, there is no foreseeable limit to the period over which the business is expected to generate net cash inflows for the Company and therefore, these were assessed to have an indefinite life.

13. Financial Assets at Fair Value through Other Comprehensive Income /Available-for-Sale Investments

As a result of the adoption of PFRS 9 in 2018, AFS investments were reclassified to financial assets at FVOCI.

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Quoted equity securities	**₱197,072**	₱194,324
Non-listed ordinary common and quoted club shares	**73,980**	73,980
	₱271,052	₱268,304

Investment in quoted equity securities represents the Parent Company's investment in Manila Electric Company common shares. Investments in quoted club shares mainly comprise of investments in Wack Wack Golf and Country Club, Manila Polo Club and others.

Quoted equity securities generated dividends amounting to nil and ₱7.5 million as at June 30, 2019 and December 31, 2018, respectively.

Movements in this account follow:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Balance at beginning of year	**₱268,304**	₱242,743
Unrealized fair value gain	**2,748**	25,561
Balance at end of year	**₱271,052**	₱268,304

14. **Investments in Associates and Joint Ventures**

		Percentage of Ownership	
Entity	Principal Activities	**June 30, 2019** (Unaudited)	December 31, 2018 (Audited)
Associates:			
Amcara Broadcasting Network Incorporated (Amcara)	Services	**–**	49.0
Star Cinema Productions, Inc.	Services	**45.0**	45.0
The Flagship, Inc. (Flagship)	Services	**40.0**	40.0
Joint ventures:			
A CJ O Shopping Corporation (A CJ O)	Home shopping	**50.0**	50.0
Daum Kakao Philippines Corp. (Daum Kakao)	Services	**50.0**	50.0
ALA Sports	Boxing promotions	**44.0**	44.0

Details and movement in the account are as follows:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Acquisition costs –		
Balance at beginning of year	**₱1,064,552**	₱1,064,552
Sale of investment	**(40,600)**	–
Balance at end of year	**1,023,952**	1,035,049
Accumulated equity in net losses:		
Balance at beginning of year	**(566,570)**	(536,864)
Equity in net loss during the year	**(14,861)**	(29,706)
Balance at end of year	**(581,431)**	(566,570)
Accumulated impairment loss –		
Balance at beginning and end of year	**(2,735)**	(2,735)
	₱439,786	₱495,247

Investments in:		
Joint ventures	**₱326,546**	₱341,407
Associates	**113,240**	153,840
	₱439,786	₱495,247

All the associates and joint ventures are incorporated and have principal place of business in the Philippines. The associates and joint ventures have no contingent liabilities or capital commitments as at June 30, 2019 and December 31, 2018.

a. Investments in Joint Ventures

i. A CJ O

The joint venture operates O Shopping Channel which broadcasts company-produced shopping programs 24/7 via Sky Cable and Destiny Cable. It also airs programs through ABS-CBN’s Channel 2.

ii. ALA Sports

The primary purpose of ALA Sports, which was incorporated in December 2013, is to organize, stage and promote boxing matches, and provide, distribute and market products and services that are otherwise connected to the operations of said business, in the Philippines and other territories.

iii. Daum Kakao

In 2015, the Parent Company entered into a joint venture agreement with Kakao Corporation to form a joint venture corporation, Daum Kakao. The primary purpose of Daum Kakao, which was incorporated in February 2015, is to engage in and provide KakaoTalk services developed and/or customized for users in the Philippines for mobile devices, including marketing and sales promotions. The joint venture agreement also includes a put option in favor of the Parent Company for the joint venture partner to purchase all of the Parent Company’s stocks in Daum Kakao within 60 days after the second year of Daum Kakao’s registration.

On July 29, 2016, the stockholders and the BOD of Daum Kakao approved the resolution to cease business operations and dissolve the corporation, subject to approval of SEC, effective August 30, 2016. Thereafter, the Parent Company recognized ₱3 million impairment loss from its investment in Daum Kakao in 2016.

In view of the recent developments in Daum Kakao, the stockholders and the BOD of Daum Kakao revoked its previous resolution on cessation and dissolution of the corporation, and thereafter approved the continuance of its business operations in 2017.

The Philippine SEC has approved Daum Kakao's decrease in its capital stock from ₱900 million to ₱86 million on January 31, 2019

Combined financial information of the joint ventures follows:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Current assets	**₱905,771**	₱896,427
Noncurrent assets	**152,134**	150,402
Current liabilities	**(388,325)**	(347,422)
Noncurrent liabilities	**(1,335)**	(1,225)
Net equity	**₱668,245**	₱698,182

	Six Months Ended June 30 (Unaudited)	
	2019	2018
Revenue	**₱247,605**	₱427,321
Costs and expenses	**(277,542)**	(451,972)
Net loss	**(₱29,937)**	(₱24,651)
Equity in net losses of joint ventures	**(₱14,861)**	(₱12,174)

Below is the reconciliation of the summarized financial information of the joint ventures to the carrying amount of the Parent Company's investments therein:

	June 30, 2019 (Unaudited – Six Months)			
	A CJ O	**ALA Sports**	**Daum Kakao**	**Total**
Net assets of joint ventures	**₱190,906**	**₱80,692**	**₱396,647**	**₱668,245**
Interest of the Parent Company in the net assets of the joint ventures	**50%**	**44%**	**50%**	
	95,453	**35,504**	**198,324**	**329,281**
Accumulated impairment loss	**–**	**–**	**(2,735)**	**(2,735)**
Carrying amount of investments in joint ventures	**₱95,453**	**₱35,504**	**₱195,589**	**₱326,546**

	December 31, 2018 (Audited – One Year)			
	A CJ O	ALA Sports	Daum Kakao	Total
Net assets of joint ventures	₱219,364	₱82,478	₱396,340	₱698,182
Interest of the Parent Company in the net assets of the joint ventures	50%	44%	50%	
	109,682	36,290	198,170	344,142
Accumulated impairment loss	–	–	(2,735)	(2,735)
Carrying amount of investments in joint ventures	₱109,682	₱36,290	₱195,435	₱341,407

b. Investments in Associates

The carrying value of investments in associates consists of investments in Flagship and other entities.

In 2015, the Parent Company entered into an agreement with certain individuals to form Flagship, a holding company with interests on entities engaged in the business of producing and co-producing motion pictures and providing visual effects and post-production services. For the six months ended June 30, 2019 and 2018, the Company did not recognize equity in net income of Flagship because it is immaterial.

Investment in the other associate, Star Cinema Productions, Inc., has been reduced to zero due to accumulated equity in net losses. The net cumulative unrecognized net losses amounted to ₱17 million as at June 30, 2019 and 2018.

On January 24, 2019, the Company sold its 49% ownership in AMCARA.

Combined financial information of associates follows:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Current assets	**₱65,648**	₱119,892
Noncurrent assets	**36,887**	230,288
Current liabilities	**(52,337)**	(259,382)
Net equity	**₱50,198**	₱90,798

	Six Months Ended June 30 (Unaudited)	
	2019	2018
Revenue	**₱–**	₱14,918
Costs and expenses	**–**	(14,941)
Net loss	**₱–**	(₱23)
Equity in net losses of associates	**₱–**	(₱11)

Below is the reconciliation of the summarized financial information of the associates to the carrying amount of the Parent Company's investment therein:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Net assets of associate - Amcara	**₱–**	₱82,857
Interest of the Parent Company in the net assets of the associate	**49%**	49%
Carrying amount of investment in Amcara	**–**	40,600
Carrying amount of investment in Flagship	**103,178**	103,178
Others	**10,062**	10,062
Carrying amount of investments in associates	**₱113,240**	₱153,840

15. **Other Current Assets**

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Creditable withholding and prepaid taxes	**₱2,781,246**	₱2,866,597
Advances to suppliers	**1,369,166**	934,794
Preproduction expenses	**652,464**	579,086
Prepayments:		
Licenses	**587,679**	509,267
Rent	**108,884**	51,144
Subscription	**134,730**	82,640
Insurance	**17,517**	35,594
Transponder services	**6,428**	16,181
Contract cost assets (see Notes 2, 9 and 23)	**45,270**	45,270
Other prepayments	**237,941**	262,565
	₱5,941,325	₱5,383,138

Advances to suppliers are generally applied against future billings within next year.

Other prepayments mainly pertain to sponsorship and royalties.

16. **Other Noncurrent Assets**

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Tax credits - net of allowance for impairment	**₱728,838**	₱785,943
Deposits and bonds	**469,920**	486,581
Others (see Note 23)	**564,832**	412,824
	₱1,763,590	₱1,685,348

Tax credits represent claims from the government arising from airing of government commercials, advertisements and cablecast services. Pursuant to PD No. 1362, these will be collected in the form of tax credits which the Company can use in paying for import duties and taxes on its broadcasting and cable equipment. The tax credits cannot be used to pay for any other tax obligation to the government. The Company expects to utilize these tax credits within the next ten years until 2027.

On January 9, 2012, the Department of Finance issued a favorable ruling on the request of the Parent Company to utilize the tax credits in the payment of duties and taxes on the importation of digital terrestrial television boxes which will be subsequently distributed or made available to its customers and end-users.

Allowance for impairment of tax credits amounted to ₱216 million as at June 30, 2019 and December 31, 2018.

17. Trade and Other Payables

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade	**₱1,811,881**	₱1,970,119
Accrued expenses:		
Production costs and other expenses	**4,515,829**	4,244,952
Salaries and other employee benefits (see Note 30)	**3,556,179**	3,131,495
Taxes	**599,014**	1,139,393
Interest	**331,046**	309,525
Deposit for future subscription (see Notes 4 and 22)	**1,318,123**	1,287,014
Customer deposits	**655,419**	895,535
Dividend payable	**300,192**	286,024
Due to related parties (see Note 23)	**24,265**	33,470
Others	**782,685**	339,899
	₱13,894,633	₱13,637,426

Trade payables are noninterest-bearing and are normally settled on 30 to 90-day term.

Accrued expenses are normally settled within the next financial year.

Accrued production costs and other expenses represent accruals for various expenses related to the production of programs.

Deposits for future subscription include deposits from Sampaquita (see Note 4) and from eligible ABSP participants (see Note 22).

For terms and conditions relating to due to related parties, refer to Note 23.

Other current liabilities include statutory liabilities which are payable within the next financial year.

18. **Interest-bearing Loans and Borrowings**

	June 30, 2019 (Unaudited – Six Months)			December 31, 2018 (Audited – One Year)		
Borrower	**Current Portion**	**Noncurrent Portion**	**Total**	Current Portion	Noncurrent Portion	Total
Parent Company	**₱154,249**	**₱27,062,922**	**₱27,217,172**	₱91,547	₱22,231,317	₱22,322,864
Play Innovations, Inc.	**240,000**	**–**	**240,000**	240,000	–	240,000
Sky Cable	**82,044**	**5,487,781**	**5,569,825**	76,715	5,536,218	5,612,933
ABS-CBN International	**1,343**	**31,334**	**32,676**	2,717	32,155	34,872
ABS-C (see Note 31)	**358**	**8,605**	**8,963**	3,932	10,894	14,826
	₱477,994	**₱32,590,642**	**₱33,068,636**	₱414,911	₱27,810,584	₱28,225,495

Parent Company

The details of interest-bearing loans and borrowings of the Parent Company are as follows:

	June 30, 2019 (Unaudited – Six Months)			December 31, 2018 (Audited – One Year)		
	Current Portion	**Noncurrent Portion**	**Total**	Current Portion	Noncurrent Portion	Total
Term loans:						
Loan agreements	**₱154,249**	**₱21,082,558**	**₱21,236,807**	₱91,547	₱16,256,624	₱16,348,171
Bonds payable	–	**5,980,364**	**5,980,364**	–	5,974,693	5,974,693
	₱154,249	**₱27,062,922**	**₱27,217,171**	₱91,547	₱22,231,317	₱22,322,864

a. *Loan Agreements*

(i) On October 29, 2010, the Parent Company signed a syndicated loan for ₱10 billion with Allied Banking Corporation, Allied Savings Bank, Banco de Oro (BDO) Unibank, Inc., BDO Unibank, Inc. - Trust and Investment Group, Bank of the Philippine Islands (BPI), Insular Life Assurance Company Ltd., Philippine National Bank (PNB), PNB Life Insurance, Inc., Security Bank Corporation (Security Bank) (collectively, the “Lenders”), BPI Capital Corporation (the “Lead Arranger”), BDO Capital & Investment Corporation and Security Bank (collectively, the “Arrangers”) and PNB Capital & Investment Corporation and Insular Life Assurance Company Ltd. (collectively the “Co-Arranger”). BPI - Asset Management and Trust Group served as the loan’s facility agent. The loan was used to refinance existing indebtedness and fund working capital requirements.

The loan is unsecured and unsubordinated with interest at 3-month PDST-F plus 0.65% per annum for the floating rate portion and 7-year PDST-F plus 0.65% per annum for the fixed rate portion.

On November 9, 2010, the Parent Company availed the amount of ₱6,906 million from the syndicated loan to prepay existing debt facilities, namely, the Senior Credit Agreement (SCA) facility, the BDO facility, the ₱800 million Syndicated Loan facility and the Combined facility agreements.

On January 30, 2014 and October 30, 2014, the BOD approved the refinancing of the fixed rate portions of the syndicated loan, which amounted to ₱4,850 million in principal. Thereafter, on February 28, 2014 and November 10, 2014, the Company entered into loan agreements with local banks for principal amounts of ₱1,650 million and ₱3,200 million, respectively. The loans are intended to refinance existing indebtedness and to fund working capital requirements.

The ₱1,650 million loan, which was availed from Security Bank, bears interest of 4.25% per annum and a term of four years. The ₱3,200 million loan, which was secured from BPI, bears interest of 3.88% per annum and a term of three years. Transaction cost incurred in availing the 2014 loans amounted to ₱105 million.

On February 9, 2016, the Parent Company entered into a loan agreement with UnionBank of the Philippines (Unionbank) for a principal amount of ₱4,750 million. The loan, which refinanced the remaining portion of the syndicated loan, bears interest of 5.00% payable semi-annually with a term of ten years. Transaction cost incurred in availing the loan amounted to ₱24 million.

On May 13, 2016, the Parent Company entered into a loan with BPI to refinance the ₱3,200 million loan availed from BPI in 2014. The loan bears interest of 5.00% payable quarterly with a term of ten years. Transaction cost incurred in availing the loan amounted to ₱16 million.

On April 26, 2017, the Parent Company entered into a loan with Unionbank of the Philippines for a principal amount of ₱1,600 million for a term of 10 years. The loan, which was used to finance the settlement of the ₱1,650 million loan from Security Bank, bears interest of 4.25% per annum for first year, and 5.15% per annum for succeeding years until maturity. Transaction costs incurred in availing the loan amounted to ₱8 million.

(ii) On March 7, 2014, the Company secured a ₱1 billion loan from Philippine American Life and General Insurance Company to partially finance its capital expenditure requirements and general working capital requirements. The loan has a term of ten years and a fixed rate of 5.40% per annum. Transaction cost incurred in availing the loan amounted to ₱5 million.

(iii) On March 1, 2018, the Parent Company entered into a loan with BPI for a principal amount of ₱6 billion to refinance maturing debt and general working capital requirements. The loan bears interest of 5.75% payable quarterly with a term of seven years.

The new loans contain provision regarding the maintenance of certain financial ratios and limiting, among others, the payment of dividends, making investments, the issuing or selling of the Company's capital stock or some of its subsidiaries, the selling or exchange of assets, the creation of liens and the effecting of mergers.

(iv) On May 21, 2019, the Parent Company entered into a loan with Unionbank for a principal amount of ₱5 billion to partially finance its capital expenditures and general working capital requirements. The loan has a term of ten years and a fixed rate of 6.74% per annum, payable quarterly.

As at June 30, 2019 and December 31, 2018, the Company is in compliance with the provisions of its loan agreements.

Unamortized debt issue cost, presented as a deduction from the Company's outstanding loan, amounted to ₱107 million and ₱75 million as at June 30, 2019 and December 31, 2018, respectively.

Amortization of debt issue costs amounted to ₱6 million and ₱9 million for the six months ended June 30, 2019 and 2018, respectively (see Note 28).

b. *Bonds Payable*

On January 23, 2014, the Philippine SEC approved the Parent Company's offering of debt securities in the aggregate principal amount of up to ₱10 billion to be issued in one or two tranches, as approved by the BOD on November 29, 2013. The first tranche comprised of fixed rate bonds amounting to ₱5 billion and an overallotment option of ₱1 billion with BDO Capital &

Investment Corporation, BPI Capital and Hongkong and Shanghai Banking Corporation as joint-issue managers. The term of the bonds is seven years with a fixed interest rate of 5.335% per annum. Interest on the bonds shall be payable quarterly in arrears starting on May 10, 2014 for the first interest payment date.

On February 10, 2014, the Parent Company listed the ₱6 billion worth of retail bonds in the Philippine Dealing and Exchange Corporation. The bonds were rated PRS Aaa by the Philippine Rating Services Corporation on December 27, 2013.

As at June 30, 2019 and December 31, 2018, the Parent Company is in compliance with the provisions of this facility.

Unamortized debt issue cost, presented as a deduction from the Parent Company's bonds payable, amounted to ₱20 million and ₱25 million as at June 30, 2019 and December 31, 2018, respectively.

Amortization of debt issue costs amounted to ₱5 million for the six months ended June 30, 2019 and 2018 (see Note 28).

Breakdown of the Parent Company's term loans as at June 30, 2019 and December 31, 2018 follows:

	June 30, 2019 (Unaudited – Six Months)			December 31, 2018 (Audited – One Year)		
	Loan Agreements	**Bonds Payable**	**Total**	Loan Agreements	Bonds Payable	Total
Principal	**₱21,343,500**	**₱6,000,000**	**₱27,343,500**	₱16,422,999	₱6,000,000	₱22,422,999
Less unamortized transaction costs	**106,693**	**19,636**	**126,329**	74,828	25,307	100,135
	21,236,807	**5,980,364**	**27,217,171**	16,348,171	5,974,693	22,322,864
Less current portion	**154,249**	**–**	**154,249**	91,547	–	91,547
Noncurrent portion	**₱21,082,558**	**₱5,980,364**	**₱27,062,922**	₱16,256,624	₱5,974,693	₱22,231,317

Debt issue costs as at June 30, 2019 are amortized over the term of the loans using the effective interest method as follows:

Year	Loan Agreements	Bonds Payable	Total
2019	₱6,902	₱5,926	₱12,828
2020	13,552	12,296	25,848
2021 and onwards	86,239	1,414	87,653
	₱106,693	₱19,636	₱126,329

Amortization of debt issue costs for the six months ended June 30, 2019 and 2018 amounted to ₱11 million and ₱14 million, respectively (see Note 28).

Repayments of loan and bonds payable based on nominal values are scheduled as follows:

Year	Loan Agreements	Bonds Payable	Total
2019	₱71,500	₱–	₱71,500
2020	195,816	–	195,816
2021-2027	21,076,184	6,000,000	27,076,184
	₱21,343,500	₱6,000,000	₱27,343,500

Sky Cable

The details of interest-bearing loans and borrowings of the Sky Cable are as follows:

	June 30, 2019 (Unaudited – Six Months)			December 31, 2018 (Audited – One Year)		
	Current Portion	**Noncurrent Portion**	**Total**	Current Portion	Noncurrent Portion	Total
Term Loans:						
Unsubordinated loan	**₱69,458**	**₱4,518,234**	**₱4,587,692**	₱64,265	₱4,564,772	₱4,629,037
Loan agreement	**8,969**	**961,338**	**970,307**	8,969	961,338	970,307
Obligations under finance lease (see Note 31)	**3,617**	**8,209**	**11,826**	3,481	10,108	13,589
	₱82,044	**₱5,487,781**	**₱5,569,825**	₱76,715	₱5,536,218	₱5,612,933

a. *Unsubordinated Loan*

On October 17, 2013, Sky Cable executed an unsecured and unsubordinated loan agreement with BPI and Security Bank for ₱1,800 million with interest at 7-year PDST-F plus 1% per annum subject to a floor rate of 5.40% and Robinsons Bank for ₱200 million with interest at 10-year PDST-F plus 0.9% per annum subject to a floor rate of 5.40%. The proceeds were used to repay the existing short-term loan of Sky Cable with BPI amounting to ₱1,850 million. The remaining ₱150 million was allocated for working capital purposes.

On January 16, 2017, Sky Cable executed a loan agreement with BPI for ₱873 million for a term of 7 years, with interest rate of 5.40% per annum for the first 4 years from the issue date and the higher between the PDST-F plus 1.25% and 5.0% floor rate per annum until the date of maturity. The proceeds were used to refinance the existing loan of Sky Cable with BPI amounting to ₱900 million.

On February 1, 2017, Sky Cable executed a loan agreement with Security Bank for ₱873 million for a term of 7 years, with a fixed interest rate of 5.40% per annum until maturity date. The proceeds were used to refinance the existing loan of Sky Cable with Security Bank amounting to ₱900 million.

On January 15, 2018, Sky Cable executed a loan agreement with BDO for ₱2 billion for a term of 10 years, with a fixed interest rate of 5.80% per annum until the first interest rate repricing date, 5.80% per annum until the second interest rate repricing date, and interest rate based on the prevailing PDST-R2 or a fixed interest rate until date of maturity, that will be mutually agreed upon by Sky Cable and BDO. The proceeds will be used to finance Sky Cable’s capital expenditures.

On January 15, 2018, Sky Cable executed another loan agreement with BDO, for the purpose of refinancing PCC’s outstanding loan obligation, amounting to ₱762 million for a term of 7 years, with an interest rate of higher of the sum of the prevailing 3-month PDST-R2 rate and the prevailing BSP Term Deposit Facility Rate until the first interest rate repricing date, and the higher of the sum of the prevailing 3-month PDST-R2 rate and the prevailing BSP Term Deposit Facility Rate divided by .95 until maturity date.

b. *Loan Agreement*

On January 25, 2016, Sky Cable secured a ₱1 billion loan from Rizal Commercial Banking Corporation to partially finance its capital expenditure requirements, investments and/or debt refinancing. The loan has a term of five years and a fixed rate of 4.60% per annum.

As at June 30, 2019 and December 31, 2018, Sky Cable is in compliance with the provisions and all of the financial ratios required by its creditors in the agreement.

Unamortized debt issue costs, presented as a deduction from the unsubordinated, amounted to ₱25 million and ₱28 million as at June 30, 2019 and December 31, 2018, respectively. Using the effective interest method, unamortized debt issue costs as at June 30, 2019 will be amortized as follows:

Year	Amount
2019	₱1,052
2020	4,886
2021	4,023
2022 and onwards	14,684
	₱24,645

Amortization of debt issue costs amounted to ₱5 million for the six months ended June 30, 2019 and 2018 (see Note 28).

Based on nominal values, the schedule of debt repayments of the unsubordinated loans is as follows:

Year	Amount
2019	₱77,350
2020	77,350
2021 and onwards	5,427,944
	₱5,582,644

PCC

On April 10, 2012, PCC signed an omnibus notes facility and security agreement with BDO in the amount of ₱800 million based on the interest rate setting date by reference to the prevailing BSP overnight borrowing rate multiplied by 97/100.

The loan is supported by deed of pledge executed by Sky Cable and the Continuing Suretyship Agreement executed by Sky Vision. The loan is payable in quarterly installments commencing on July 16, 2013 with a maturity on April 1, 2019.

The agreement provided for certain requirements and restrictions with respect to, among others, the use of the proceeds, maintenance of certain financial ratios, incurrence of additional debt, sale or lease of all or substantially all of PCC's assets, declaration of cash dividends or enter into merger or consolidation, except where PCC is the surviving entity and it does not result to a change in control.

Debt issue costs on the loan amounting to ₱2 million as at December 31, 2017, is deferred and amortized using the effective interest method. Amortization of debt issue costs amounted to about ₱1 million in 2018 (see Note 28).

This loan was settled by Sky Cable on January 15, 2018 which resulted to a loss of ₱1.5 million (see Note 28).

Sky Cable group has finance leases over various transportation and office equipment and IRU granted by various telecommunication companies classified as part of "Other assets" under "Other noncurrent assets" account. The carrying value of the lease obligation amounted to ₱12 million and ₱14 million as at June 30, 2019 and December 31, 2018, respectively.

ABS-CBN International
On August 19, 2008, ABS-CBN International availed of a loan from Citibank, North America amounting to US$1 million (₱50 million). The loan has a term of 20 years and can be prepaid starting on the 15th year. The loan bears interest at a fixed rate per annum of 5.75%, which Cost of Funds rate is based on the applicable term Libor Swap Rate.

The investment property acquired for which the loan was availed was pledged as collateral (see Note 11).

The schedule of debt repayment is as follows:

Year	Amount
2019	₱1,343
2020	2,804
2021	2,970
2022	3,145
2023 and onwards	22,415
	₱32,677

As at June 30, 2019 and December 31, 2018, ABS-CBN International is in compliance with the provisions and all of the financial ratios required by its creditors in the agreement.

Play Innovations
Play Innovations, Inc. availed of various short-term loans from BPI to finance the construction of Kidzania theme park. The principal amount of the loans totaled ₱240 million as at June 30, 2019 and December 31, 2018, bearing an annual fixed interest rate of 7%. The loans are free from liens and mortgages.

ABS-C
In 2016, ABS-C entered into a finance lease covering transportation equipment. The carrying value of the lease obligation amounted to ₱9 million and ₱15 million as at June 30, 2019 and December 31, 2018, respectively.

19. Obligations for Program Rights

This account represents liabilities to foreign and local film suppliers for program rights purchased by the Company. The liabilities are noninterest-bearing and are payable in equal monthly, quarterly or semiannual installments over a period of one to six years. The amounts presented in the consolidated statements of financial position represent the face amounts of the obligations, net of unamortized discounts, which represent the difference between the face amounts and the fair values of the obligations upon initial recognition.

The schedule of repayments as at June 30, 2019 and December 31, 2018 is as follows:

	June 30, 2019 (Unaudited – Six Months)			December 31, 2018 (Audited – One Year)		
	Gross Value	**Unamortized Discount**	**Carrying Value**	Gross Value	Unamortized Discount	Carrying Value
Within one year	**₱203,796**	**₱19,073**	**₱184,723**	₱464,482	₱22,607	₱441,875
More than one year to five years	**499,690**	**26,724**	**472,966**	576,976	35,428	541,548
	₱703,486	**₱45,797**	**₱657,689**	₱1,041,458	₱58,035	₱983,423

20. **Convertible Note**

On February 14, 2011, ABS-CBN, Lopez, Inc, Lopez Holdings, Sky Vision, Sky Cable, STT Communications Ltd. (STTC) and Sampaquita, entered into a Subscription and Purchase Agreement (SPA) wherein Sampaquita agreed to purchase PDRs from ABS-CBN and Lopez Holdings and to subscribe to originally issued PDRs from Sky Vision and convertible note to be issued by Sky Cable.

On March 30, 2011, ABS-CBN completed the sale of 143,107,174 PDRs with underlying Sky Cable shares to Sampaquita for ₱1,816 million. Simultaneously, Sampaquita completed the subscription of originally issued 149,711,934 PDRs with underlying Sky Cable shares from Sky Vision for ₱1,450 million and Sky Cable convertible note for ₱250 million.

On May 12, 2011, Sky Cable, as provided in the SPA dated February 14, 2011, completed the issuance of the ₱250 million note to Sampaquita convertible into 25,812,403 shares of Sky Cable at the option of Sampaquita any time from issue date to maturity date, which is 10 years from date of issuance.

The convertible note bears 0% interest rate for the first three years, subject to adjustment every three years upon mutual agreement of the parties, provided that the interest rate shall not exceed 10% per annum. The interest rate shall be agreed upon by Sky Cable and Sampaquita at least 30 days prior to the commencement of each 3-year period. If no such agreement is reached, the interest rate for the succeeding period shall be the same as the interest rate for the preceding 3-year period. Such interest shall accrue from and including the first day of such interest period but not including the last day of such interest period.

The convertible note was accounted for under split accounting. The equity component of the convertible note amounting to ₱27 million (net of transaction costs of ₱2 million and tax of ₱12 million) was recognized as part of noncontrolling interests in the consolidated financial statements. The liability component is presented separately as “Convertible note” in the consolidated statements of financial position.

In 2017, Sampaquita and Sky Cable agreed to retain the interest rate at 0% for the next three year period. Accordingly, Sky Cable recalculated the carrying amount of the convertible note to reflect the actual and revised estimated cash flows. The difference between the carrying values computed at the original effective interest rate and the revised effective interest rate amounting to ₱31 million is recognized as gain in 2017, shown as part of “Other income - others” account in the 2017 consolidated statement of income (see Note 28).

The carrying value of the convertible note amounted to ₱229 million and ₱221 million as at June 30, 2019 and December 31, 2018, respectively.

Accretion of the convertible note recognized as part of interest expense in the interim condensed consolidated statements of income amounted to ₱8 million for the six months ended June 30, 2019 and 2018 (see Note 28).

21. Other Noncurrent Liabilities

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Customers' deposits	**₱304,933**	₱353,758
Deferred credits	**30,851**	20,406
Others	**126,521**	126,182
	₱462,305	₱500,346

Customers' deposits represent deposits on set-top boxes and modems upon subscription and are refunded to the customers upon termination of service.

Others include outstanding transmission liability and other long-term payables.

22. Equity

Capital Stock

Details of authorized and issued capital stock as at June 30, 2019 and December 31, 2018 are as follows:

	Number of Shares	Amount
	(Amounts in Thousands, Except Number of Shares)	
Authorized -		
Common shares - ₱1.0 par value	1,300,000,000	₱1,300,000
Preferred shares - ₱0.2 par value	1,000,000,000	200,000
Issued -		
Common shares	872,123,642	₱872,124
Preferred shares	1,000,000,000	200,000

Below is the Parent Company's track record of the registration of securities:

Date of SEC Order Rendered Effective or Permit to Sell	Event	Authorized Capital Stock	Issued Shares	Issue Price
	Registered and Listed Shares (Original Shares)	₱200,000	111,327,200	₱1.00
March 31, 1992	Initial Public Offering (Primary)	200,000	12,428,378	15.00
	Secondary *	200,000	18,510,517	15.00
	ESOP*	200,000	1,403,500	15.00
June 16, 1993	40% stock dividends	200,000	49,502,074	1.00
August 18, 1994	50% stock dividends	500,000	86,620,368	1.00
July 25, 1995	100% stock dividends	1,500,000	259,861,104	1.00
July 2, 1996	50% stock dividends	1,500,000	259,861,104	1.00
January 7, 2014	Issuance	1,500,000	57,836,900	43.125
January 7, 2014	Issuance	1,500,000	34,702,140	43.225

**Included in the 111,327,200 shares existing at the time of the IPO*

The Parent Company's total number of common stockholders is 8,322 and 5,263 as at June 30, 2019 and December 31, 2018, respectively.

Preferred Shares. The account consists of 1 billion cumulative, voting, non-participating, redeemable and nonconvertible preferred shares with a par value of ₱0.20 per share.

The Parent Company's total number of preferred shareholders is 197 as at June 30, 2019 and December 31, 2018.

Share-based Payment Transactions

Lopez Holdings (LPZ) ESPP. Lopez Holdings, a commonly controlled entity, has an Employee Stock Purchase Plan (LPZ ESPP) that was approved by its BOD and stockholders on February 28, 2011. The terms of LPZ ESPP, include among others, a limit as to the number of shares a qualified regular employee, officer or qualified director of Lopez Holdings and Lopez, Inc. or a qualified officer of Lopez Holdings' subsidiaries and associates, may purchase and the manner of payment based on equal semi-monthly installments over a period of two years through salary deductions. The stock options vest after two years from the grant date. All qualified participants are given until 10 years from grant date to exercise the stock options.

The primary terms of the grant are as follows:

Grant date	May 2011
Number of options granted allocable to the Company	21,974,257
Offer price per share	₱4.573
Option value per share	₱1.65

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes Option Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the option grants:

Expected volatility	42.6%
Weighted average share price	₱4.573
Risk-free interest rate	4.3%
Expected life of option	5 years
Dividend yield	2.5%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which likewise, may not necessarily be the actual outcome. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. No other features of options grant were incorporated into the measurement of the fair value of the options.

Total number of options exercisable under ESPP is as follows:

	2017
Balance at beginning of year	711,743
Exercised during the year	(711,743)
Balance at end of year	–

ABS-CBN Stock Purchase Plan and Executive Stock Purchase Plan (ABSP). From January 22, 2018 to February 9, 2018, the Parent Company offered to eligible participants its ABSP Program where employees may subscribe to the Parent Company's shares up to a maximum of 5% of total authorized shares.

Participants eligible in the ABSP are non-managers, managers and up, board members and selected artists with at least one year of tenure. Non-managers may subscribe up to a maximum of 2,000 shares per participant while managers and artists may subscribe up to a maximum of shares equivalent to 2.5 months of their monthly salary or income. Members of the BOD may subscribe up to 100,000 shares. The subscription price for the first 2,000 shares will be at a 15% discount on the closing price as at the offer date or 45-day weighted closing prices, whichever is lower. There will be no discount on the subscription price for the shares subscribed in excess of 2,000 shares. The subscription price will be paid in five years (see Note 17).

As at June 30, 2019, the Company accepted the total ABSP subscription from participants of 11,391,500 common shares.

The primary terms of the grant are as follows:

Grant date	February 28, 2018
Number of options granted	11,391,500
Offer price per share	₱29.50
Option value per share	₱2.22

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes Option Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the option grants:

Expected volatility	22.38%
Weighted average share price	₱29.50
Risk-free interest rate	4.71%
Expected life of option	5 years
Dividend yield	1.89%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which likewise, may not necessarily be the actual outcome. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. No other features of options grant were incorporated into the measurement of the fair value of the options.

As at June 30, 2019, there is no exercisable shares under ABSP.

The ABSP does not have a dilutive effect because the average market price of the common shares during the period is less than the exercise price under the option.

Retained Earnings

Unappropriated retained earnings available for dividend distribution is adjusted to exclude the Parent Company's accumulated equity in net earnings of subsidiaries and associates amounting to ₱1,212 million and ₱1,237 million for the six months ended June 30, 2019 and 2018, respectively.

Further, the Parent Company's loan agreement with its creditors limits the declaration of dividends up to 50% of the net income after tax for the immediately preceding financial year. This limitation has been in effect since 2004 resulting to an accumulation of unappropriated retained earnings (see Note 18).

On February 28, 2019, the BOD approved the declaration of cash dividend of ₱0.55 per common share to all common stockholders of record as at March 14, 2019, payable on or before

March 26, 2019. On the same date, the BOD also approved the declaration and payment of ₱0.004 per share cash dividend on the Parent Company's preferred shares with a record date set for March 14, 2019 and payable on or before March 26, 2019.

On February 22, 2018, the BOD approved the declaration of cash dividend of ₱0.92 per common share or an aggregate amount of ₱791 million to all common stockholders of record as at March 8, 2018, payable on March 22, 2018. On the same date, the BOD also approved the declaration and payment of 2% per annum cash dividend on the Parent Company's preferred shares with a record date set for March 8, 2018 and payable on March 22, 2018.

On February 27, 2013, the Company's BOD approved the appropriation of retained earnings of ₱16,200 million, including the specific projects and timeline. The appropriated retained earnings is set aside for capital expenditures particularly for the purchase of Parent Company's property and equipment needed for business operations and expansion over a period of five years.

Treasury Shares and PDRs Convertible to Common Shares

Details of treasury shares and PDRs convertible to common shares held by the Parent Company as at June 30, 2019 and December 31, 2018 are as follows:

	Treasury Shares	PDRs Convertible to Common Shares	Total	Amount
Balance at beginning and end of year	21,322,561	27,828,645	49,151,206	₱1,638,719

PDRs convertible to common shares represents ABS-CBN Holdings PDRs held by the Parent Company, which are convertible into ABS-CBN shares. Each PDR grants the holders, upon payment of the exercise price and subject to certain other conditions, the delivery of one ABS-CBN share or the sale of and delivery of the proceeds of such sale of one ABS-CBN share. The ABS-CBN shares are still subject to ownership restrictions on shares of corporations engaged in mass media and ABS-CBN may reject the transfer of shares to persons other than Philippine nationals. The PDRs were listed in the PSE on October 7, 1999 and may be exercised at any time from said date. Any cash dividends or other cash distributions in respect of the underlying ABS-CBN shares shall be applied by ABS-CBN Holdings, issuer of PDRs, towards payment of operating expenses and any amounts remaining shall be distributed pro-rata among outstanding PDR holders.

23. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

Transactions with Related Parties
In addition to the related party transactions discussed in Note 4, significant transactions of the Company with its associates, joint ventures and related parties follow:

	Nature	Six Months Ended June 30 (Unaudited) **2019**	2018
Associate and Joint Venture			
Expenses and charges paid for by the Parent Company which are reimbursed by A CJ O and Amcara	Rent and utilties	**₱18,900**	₱21,630
Blocktime fees paid to Amcara	Blocktime fees	–	20,588
Entities under Common Control			
Expenses paid by the Company to Goldlink Securities and Investigative Services, Inc. (Goldlink) and other related parties	Service fees and utilities expenses	**58,102**	63,723
Expenses and charges paid for by the Parent Company which are reimbursed by the concerned related parties	Rent and utilities	**24,746**	24,546

The related receivables from related parties, presented under “Trade and other receivables” account and payables to related parties, presented under “Trade and other payables” account in the interim condensed consolidated statements of financial position, are as follows:

	Relationship*	Terms	Conditions	**June 30, 2019** (Unaudited)	December 31, 2018 (Audited)
Due from (see Note 7)					
ALA Sports	Joint Venture	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**₱67,588**	₱59,473
INAEC	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**52,994**	44,894
ABS-CBN Lingkod Kapamilya	Corporate social responsibility sector of ABS-CBN	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**48,265**	51,640
Skyworks, Inc.	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**29,889**	30,003
First Gas Power Corp.	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**11,601**	1,540
First Philippine Holdings Corporation	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**6,212**	5,936
Goldlink	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**5,529**	3,532
Rockwell Land Corporation (Rockwell Land)	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**2,884**	–
Amcara	Associate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	–	134,672
Others	Affiliate	30 days upon receipt; noninterest-bearing	Unsecured, no impairment	**30,538**	126,595
Total				**₱255,500**	₱458,285

	Relationship*	Terms	Conditions	**June 30, 2019** (Unaudited)	December 31, 2018 (Audited)
Due to (see Note 17)					
Beyond Cable Holdings, Inc.	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured	**₱16,690**	₱16,690
Lopez Holdings	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured	**7,360**	6,021
Others	Affiliates	30 days upon receipt of billings; noninterest-bearing	Unsecured	**215**	10,759
Total				**₱24,265**	₱33,470

**Affiliate pertains to various entities under common control of Lopez, Inc., ultimate parent company*

a. Advances to employees and talents amounted to ₱518 million and ₱361 million as at June 30, 2019 and December 31, 2018, respectively (see Note 7).

b. The Parent Company has advances to ALA Sports amounting to ₱68 million and ₱59 million as at June 30, 2019 and December 31, 2018, respectively.

c. Other transactions with related parties include cash advances for working capital requirements.

Terms and Conditions of Transactions with Related Parties

Except for transactions identified in the previous section as interest-bearing, outstanding balances as at financial reporting date are generally unsecured, interest-free and settlement occurs in cash, and are collectible or payable on demand. For the six months ended June 30, 2019 and 2018, the Company has not made any provision for doubtful accounts relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Compensation of Key Management Personnel of the Company

	Six Months Ended June 30 (Unaudited)	
	2019	2018
Compensation (see Notes 25, 26 and 27)	**₱521,282**	₱586,564
Termination benefits	**52,050**	52,478
Vacation leaves and sick leaves	**19,760**	26,093
Pension benefits (see Note 30)	**8,816**	25,210
	₱601,908	₱690,345

24. **Revenues**

Set out below is the disaggregation of the Company's revenues for the period ended June 30, 2019 and 2018:

	Six Months Ended June 30 (Unaudited)	
	2019	2018
Advertising revenue	**₱11,286,442**	₱9,576,572
Subscription revenue	**6,740,947**	6,533,715
Sale of goods	**1,343,036**	1,365,544
Income from film exhibition	**534,515**	367,633
Sponsorship revenue	**185,940**	191,462
Royalty income	**131,286**	82,638
Admission revenue / ticket sales	**90,340**	83,081
Installation service revenue	**72,747**	73,787
Service fee revenue	**23,335**	31,524
Telecommunications revenue	**–**	178,851
Ancillary rights and other revenues	**368,565**	395,754
Total revenue from contracts with customers	**20,777,153**	18,880,561
Channel lease and other rental income	**25,112**	55,640
Total revenues	**₱20,802,265**	₱18,936,201

25. **Production Costs**

	Six Months Ended June (Unaudited)	
	2019	2018
Personnel expenses and talent fees (see Notes 23 and 30)	**₱3,232,273**	₱3,264,930
Facilities-related expenses (see Notes 23 and 31)	**1,138,578**	939,567
Amortization of program rights (see Note 12)	**540,222**	526,628
Depreciation and amortization (see Note 10)	**459,147**	528,574
Travel and transportation	**399,299**	374,763
License and royalty	**317,753**	248,891
Set requirements	**130,472**	156,534
Catering and food expenses	**107,381**	115,190
Other program expenses (see Notes 12 and 23)	**361,533**	300,440
	₱6,686,658	₱6,455,517

Personnel expenses include talent fees, salaries and other employee benefits.

Other program expenses consist of production expenses including, but not limited to, prizes and other expenses related to the promotional activities of various projects during the year.

26. Cost of Sales and Services

Cost of services consists of the following:

	Six Months Ended June 30 (Unaudited)	
	2019	2018
Facilities-related expenses (see Notes 23 and 31)	**₱1,300,088**	₱1,378,813
Programming costs	**940,964**	976,800
Depreciation and amortization (see Note 10)	**902,871**	886,701
Personnel expenses (see Notes 23 and 30)	**873,059**	734,933
Bandwidth costs	**375,956**	352,717
Amortization of program rights (see Note 12)	**133,678**	110,374
Transportation and travel	**85,866**	129,338
Inventory costs (see Note 8)	**55,312**	35,507
Freight and delivery	**46,627**	49,635
Taxes and licenses	**44,423**	48,080
Stationery and office supplies	**29,726**	27,907
License fees and royalties	**26,962**	25,803
Catering and food expenses	**10,153**	16,968
Amortization of other intangible assets (see Note 12)	**8,601**	9,383
Set requirements	**4,375**	7,286
Amortization of deferred charges (see Note 15)	**292**	6,993
Installation costs	**111**	200
Interconnection costs	**–**	81,560
Transaction costs	**–**	11,766
Others (see Note 23)	**316,412**	251,948
	₱5,155,476	₱5,142,712

Personnel expenses include salaries, bonuses, retirement and separation pay and other employee benefits.

Amortization of movie in-process and filmed entertainment are recorded as part of “Cost of services” under each applicable expense account.

Cost of sales consists of the following:

	Six Months Ended June 30 (Unaudited)	
	2019	2018
Inventory costs (see Note 8)	**₱1,079,011**	₱1,101,368
Personnel expenses (see Notes 23 and 30)	**–**	13,168
Others	**7,487**	14,338
	₱1,086,498	₱1,128,874

Personnel expenses include salaries, bonuses, retirement and separation pay and other employee benefits.

27. General and Administrative Expenses

	Six Months Ended June 30 (Unaudited)	
	2019	2018
Personnel expenses (see Notes 22, 23 and 30)	**₱2,888,823**	₱2,785,284
Facilities related expenses (see Notes 23 and 31)	**593,325**	535,498
Contracted services	**462,112**	492,227
Depreciation and amortization (see Notes 10 and 11)	**372,004**	439,814
Transportation and travel	**367,888**	297,813
Advertising and promotion (see Note 9)	**359,662**	302,604
Taxes and licenses	**236,428**	224,191
Research and survey	**160,633**	163,961
Provision for doubtful accounts (see Note 7)	**94,779**	165,921
Entertainment, amusement and recreation	**49,314**	47,244
Donations and contributions	**47,708**	38,137
Amortization of other intangible assets (see Note 12)	**32,816**	18,754
Inventory losses (see Note 8)	**317**	1,113
Others	**276,793**	254,620
	₱5,792,602	₱5,767,181

Personnel expenses include salaries, bonuses, retirement and separation pay and other employee benefits.

28. Other Income and Expenses

Finance Costs

	Six Months Ended June 30 (Unaudited)	
	2019	2018
Interest expense (see Notes 18 and 20)	**₱585,728**	₱506,951
Amortization of debt issue costs (see Note 18)	**15,913**	18,773
Bank service charges	**8,745**	8,606
	₱610,386	₱534,330

The following are the sources of the Company's interest expense:

	Six Months Ended June 30 (Unaudited)	
	2019	2018
Long-term debt (see Note 18)	**₱414,826**	₱442,786
Bonds payable (see Note 18)	**160,939**	56,458
Convertible note (see Note 20)	**7,767**	7,707
Obligations under finance lease (see Note 18)	**2,196**	–
	₱585,728	₱506,951

Other Income

	Six Months Ended June 30 (Unaudited)	
	2019	2018
Leasing operations (see Note 31)	**₱26,467**	₱16,724
Dividend income	**5,959**	4,555
Management fees	**–**	850
Gain on sale of property and equipment	**612**	945
Others - net (see Notes 20 and 21)	**122,955**	237,801
	₱155,993	₱260,875

Others mainly consist of income from installation services, unclaimed deposits and service fees.

29. Income Tax and Registration with the Philippine Economic Zone Authority (PEZA)

The components of consolidated net deferred tax assets and liabilities of the Company are as follows:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Deferred tax assets - net:		
Accrued pension obligation and other employee benefits	**₱1,112,179**	₱1,199,364
Allowance for doubtful accounts	**723,629**	572,636
NOLCO	**587,724**	740,776
MCIT	**440,213**	324,713
Capitalized interest, duties, and taxes	**(234,631)**	(222,240)
Excess of the purchase price over the fair value of net assets acquired	**213,967**	284,221
Unearned revenue	**188,970**	117,331
License	**(149,828)**	(149,828)
Customers' deposits	**146,932**	160,503
Accrued expenses	**143,950**	116,271
Imputed discount	**(63,941)**	(84,536)
Net unrealized foreign exchange gain	**(21,781)**	(48,930)
Allowance for inventory obsolescence	**19,673**	13,579
Allowance for impairment loss on property and equipment	**3,306**	1,531
Others	**6,430**	(4,588)
	₱3,116,792	₱3,020,803
Deferred tax liability -		
Excess of the fair value over the book value of net assets acquired	**₱138,271**	₱138,271

The details of the deductible temporary differences, NOLCO and MCIT of the Parent Company and certain subsidiaries for which no deferred tax assets were recognized are as follows:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
NOLCO	**₱1,721,582**	₱1,482,952
Allowance for doubtful accounts	**740,075**	698,945
Accrued pension obligation and others	**319,273**	393,296
Allowance for impairment loss on property and equipment	**83,846**	83,846
Allowance for decline in value of inventories	**79,760**	92,145
MCIT	**7,873**	3,172
Unearned revenue	**2,087**	126,802

Management believes that it is not probable that taxable income will be available against which these temporary differences, NOLCO and MCIT will be utilized.

NOLCO amounting to ₱897 million have expired and were written off in December 31, 2018. NOLCO amounting to ₱537 million and ₱49 million were claimed as deduction against taxable income as at June 30, 2019 and December 31, 2018, respectively. MCIT amounting to ₱45 million were claimed as deduction against RCIT as at June 30, 2019.

MCIT of certain subsidiaries amounting to ₱448 million can be claimed as tax credit against future RCIT as follows:

Year Paid	Expiry Dates	Amount
2016	December 31, 2019	₱521
2017	December 31, 2020	83,990
2018	December 31, 2021	207,288
2019	December 31, 2022	156,287
		₱448,086

NOLCO of certain subsidiaries amounting to ₱3,681 million can be claimed as deductions from future taxable income as follows:

Year Incurred	Expiry Dates	Amount
2016	December 31, 2019	₱1,423,759
2017	December 31, 2020	918,006
2018	December 31, 2021	962,257
2019	December 31, 2022	376,639
		₱3,680,661

As at June 30, 2019 and December 31, 2018, deferred tax liability on undistributed earnings of ABS-CBN Global, holding company of the Parent Company's foreign subsidiaries, amounting to ₱2,070 million and ₱1,976 million, respectively, has not been recognized because the Parent Company has control over such earnings, which have been earmarked for expansion in the Company's foreign operations and are not expected to reverse in the foreseeable future.

The reconciliation of statutory tax rate to effective tax rates applied to income before income tax is as follows:

	Six Months Ended June 30 (Unaudited)	
	2019	2018
Statutory tax rate	**30%**	30%
Additions to (reduction in) income taxes resulting from the tax effects of:		
Interest income subjected to final tax	**(12)**	(16)
Nondeductible interest expense	**4**	5
Change in unrecognized deferred tax assets and others	**(12)**	(7)
Effective tax rates	**9%**	12%

The income tax on profits of overseas subsidiaries have been calculated at the rates of tax prevailing in the countries where such subsidiary operates, based on existing legislation, interpretations and practices in respect thereof.

Registration with the PEZA
On July 14, 2009, the PEZA approved the application of Big Dipper for registration as an Ecozone Information Technology (IT) Enterprise to provide digital film archiving, digital central library, content licensing and transmission at the 3rd Floor, Eugenio Lopez, Jr. Communications Center, Eugenio Lopez Drive, Quezon City.

Registration with the Board of Investments
On April 8, 2015, the Board of Investments approved PII's project as a New Operator of Tourism Entertainment Complex – Educational Theme Park and was granted income tax holiday for four years beginning April 2015. Total income tax holiday incentives availed by PII amounted to ₱3 million for the six months ended June 30, 2019 and 2018.

30. Pension and Other Employee Benefits

Accrued pension obligation and other employee benefits consist of:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Pension obligation	**₱4,224,972**	₱3,925,615
Other employee benefits	**1,760,132**	1,674,467
	₱5,985,104	₱5,600,082

These are presented in the consolidated statements of financial position as follows:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Current (see Note 17)	**₱1,678,775**	₱1,570,191
Noncurrent	**4,306,329**	4,029,891
	₱5,985,104	₱5,600,082

a. Pension Plan

The Company's pension plans are composed of funded (Parent Company and Sky Cable) and unfunded (other subsidiaries), noncontributory and actuarially computed defined benefit pension plans, except for ABS-CBN International (contributory), covering substantially all of its employees. The benefits are based on years of service and compensation during the last year of employment. Actuarial valuation is performed every year-end.

The following tables summarize the components of consolidated net pension expense recognized in the consolidated statements of income and accrued pension obligation recognized in the consolidated statements of financial position:

<u>Net Pension Expense</u>

	Six Months Ended June 30 (Unaudited)	
	2019	2018
Current service cost	**₱271,402**	₱182,955
Net interest cost	**122,249**	41,243
Net pension expense	**₱393,651**	₱224,198

<u>Accrued Pension Obligation</u>

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Present value of obligation	**₱6,184,865**	₱5,841,573
Fair value of plan assets	**(1,959,893)**	(1,915,958)
Accrued pension obligation	**₱4,224,972**	₱3,925,615

Income tax effect of re-measurement gains and losses on defined benefit plan presented in OCI amounted to ₱139 million as at December 31, 2018.

The Parent Company and Sky Cable expect to contribute ₱934 million and ₱460 million, respectively, to the retirement fund in 2019.

The major categories of the fair value of total plan assets are as follows:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Investment in fixed/floating rate treasury note	**₱199,371**	₱193,512
Investment in government securities and bonds	**537,340**	429,175
Investment in stocks	**1,214,618**	1,268,364
Others	**8,564**	24,907
	₱1,959,893	₱1,915,958

The ranges of principal assumptions used in determining pension benefit obligations for the Company's plans are shown below:

	December 31, 2018
Discount rate	**5.71%-7.47%**
Future salary rate increases	**3.0%-7.0%**

ABS-CBN

The pension fund is actively managed by the retirement committee, composed of five members, four of whom are executive staff of the Parent Company and beneficiaries of the plan.

The retirement committee of the beneficial trust fund uses an investment approach with the objective of maximizing the long-term expected return of plan assets. The plan's investment portfolio seeks to achieve regular income, long-term capital growth and consistent performance over its own portfolio benchmark. In order to attain this objective, the Trustee's mandate is to invest in a diversified portfolio of fixed income and equities. The investment portfolio consists of investment in equity and fixed income securities of 67% and 33% as at June 30, 2019 and December 31, 2018. The Parent Company contributed ₱196 million in 2018.

On July 27, 2010, the retirement committee of the retirement fund approved the following:

a. Acquisition of ABS-CBN securities to fully fund the retirement fund deficiency;
b. Allow the acquisition of Lopez Holdings shares and shares of other listed companies;
c. Migrate to an investment management account arrangement in lieu of a "Trusteed" arrangement with BDO; and
d. Appoint an investment officer of the retirement plan.

The fair value of ABS-CBN's plan assets as at June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Fixed Income:		
Short-term	**₱86,752**	₱102,203
Medium and long-term:		
Government securities	**376,716**	252,550
Corporate bonds	**137,722**	153,631
Preferred shares	**3,548**	3,641
Peso bond mutual funds	**53**	11,654
Equities:		
Investment in shares of stock and other securities of related parties	**907,089**	961,081
Common shares and unit investment trust fund (UITF)	**302,812**	293,998
	₱1,814,692	₱1,778,758

Short-term Fixed Income. Short-term fixed income investment includes time deposit, special deposit account and special savings account with interest ranging from 2% to 6% in 2019 and from 5% to 7% in 2018.

Medium and Long-term Fixed Income. Investments in medium and long-term fixed income include Philippine peso-denominated bonds, such as government securities, corporate bonds, notes and debt securities and equity investment in preferred shares.

Government securities include treasury bills and fixed-term treasury notes bearing interest ranging from 3% to 10% and 4% to 9% in 2019 and 2018, respectively. These securities are fully guaranteed by the government of the Republic of the Philippines.

Investment in unsecured corporate bonds amounted to ₱138 million and ₱154 million with terms ranging from 2 to 15 years and 7 years to 15 years as at June 30, 2019 and December 31, 2018, respectively. Yield to maturity rate ranges from 4% to 8% in 2019 and 2018.

Investment in peso bond mutual fund has a total cost and fair value of ₱51 thousand and ₱53 thousand and ₱5 million and ₱12 million as at June 30, 2019 and December 31, 2018, respectively.

In 2019 and 2018, investment in preferred stock refers to 5,700 shares with a total cost of ₱4 million and loss of ₱152 thousand and ₱170 thousand, respectively. The fair value of preferred stock is ₱4 million as at June 30, 2019 and December 31, 2018, respectively.

Equities. These pertain to investments in shares of stock and other securities of related parties and other companies listed in the PSE.

Investments in Shares of Stock and Other Securities of Related Parties. These pertain to investments in ABS-CBN PDRs and common shares and Lopez Holdings and Rockwell Land common shares.

	June 30, 2019 (Unaudited – Six Months)			
	Number of Shares	**Cost**	**Fair Value**	**Unrealized Gain (Loss)**
ABS-CBN PDRs	**34,903,218**	**₱1,515,864**	**₱587,770**	**(₱928,094)**
ABS-CBN Common	**501,320**	**24,052**	**8,613**	**(15,439)**
Lopez Holdings	**65,996,580**	**227,178**	**272,566**	**45,388**
Rockwell Land	**17,103,433**	**34,476**	**38,140**	**3,664**
	118,504,551	**₱1,801,570**	**₱907,089**	**(₱894,481)**

	December 31, 2018 (Audited – One Year)			
	Number of Shares	Cost	Fair Value	Unrealized Gain (Loss)
ABS-CBN PDRs	34,903,218	₱1,515,864	₱652,690	(₱863,174)
ABS-CBN Common	501,320	24,052	10,026	(14,026)
Lopez Holdings	65,996,580	227,178	263,986	36,808
Rockwell Land	17,103,433	34,476	34,379	(97)
	118,504,551	₱1,801,570	₱961,081	(₱840,489)

As at June 30, 2019 and December 31, 2018, the value of each ABS-CBN PDRs held by the retirement fund is at ₱16.84.

Total loss from investments in shares of stock and other securities of related parties amounted to ₱894 million and ₱840 million in 2019 and 2018, respectively.

Investments in Common Shares and UITF. Common shares pertain to 15,516,9244 shares and 29,493,504 shares listed in the PSE in 2019 and 2018, respectively, with fair value of

₱246 million and ₱294 million as at June 30, 2019 and December 31, 2018, respectively. Total gain (loss) from these investments amounted to (₱82) million in 2019 and ₱53 million in 2018.

Sky Cable and PCC
Sky Cable's retirement benefit fund is being maintained by trustee banks, BDO and Rizal Commercial Banking Corporation.

The fair value of Sky Cable's plan assets as at June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Short-term fixed income	**₱4,965**	₱12,436
Investment in medium and long-term fixed income:		
Government securities	**112,618**	97,175
Corporate bonds and debt securities	**22,902**	19,508
Unit investment trust fund	**1,746**	4,830
Investment in shares of stock of First Gen Corporation (First Gen)	**1,051**	1,030
Preferred shares	**1,920**	2,221
	₱145,202	₱137,200

Short-term Fixed Income. Short-term fixed income investment includes time deposit, special deposit account and special savings account with average interests of 6.6% and 3.6% as at June 30, 2019 and December 31, 2018, respectively.

Medium and Long-term Fixed Income. Investment in medium and long-term fixed income include Philippine peso-denominated bonds, such as government securities, corporate bonds, notes and debt securities.

Investment in Government Securities. Investment in government securities include treasury bills and fixed-term treasury notes bearing interest ranging from 2.9% to 7.90% as at June 30, 2019 and December 31, 2018. These securities are fully guaranteed by the government of the Republic of the Philippines. Total loss from investments in government securities amounted to ₱435 thousand and ₱1 million as at June 30, 2019 and December 31, 2018, respectively.

Investment in Corporate Bonds. These pertain to ₱23 million and ₱20 million unsecured bonds with terms ranging from 5 to 10 years and 6 to 10 years as at June 30, 2019 and December 31, 2018, respectively. Yield to maturity rate ranges from 4.6% to 6.8% with a loss of ₱48 thousand and ₱45 thousand in 2019 and 2018, respectively.

Investment in Debt Securities. This refers to a ₱3 million and ₱5 million unsecured subordinated note with a term of 5 years and yield to maturity of 6.7% as at June 30, 2019 and December 31, 2018, respectively. Accrued interest receivable amounted to ₱58 thousand as at June 30, 2019.

Investments in Shares of Stock of First Gen. These refer to investments in preferred shares of First Gen which is listed in the PSE.

Total cost and fair value of investments in shares of stock of First Gen amounted to ₱1 million as at June 30, 2019 and December 31, 2018. Total gain from these investments amounted to ₱50 thousand and ₱30 thousand in 2019 and 2018, respectively.

Investments in Shares. These refer to investments in shares of stock other than those of the related parties.

b. Other Employee Benefits

Other employee benefits consists of accumulated employee sick and vacation leave entitlement.

Net Benefit Expense

	Six Months Ended June 30 (Unaudited)	
	2019	2018
Current service cost	**₱67,156**	₱66,793
Interest cost	**44,263**	49,395
Net benefit expense	**₱111,419**	₱116,188

Consolidated changes in the present value of the defined benefit obligation are as follows:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Defined benefit obligation at beginning of year	**₱1,674,467**	₱1,828,560
Current service cost	**67,156**	188,441
Interest cost	**44,263**	88,525
Actuarial loss	**–**	(83,264)
Benefits paid	**(25,754)**	(347,795)
Defined benefit obligation at end of year	**₱1,760,132**	₱1,674,467

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

	2018
	Increase (Decrease) in Defined Benefit Obligation
Discount rate:	
Increase by 1%	(₱358,247)
Decrease by 1%	492,165
Future salary increases:	
Increase by 1%	₱533,976
Decrease by 1%	(401,945)

Shown below is the maturity analysis of the undiscounted benefit payments:

Year	December 31, 2018
One year	₱481,740
More than one year but less than five years	2,638,071
More than five years but less than ten years	3,848,768
Beyond ten years	16,991,187

The average duration of the defined benefit obligation at the end of the period ranges from 13 to 20 years.

31. **Commitments**

Deal Memorandum with DirecTV

On June 1, 2005, the Parent Company and ABS-CBN International entered in to a 25-year Deal Memorandum (Memorandum) with DirecTV in which the Parent Company granted DirecTV the exclusive right via satellite, internet protocol technology and satellite master antenna television system or similar system, to display, exhibit, perform and distribute certain programs of the Parent Company that are listed in the Memorandum. ABS-CBN International may engage in any marketing plan mutually agreed by both parties. All costs under any mutually agreed marketing plans shall be shared equally between DirecTV and ABS-CBN International.

As provided in the Memorandum, all rights, title and interest in and to the content, discrete programs or channels not granted to DirecTV are expressly reserved by the Parent Company. All programming decisions with respect to the programs shall be in the Parent Company's commercially reasonable discretion, including the substitution or withdrawal of any scheduled programs, provided that the Parent Company agrees that the programs will consist substantially the same content and genre provided for in the Memorandum.

The Memorandum also provides that subscription revenues, computed as the current and stand alone retail price per month for a subscription to The Filipino Channel multiplied by the average number of subscribers, shall be divided equally between DirecTV and ABS-CBN International.

ABS-CBN International's subscription revenue earned from subscribers that have migrated to DirecTV amounted to ₱319 million and ₱357 million for the six months ended June 30, 2019 and 2018, respectively.

Operating Lease

As Lessee. The Parent Company and subsidiaries lease office facilities, space and satellite equipment. Future minimum rental payable under non-cancelable operating leases are as follows:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Within one year	**₱215,738**	₱173,138
After one year but not more than five years	**769,325**	697,605
After five years but not more than ten years	**158,616**	220,860
	₱1,143,679	₱1,091,603

As Lessor. The Parent Company has entered into commercial property leases on its building, consisting of the Parent Company's surplus office buildings. These non-cancelable leases have remaining non-cancelable lease terms of 3 to 5 years. All leases include a clause to enable upward revision of the rental charge on a predetermined rate.

Future minimum rental receivable under non-cancelable operating leases are as follows:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Within one year	**₱39,389**	₱65,763
After one year but not more than five years	**2,792**	72,923
	₱42,181	₱138,686

Obligations under Finance Lease
The Company has finance leases over various items of equipment and IRU granted by various telecommunication companies. Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Within one year	**₱9,778**	₱9,777
After one year but not more than five years	**15,163**	24,307
Total minimum lease payments	**24,941**	34,084
Less amounts representing finance charges	**4,152**	5,669
Present value of minimum lease payments	**20,789**	28,415
Less current portion (see Note 18)	**3,975**	7,413
Noncurrent portion (see Note 18)	**₱16,814**	₱21,002

The carrying amount of property and equipment under finance lease amounted to ₱365 million and ₱311 million as at June 30, 2019 and 2018, respectively (see Notes 10 and 31).

Purchase Commitments
Sky Cable has commitments with various program suppliers for a period of 1 to 5 years. Channel license fees are based on fixed and variable rates. Estimated fees for the next four years are as follows:

Year	Amount*
Within one year	₱1,155,087
After one year but not more than five years	1,807,089

**Includes variable fees based on the number of active subscribers as at December 31, 2018.*

Network Sharing Agreement
On May 28, 2013, ABS-CBN announced its network sharing agreement with Globe Telecom, Inc. (Globe). This partnership enables ABS-CBN to deliver ABS-CBN content and offer traditional telecommunication services on mobile devices. Through the network-sharing agreement, Globe will provide capacity and coverage on its existing cellular mobile telephony network to ABS-C on a nationwide basis. The parties may also share assets such as servers, towers, and switches. The Company recognized interconnection cost amounting to nil and ₱49 million for the six months ended June 30, 2019 and 2018, respectively (see Note 26). The network sharing agreement with Globe expired on November 30, 2018 and was no longer renewed.

Construction Contracts
Play Innovations entered into various construction contracts for the development of an educational theme park under the franchise license of KidZania brand in the Philippines. The contract value committed for the significant construction contracts amounted to ₱1,165 million as at December 31, 2016. All outstanding construction projects have been significantly completed in 2017.

32. Financial Risk Management Objectives and Policies

Capital Management
The Company's capital structure pertains to the mix of long-term sources of funds. When the Company expands, it needs capital, and that capital can come from debt or equity.

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios and strong credit ratings while viably supporting its business to maximize shareholder value.

The Company's approach focuses on efficiently allocating internally generated cash for operational requirements and investments to grow the existing business as well as to deliver on its commitment of a regular dividend payout at a maximum of 50% of the previous year's net income. Shortages if any and acquisitions or investments in new business are funded by the incurrence of additional debt largely capped by existing loan covenants on financial ratios.

33. Financial Assets and Financial Liabilities

The following tables set forth the carrying amounts and estimated fair values of consolidated financial assets and liabilities recognized as at June 30, 2019 and December 31, 2018. There are no material unrecognized financial assets and liabilities as at June 30, 2019 and December 31, 2018.

	June 30, 2019 (Unaudited – Six Months)				
	Carrying Amount	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets					
Financial assets at amortized cost::					
Deposits (included under "Other noncurrent assets" account in the consolidated statements of financial position)	**₱324,620**	**₱280,116**	**₱–**	**₱–**	**₱280,116**
Financial assets at FVOCI	**271,052**	**271,052**	**197,072**	**–**	**73,980**
	₱595,672	**₱551,168**	**₱197,072**	**₱–**	**₱354,096**
Financial Liabilities					
Other financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	**₱33,068,636**	**₱34,229,902**	**₱–**	**₱–**	**₱34,229,902**
Obligations for program rights	**657,689**	**703,486**	**–**	**703,486**	**–**
Convertible note	**228,985**	**273,591**	**–**	**–**	**273,591**
Customers' deposits (included as part of "Other noncurrent liabilities")	**304,933**	**276,064**	**–**	**–**	**276,064**
	₱34,260,243	**₱35,483,043**	**₱–**	**₱703,486**	**₱34,779,557**

	December 31, 2018 (Audited – One Year)				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
Loans and receivables:					
Deposits (included under "Other noncurrent assets" account in the consolidated statements of financial position)	₱297,525	₱278,087	₱–	₱–	₱278,087
AFS investments - quoted	268,304	268,304	194,324	–	73,940
	₱565,829	₱546,391	₱194,324	₱–	₱352,027
Financial Liabilities					
Other financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	₱28,225,496	₱28,347,441	₱–	₱–	₱28,347,441
Obligations for program rights	983,423	871,681	–	871,681	–
Convertible note	221,217	265,823	–	–	265,823
Customers' deposits (included as part of "Other noncurrent liabilities")	353,758	324,889	–	–	324,889
	₱29,783,894	₱29,809,834	₱–	₱871,681	₱28,938,153

<u>Fair Value of Financial Instruments</u>

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and Cash Equivalents, Short-term Investments, Trade and Other Receivables and Trade and Other Payables. Due to the short-term nature of transactions, the fair values of these instruments approximate the carrying amounts as at financial reporting date.

Deposits. Fair value of these instruments is computed by discounting future cash flows using the risk-free interest rates for similar type of instruments adjusted for credit risk.

AFS Investments/Financial assets at FVOCI. The fair values of publicly-traded instruments were determined by reference to market bid quotes as at financial reporting date. The fair values of the non-listed equity investments have been estimated using a discounted cashflow model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these non-listed equity investments.

Interest-bearing Loans and Borrowings. Fair value was computed based on the following:

	Fair Value Assumptions
Term loans	Estimated fair value is based on the discounted value of future cash flows using the applicable risk-free rates for similar types of loans adjusted for credit risk. The interest rates used to discount the future cash flows have ranged from 0.4% to 3.7%.
Other variable rate loans	The face value approximates fair value because of recent and frequent repricing (i.e., 3 months) based on market conditions.

Obligations for Program Rights. Estimated fair value is based on the discounted value of future cash flows using the applicable risk-free rates for similar types of loans adjusted for credit risk.

Convertible Note. In 2019 and 2018, fair value was computed based on the discounted value of future cash flows using the applicable BVAL rate.

Customers' Deposits. The fair values were calculated by discounting the expected future cash flows using the applicable BVAL rates ranging from 2.7% to 4.7% in 2019.

There were no transfers between levels in the fair value hierarchy as at June 30, 2019 and December 31, 2018.

Offsetting of Financial Assets and Financial Liabilities
There is no offsetting of financial assets and financial liabilities as at June 30, 2019 and December 31, 2018.

34. EPS Computations

Basic EPS amounts are calculated by dividing the net income for the period attributable to common shareholders by the weighted average number of common shares outstanding (net of PDRs) during the period.

The following table presents information necessary to calculate EPS:

	Six Months Ended June 30 (Unaudited)	
	2019	2018
Net income attributable to equity holders of the Parent Company	**₱1,552,150**	₱849,882
Dividends on preferred shares	**(4,000)**	(4,000)
(a) Net income attributable to common equity holders of the Parent Company	**₱1,548,150**	₱845,882
(b) Weighted average number of shares outstanding:		
At beginning of year	**822,972,436**	822,972,436
Issuances of common shares	**–**	8,100,622
At end of year	**822,972,436**	831,073,058
Basic/diluted EPS (a/b)	**₱1.881**	₱1.018

The Company has no dilutive potential common shares outstanding, therefore basic EPS is the same as diluted EPS.

35. Note to Consolidated Statements of Cash Flows

	Six Months Ended June 30 (Unaudited)	
	2019	2018
Noncash investing activities:		
Acquisitions of program rights on account	**95,173**	201,256

Changes in liabilities arising from financing activities:

	January 1, 2019 (Audited)	**Cash flows**	**Noncash changes**	**June 30, 2019** (Unaudited)
Term loans	**₱28,197,080**	**₱4,871,766**	**(₱20,999)**	**₱33,047,847**
Obligations under finance leases	**28,415**	**(7,626)**	**–**	**20,789**
Interest payable (Note 17)	**309,525**	**(556,439)**	**577,960**	**331,046**
Dividends payable (Note 17)	**286,024**	**(462,893)**	**477,061**	**300,192**
Deposits for future subscription (Note 17)	**1,287,014**	**–**	**31,109**	**1,318,123**
Total liabilities from financing activities	**₱30,108,058**	**₱3,844,808**	**₱1,065,132**	**₱35,017,997**

	January 1, 2018	Cash flows	Noncash changes	December 31, 2018 (Audited)
Term loans	₱20,362,938	₱7,817,849	₱16,293	₱28,197,080
Obligations under finance leases	23,767	(11,986)	16,634	28,415
Interest payable (Note 17)	225,697	(962,001)	1,045,829	309,525
Dividends payable (Note 17)	257,961	(766,831)	794,894	286,024
Deposits for future subscription (Note 17)	1,220,000	–	67,014	1,287,014
Total liabilities from financing activities	₱22,090,363	₱6,077,031	₱1,940,664	₱30,108,058

Noncash changes include effect of accrual of dividends and interests, amortization of debt issue costs and the accretion of interest on finance leases.

36. Contingent Liabilities and Other Matters

a. The Parent Company has contingent liabilities with respect to claims and lawsuits filed by third parties. The events that transpired last February 4, 2006, which resulted in the death of 71 people and injury to about 200 others led the Parent Company to shoulder the burial expenses of the dead and medical expenses of the injured, which did not result in any direct or contingent financial obligation that is material to the Parent Company. The Parent Company has settled all of the funeral and medical expenses of the victims of the tragedy. Given the income flows and net asset base of the Parent Company, said expenses do not constitute a material financial obligation of the Parent Company, as the Parent Company remains in sound financial position to meet its obligations.

   As at June 30, 2019, the claims, including those in connection with the events of February 4, 2006, are still pending and remain contingent liabilities. While the funeral and medical expenses have all been shouldered by the Parent Company, there still exist claims for compensation for the deaths and injuries, the amount of which have not been declared and cannot be determined with certainty at this time. Management is nevertheless of the opinion that should there be any adverse judgment based on these claims, this will not materially affect the Parent Company's financial position and performance.

b. In relation to the consolidation of Sky Cable and Home Cable in 2004, a competitor television broadcasting company (complainant) filed a case before the National Telecommunications Commission (NTC) for unlawful merger and unlawful cross-ownership and common control and operations of telecommunications companies and cable companies with a prayer for cease and desist order. As at June 30, 2019, the case is still pending before the NTC. Management believes that the case filed by the complainant is without legal basis and would not have a material impact on the consolidated financial statements.

c. The Company is also subject to periodic examinations by tax authorities and has other legal cases in the ordinary course of business, which are pending in courts or under protest. In consultation with its legal counsel, management believes that the outcome of these examinations and cases are not material to affect the Company's financial position and financial performance.

   Disclosure of additional details beyond the present disclosures may seriously prejudice the Company's position. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only general descriptions were provided.

Exhibit A – Aging of Accounts Receivable

As of June 30, 2019 (Unaudited)

	Neither Past Due nor Impaired	**Past Due but not Impaired**		**Impaired**	**Allowance**	**Total**
		Less than 30	**30 Days and Over**			
Trade receivables:						
Airtime	**₱4,237,557**	**₱799,271**	**₱791,626**	**₱102,480**	**(₱280,674)**	**₱5,620,260**
Subscriptions	**288,772**	**208,297**	**207,449**	**2,051,627**	**(1,621,615)**	**1,134,530**
Others	**796,092**	**139,790**	**689,805**	**367,065**	**(294,185)**	**1,698,567**
Nontrade receivables	**179,667**	**398,806**	**715,191**	**39,877**	**(66,636)**	**1,266,905**
Due from related parties	**–**	**–**	**255,500**	**–**		**255,500**
	₱5,502,088	**₱1,546,164**	**₱2,659,571**	**₱2,561,049**	**(₱2,263,110)**	**₱10,005,762**

As of December 31, 2018 (Audited)

	Neither Past Due nor Impaired	Past Due but not Impaired		Impaired	Allowance	Total
		Less than 30	30 Days and Over			
Trade receivables:						
Airtime	₱4,674,408	₱570,997	₱694,838	₱192,722	(₱317,485)	₱5,815,480
Subscriptions	279,930	73,782	654,172	1,564,701	(1,342,220)	1,230,365
Others	961,073	187,913	737,050	432,863	(320,749)	1,998,150
Nontrade receivables	465,869	128,024	302,937	39,470	(69,500)	866,800
Due from related parties	–	–	458,285	–	–	458,285
	₱6,381,280	₱960,716	₱2,847,282	₱2,229,756	(₱2,049,954)	₱10,369,080

SIGNATURES

For the SEC 17-Q Second Quarter 2019 Report

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 thereunto duly authorized.

Registrant: ABS-CBN Corporation

By:

ALDRIN M. CERRADO

Chief Financial Officer

Date: ____________