



September 1, 2020

**THE SECURITIES AND EXCHANGE COMMISSION**

Secretariat Building, PICC Complex,  
Roxas Boulevard, Pasay City

**Attention : HON. VICENTE GRACIANO P. FELIZMENIO, JR.**  
Director, Markets and Securities Regulation Department

Gentlemen:

**ABS-CBN Corporation - Definitive Information Statement**

In connection with the 2020 Annual Stockholders' Meeting of ABS-CBN Corporation to be held on September 24, 2020, we are hereby submitting the company's Definitive Information Statement.

We have addressed the comments and the additional requirements contained in the checklist attached to your letter dated August 18, 2020, which checklist we enclose with our responses for your reference.

We appreciate your reminders on the disclosure requirements under Section 49 of the Revised Corporation Code ("RCC"). We have complied with such disclosure requirements, either through the disclosures in the minutes of the annual general meeting held on April 25, 2019 or in the Definitive Information Statement. We intend to hold this year's annual general meeting by remote communication and allow voting *in absentia* and will comply with the provisions of the RCC and SEC Memorandum Circular No. 6, Series of 2020. We will also comply with the SEC's Notice on the alternative mode for the distribution of the notice of the annual stockholders' meeting, the definitive information statement and other documents.

We hope we have fully complied with your requirements and receive your prompt approval on our enclosed Definitive Information Statement.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'Enrique I. Quiason'.

**ENRIQUE I. QUIASON**  
Corporate Secretary

<b>ABS CBN CORPORATION</b>			
SEC Form 20-IS Preliminary filed on August 17, 2020			
Checklist of Requirements	Page No.	Remarks	Compliance
THE COMPANY IS ADVISED OF THE NOTICE dated April 20, 2020 RE: ALTERNATIVE MODE FOR DISTRIBUTING and PROVIDING COPIES OF THE NOTICE OF MEETING, INFORMATION STATEMENT, and OTHER DOCUMENTS IN CONNECTION WITH THE HOLDING OF ANNUAL STOCKHOLDERS' MEETING("ASM") FOR 2020			The Notice of Meeting is published through The Philippine Star and BusinessWorld from September 2 – 3, 2020
		Submit proof of payment of the PIS	Proof of payment emailed to <a href="mailto:MSRD_COVID@sec.gov.ph">MSRD_COVID@sec.gov.ph</a> on August 28, 2020
Part I.			
B. Control and Compensation Information			
ITEM 4. VOTING SECURITIES & PRINCIPAL HOLDERS			
ITEM 5. DIRECTORS & EXECUTIVE OFFICERS			
Submit a certification that none of directors and officers works in government and if there is, submit a letter consent from the head of the Department/Agency.			Please see attached Certification as executed by our Corporate Secretary, Atty. Enrique I. Quiason.
Information required by Part IV paragraphs (A), (D)(1) and (D)(3) of "Annex C"			
(A)(1) Identify Directors, including Independent Directors and Executive Officers		(1) The company is advised SEC Memo. Circular No. 4, Series of 2017 re: Term Limit of Independent Directors. (2) Submit updated Certification on the Qualifications and Disqualification of Independent Directors pursuant to SEC Memo. Circular No. 5, Series of 2017.	Please see attached Certifications of our independent directors, Mr. Antonio Jose U. Periquet and Mr. Emmanuel De Dios.
(a) Names, ages and citizenship of all Directors, including independent directors and Executive Officers and all persons nominated or chosen to become such;	21	Indicate educational attainment of the followings: (i) Mr. Roberto V. Barreiro, Head, Customer Engagement; (ii) Nilda L. Bayani, Head, Human Resources and Organizational Development;	The educational attainment of the said officers have been indicated. Please see pages 21-23.
(b) List of positions and offices such persons held or will hold;			The educational attainment of:
(c) Term of office as a Director and the period which the person has served;			i. Roberto V. Barreiro
(d) Brief description of person's business experience (last five years); and			ii. Nilda L. Baynai,
			iii. Rosanna H. Trinidad

(e) Identification of other directorship held in reporting companies.		and (iii) Rosanna H. Trinidad, Head, Integrated Sales	have been provided in pages 21-23.
<b>ITEM 6. COMPENSATION OF DIRECTORS &amp; EXECUTIVE OFFICERS</b>			
If action to be taken with regard to election, any bonus, profit sharing, pension/retirement plan granting of extension of any option, warrant or right to purchase any securities, furnish the following:			
(1) Summary Compensation Table	26	2020 Estimated Compensation of top four (4) most highly Executive Officers and others officers and Directors as a group.	2020 Estimated Compensation of Top Four (4) most highly Executive Officers and other officers and Directors as a group provided in p. 26.
<b>ITEM 7. INDEPENDENT PUBLIC ACCOUNTANTS</b>			
<i>Election, Approval or Ratification</i>			
Name of principal accountant selected/recommended	27	Revised statement that SGV & Co. will recommended in the ASM schedule on <b>September 24, 2020</b> , instead of August 24, 2020.	Revised dated to September 24, 2020 on page 27.
<b>D. Other Matters</b>			
<b>ITEM 15. ACTIONS WITH RESPECT TO REPORTS</b>			
<i>Reports of Directors, Officers, Committees or Any Minutes of a Meeting</i>		Summary of the minutes of the Board of Directors as of the latest date for ratification by the stockholders	Revised to include these matters in page 29.
State whether or not it constitutes approval/disapproval.			
Identify each of such matters intended for approval/disapproval & furnish the information required by the appropriate item(s) of this Form.			
<b>Part III. MANAGEMENT REPORT</b>			
<b>Audited Financial Statements and Interim Financial Statements</b>		Not submitted	The financial statements have been submitted.
<b>Management's Discussion and Analysis (MD&amp;A) or Plan of Operation (Required by Part III(A) of "Annex C")</b>			
No revenues from operation in each of the last two (2) fiscal years, or the last fiscal year and any interim period in the current fiscal year, shall <i>in addition to applicable items under subparagraph (2) provide the following information:</i>			MD&A submitted as Annex "A".
(1) Describe the plan of operation for the next twelve (12) months. This description includes:			

(a) how long the registrant can satisfy its cash requirements and whether it will have to raise additional funds in the next twelve (12) months;		Not complied with	Please refer to discussions under Note 3, pages 47-48 of the Audited Financial Statements (FY2019) and page 7 on the Interim Financial Statements under the Going Concern Assessment section.
(b) summary of any product research and development for the term of the plan;			
(c) any expected purchase or sale of plant and significant equipment; and			
(d) any expected significant changes in the number of employees.			
<b><i>All other registrants shall provide the following information:</i></b>			
<b>For both full fiscal years and interim periods, disclose the Company's and its majority-owned subsidiaries' top five (5) key performance indicators. It shall include a discussion of the manner by which the Company calculates or identifies the indicators presented on a comparable basis.</b>		Not complied with.	Information on key performance indicators complied in Page 58 of the DIS.
(a) Full fiscal years			
(1) Discussion of the Registrant's Financial Condition, Changes in Financial Condition and Results of Operations for each of the last 3 fiscal years.		Not complied with	Please refer to Pages 1, 2, 4 and 5 and Pages 6-13 of the 2019 MD&A.
(2) If FS shows losses from operation, explain the causes underlying these losses and the steps the registrant has taken or is taking to address these cause.			Please refer to discussions under Note 3, pages 47-48 of the Audited Financial Statements (FY2019) and page 7 on the Interim Financial Statements under the Going Concern Assessment section.
(3) Past and future financial condition and results of operation, with particular emphasis on the prospects for the future.			
(4) Key Variable and Other Qualitative and Quantitative Factors.			
If Material:			
(i) Any Known Trends, Events or Uncertainties (Material Impact on Liquidity)		Not complied with, Disclose, if any	Please refer to pages 57-58 of the DIS
(ii) <b><i>Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation</i></b>			
(iii) <b><i>All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.</i></b>			
(iv) Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures			
(v) Any Known Trends, Events or Uncertainties (Material Impact on Sales)			
(vi) Any Significant Elements of Income or Loss (from continuing operations)			
(vii) Causes for Any Material Changes from Period to Period of FS <b><i>which shall include vertical and horizontal analyses of any material item (5%)</i></b>			



The term “material” in this section shall refer to changes or items amounting to at least five percent (5%) of the relevant accounts or such lower amount, which the registrant deems material on the basis of other factors.			
(viii) Seasonal Aspects that has Material Effect on the FS			
(b) Interim Periods: Comparable discussion to assess material changes (last fiscal year and comparable interim period in the preceding year). <b><i>Disclose the required information under subparagraph (2)(a)(I) to (viii) above.</i></b>		Attach Quarterly Report SEC Form 17-Q period ended June 30, 2020.	Please see consolidated and audited FS.
<b>Market Price of and Dividends required by Part V of Annex C</b>			
<b>(1) Market Information</b>			
(b) If the information called for by paragraph (A) of this Part is being presented, the document shall also <b><i>include the price information as of the latest practicable trading date</i></b> , and in the case of securities to be issued in connection with an acquisition, business combination or other reorganization, as of the trading date immediately prior to the public announcement of such transaction.	53	Comply with the highlighted portion re: <b>include the price information as of the latest practicable trading date</b>	Complied with. Updated the trading date to August 28, 2020 in page 52.
<b>(2) Holders</b>			
(a) (i) Approximate Number of Holders of Each Class of Common Security as of the latest practicable date but in no event more than 90 days prior to filing of report.	54	Update Information to July 31, 2020 <b>(common and preferred shares)</b>	Information has been updated to July 31, 2020.
(ii) Names of the Top Twenty (20) Shareholders of Each Class			
<b>AUDITED FINANCIAL STATEMENTS</b>			
Statement of Management Responsibility on the Financial Statements  (as prescribed by SRC Rule 68, As Amended)(Financial Reporting Bulletin No. 1)			
The Management of (name of reporting company) is responsible for the preparation and fair presentation of the financial statements for the year (s) ended (date), including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and the implementing internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. The Board of Directors or Trustees reviews and approves the financial statements and submit the same to the stockholders or members. (Name of Auditing Firm), the independent auditors, appointed by the stockholders has examined the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed opinion on the fairness of presentation upon completion of such examination. Signature (Printed Name of the (1) Chairman		Not submitted	The Sworn Statement of Management Responsibility has been provided.

of the Board (2) Chief Executive Officer (3) Chief Financial Officer)			
ADDITIONAL COMPONENTS OF FINANCIAL STATEMENTS (SRC Rule 68, as amended October 2011)			
Legal matter paragraph in the Auditor's Report on each components:		Not submitted	Please refer to supplementary schedules for Retained Earnings Available for Dividend Declaration and Map of Relationships of the Companies within the Group
Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1,4 (c ))			
A reconciliation of Retained Earnings available for dividend declaration which shall present the prescribed adjustments as indicated in Annex 68-C			
A map of the conglomerate or group of companies showing the relationships between and among the company and its ultimate parent company, middle parent, subsidiaries or co-subsidiaries, and associates (Par 4(h))			
ADDITIONAL DISCLOSURE REQUIREMENTS			
Additional disclosures set forth in <u>Annex 68-D</u> shall appear on the face of the balance sheets or related notes and in the Statement of comprehensive income or related notes filed and on the face of the financial statements		Not submitted	Please refer the notes of the audited financial statements and schedules A to H of the supplementary schedules.
Disclosures of receivable/payables with related parties eliminated during consolidation (Annex 68-D)			Please refer to Schedule C1 and C2 of the supplementary schedules.
ADDITIONAL DISCLOSURE REQUIREMENTS (SRC Rule 68, as amended October 2011)			
A schedule showing financial soundness indicators in two comparative period as follows: 1) current/liquidity ratios; 2) solvency ratios, debt-to-equity ratio; 3) assets-to-equity ratio; 4) interest rate coverage ratio; 5) profitability ratio and 6) other relevant ratio as the Commission may prescribe.		Not submitted	Please refer to supplementary schedule on Financial Ratios

# COVER SHEET

[illegible]

SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

(Business Address: No. Street City/Town/Province)

Enrique I. Quiason

(Contact Person)

3415-2272

(Company Telephone Number)

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*Month*

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Definitive  
(Form Type)

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*Month*

*Day*

(Annual Meeting)

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(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

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Amended Articles Number/Section

7,985
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Total No. of Stockholders

\_\_\_\_\_

Domestic

\_\_\_\_\_

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

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#### STAMPS

## STAMPS

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## **NOTICE OF ANNUAL STOCKHOLDERS' MEETING**

**To: All Stockholders of  
ABS-CBN Corporation**

Please take notice that the Annual Meeting of the Stockholders of **ABS-CBN Corporation** will be held virtually or conducted through remote communication via [https://agm.conveneagm.com/abscbn\\_asm2020](https://agm.conveneagm.com/abscbn_asm2020) on September 24, 2020 at 8:00 a.m., to discuss the following:

### **A G E N D A**

1. Call to Order
2. Proof of Service of Notice
3. Certification of Presence of Quorum
4. Approval of the Minutes of the Annual Stockholders' Meeting held on April 25, 2019
5. Report of Management
6. Ratification of the Audited Financial Statements and Approval of Report of Management
7. Election of Directors for the Ensuing Year
8. Ratification of all acts of the Board of Directors, Executive Committee and Management for the period covering January 1, 2019 through December 31, 2019 adopted in the ordinary course of business
9. Appointment of External Auditors
10. Amendment of the Executive Stock Purchase Plan
11. Other Business
12. Adjournment

For purposes of the meeting, only stockholders of record as of August 14, 2020 are entitled to attend and vote in the said meeting.

Given the current circumstances, stockholders may only attend the meeting by remote communication, by voting in absentia, or by appointing the Chairman of the meeting as proxy.

Online participation and voting by remote communication will be available for all stockholders. Stockholders who wish to participate and vote online by remote communication will be required to register starting September 3, 2020 and until September 14, 2020. Stockholders who are not able to register as of September 14, 2020 can no longer avail of online voting but may still participate by remote communication, provided such stockholders shall register not later than September 14, 2020. The **Registration and Validation Procedures for the 2020 Annual Stockholders Meeting (Virtual)** are set out below as **Annex "A"**, as attached to this Notice and Agenda.

Stockholders intending to participate by remote communication should register at [https://agm.conveneagm.com/abscbn\\_asm2020](https://agm.conveneagm.com/abscbn_asm2020).

All stockholders who will not, are unable, or do not expect to attend the virtual meeting in person may choose to execute and send a valid proxy in writing to the Office of the Corporate Secretary, at 11F Investor Relations Office, ELJ Bldg. Mother Ignacia St. Quezon City or by email at [corporatesecretary@abs-cbn.com](mailto:corporatesecretary@abs-cbn.com) or in digital/electronic form at [https://agm.conveneagm.com/abscbn\\_asm2020](https://agm.conveneagm.com/abscbn_asm2020) on or before September 14, 2020. Proxies shall be validated beginning on September 15, 2020.

Pursuant to SEC Notice dated April 20, 2020, copies of this Notice, Information Statement, and Other Documents related to the Annual Stockholders' Meeting, shall be published through The Philippine Star and BusinessWorld.

Electronic copies of the Corporation's Information Statement, Management Report, SEC 17-A and other pertinent documents are available at its website at <https://www.abs-cbn.com/investors/asm2020> and uploaded at the PSE's EDGE disclosure system.

September 2, 2020,

By order of the Board of Directors:



**ENRIQUE QUIASON**  
Corporate Secretary

## **Annex A**

### **Registration and Validation Procedures for the 2020 Annual Stockholders Meeting (Virtual)**

**Annex A: Registration and Validation Procedures for the Virtual ASM:**

**Note: In line with the Covid-19 pandemic ABS-CBN Corporation is restricting all communications thru the online and designated email address(es) provided. Please be guided accordingly.**

1. Validation of stockholders will be from September 3, 2020 to 6:00 p.m. of September 14, 2020..
2. Stockholders who will execute a proxy must submit their duly executed proxy thru this link [https://agm.conveneagm.com/abscbn\\_asm2020](https://agm.conveneagm.com/abscbn_asm2020) on or before September 14, 2020, validation of proxies is scheduled on September 15, 2020.

*Note: For corporate stockholders, a secretary's certificate on the authorized signatory to execute the proxy is required to be submitted. Scanned copies of the secretary's certificate may be uploaded, but the Corporation reserves the right to require the submission of the originals for authentication.*

3. Stockholders who intend to participate in the virtual ASM must register thru this link [https://agm.conveneagm.com/abscbn\\_asm2020](https://agm.conveneagm.com/abscbn_asm2020) for validation starting on September 4, 2020 until September 14, 2020 and submit the following documents:

*For certificated stockholders:*

- a. Name
- b. Address
- c. Email address
- d. Contact number
- e. Scanned copy of two valid government issued IDs

*For stockholders whose shares are lodged with brokers:*

- a. Certification from broker stating the name and number of shares of the beneficial owner and that they are beneficial owner as of the record date (must be complete)
- b. Address
- c. Email address
- d. Contact number
- e. Scanned copy of two valid government issued IDs

*Note: the above documents will be subject to review for purposes of validation and we may require additional documents as needed.*

4. Validated stockholders and proxies will get a confirmation thru email and will be provided with a link to the virtual ASM and the link to cast their vote on or before September 14, 2020.
5. Validated stockholders and proxies may cast their vote through the designated link until September 14, 2020.
6. For the determination of the quorum, all shares represented by duly validated proxies will be counted as "shares represented by proxies" and shares of validated stockholders present at the virtual ASM will be counted as "shares present in person". The Corporate Secretary shall announce all the results during the meeting proper subject to final tabulation.
7. For the tabulation of votes, all validated proxies and ballots submitted on or before September 14, 2020, will be tabulated by the Office of the Corporate Secretary and validated by SGV.
8. Questions and comments may be submitted during registration and until 6:00 p.m. September 14, 2020.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b)  
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

☐ Preliminary Information Statement

☒ Definitive Information Statement

2. Name of registrant as specified in its charter:

ABS-CBN CORPORATION

3. Province, Country or other jurisdiction of incorporation or organization

QUEZON CITY, PHILIPPINES

4. SEC Identification Number: 1803

5. BIR Tax Identification Number: 000-406-761-000

6. Address of Principal Office

ABS-CBN Broadcast Center  
Sgt. Esguerra Avenue corner Mother Ignacia Street  
Quezon City 1103 Philippines

7. Registrant's telephone no. and area code: (632) 3415-22-72

8. Date, time and place of the meeting of security holders

Date : September 24, 2020

Time : 8:00 A.M.

Place : [https://agm.conveneagm.com/abscbn\\_asm2020](https://agm.conveneagm.com/abscbn_asm2020)

9. Approximate date of which the Information Statement is first to be sent or given to security holders

September 2, 2020

10. Securities registered pursuant to Sections 8 & 12 of the Code or Section 4 and 8 of the Revised Securities Act:

Common Shares

883,295,819 shares



**11. Are any or all of these securities listed on the Philippine Stock Exchange?**

Yes [ / ]    No [   ]

The Company's common shares have been listed on the Philippine Stock Exchange since 1992.

## **EXPLANATION OF AGENDA ITEMS**

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

The Chairman of the Board, Mr. Martin L. Lopez, will call to order the Annual Stockholders' Meeting.

### **2. Proof of Service of Notice**

The Corporate Secretary will be asked to certify that copies of the Notice and Agenda of the meeting, among others, were served upon the stockholders entitled to the same through publication in two (2) newspapers of general circulation, The Philippine Star and BusinessWorld, in print and online.

### **3. Certification of Presence of Quorum**

The Corporate Secretary will then certify whether or not, based on the number of shares present, through remote communication, *voting in absentia* or by proxy, a quorum exists for a valid meeting.

Pursuant to Sections 57 and 23 of the Revised Corporation Code which allow voting *in absentia* by the stockholders, the Corporation has set up [https://agm.conveneagm.com/abschn\\_asm2020](https://agm.conveneagm.com/abschn_asm2020) as the designated online web address which may be accessed by the stockholders to register and vote *in absentia* on the matters presented for resolution at the meeting. A stockholder who votes *in absentia* as well as a stockholder participating by remote communication shall be deemed present for purposes of quorum.

The following are the rules of conduct and procedures for the meeting:

- (i) Stockholders may attend the meeting via remote communication through [https://agm.conveneagm.com/abschn\\_asm2020](https://agm.conveneagm.com/abschn_asm2020). Questions and comments may be sent by email on or before September 14, 2020 at [corporatesecretary@abs-cbn.com](mailto:corporatesecretary@abs-cbn.com) and shall be limited to the Items in the Agenda.
- (ii) Each of the proposed resolutions will be shown on the screen in the venue and during the livestreaming as the same is taken up at the meeting.
- (iii) Stockholders must notify the Company of their intention to participate in the Meeting by remote communication to be included in determining quorum, together with the stockholders who voted *in absentia* and by proxy.
- (iv) Voting shall only be allowed for Stockholders registered in the online system through [https://agm.conveneagm.com/abschn\\_asm2020](https://agm.conveneagm.com/abschn_asm2020) or through the Chairman of the meeting as proxy.
- (v) Stockholders voting *in absentia*, who have previously registered through [https://agm.conveneagm.com/abschn\\_asm2020](https://agm.conveneagm.com/abschn_asm2020), may cast their votes electronically at any time using such online web address prior to or during the meeting.
- (vi) All the items in the Agenda for the approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the issued and outstanding voting stock present at the meeting.
- (vii) Election of directors will be by plurality of votes and every stockholder will be entitled to cumulate his votes.
- (viii) The Office of the Corporate Secretary will tabulate all votes received and an independent third party will validate the results. The Corporate Secretary shall report the results of voting during the meeting.

### **4. Approval of the Minutes of the Annual Stockholders' Meeting held on April 25, 2019**

The minutes of the previous annual stockholders' meeting has been made available on the Company's website [<https://www.abs-cbn.com/investors/annual-stockholders-meeting/2019-annual-stockholders-meeting/2019-minutes-of-the-annual-stockholders-meeting/id-204>]. Copies of the minutes will also be

distributed to the stockholders upon registration at [https://agm.conveneagm.com/abscbn\\_asm2020](https://agm.conveneagm.com/abscbn_asm2020). A resolution on this item requires the approval of a majority of the votes of the stockholders present and eligible to vote. The minutes of the annual stockholders' meeting held on April 25, 2019 contain discussions of the following items:

- Approval of the Minutes of the Annual Stockholders' Meeting held on April 19, 2018
- Report of the President and Discussions of Questions from the Stockholders
- Approval of Audited Financial Statements for the Year Ended December 31, 2018;
- Election of the Directors
- Ratification and approval of the acts of Board, the Officers and Management for the fiscal year 2018;
- Appointment of External Auditors;
- Investment of Funds in Business Ventures with Purposes other than the Primary Purpose
- Adjournment

5. Report of Management

The President and Chief Executive Officer will render the Report of Management on the Company's performance in 2019, as reflected in the audited financial statements.

6. Ratification of the Audited Financial Statements and Approval of Report of Management

The stockholders will be requested to ratify the Board's approval of the Corporation's audited financial statements as of December 31, 2019 and to approve the report of management. The audited financial statements are attached to the Information Statement and sent to eligible stockholders pursuant to the requirements of the Securities Regulation Code.

A resolution on the ratification of the approval of the audited financial statements and the approval of the report of management requires the approval of a majority of the votes of stockholders present and eligible to vote.

7. Election of Directors for the Ensuing Year

Pursuant to the Corporation's By-Laws, Manual of Corporation Governance, and applicable rules of the Securities and Exchange Commission, any stockholder, including minority stockholders, may submit nominations for the election of directors at least ten (10) calendar days prior to the date of the meeting or by September 14, 2020. As of August 12, 2020, the Nomination and Election Committee received nominations for directors and found such nominees to have all the qualifications and none of the disqualifications to serve as directors. The names of the nominees and their respective profiles, including directorships in listed companies, are duly indicated in the Information Statement. The election of directors will be done by plurality of votes using cumulative voting and voting by poll.

8. Ratification of the Acts of the Board and of Management

This will cover all acts and resolutions adopted by the board of directors and management since January 1, 2019 until December 31, 2019. These cover matters entered into in the ordinary course of business, with those of significance having been covered by the proper disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange in accordance with applicable disclosure rules. A resolution on this agenda item requires the ratification of a majority of the votes of stockholders present and eligible to vote.

9. Appointment of External Auditors

The Audit Committee has recommended the re-appointment of SyCip, Gorres, Velayo & Co. as external auditors for the ensuing year. The profile of the firm is duly indicated in the Information Statement. A resolution on this agenda item requires the approval of a majority of the votes of stockholders present and eligible to vote.

10. Amendment of the Executive Stock Purchase Plan

The Stock Purchase Plan Committee and the Board of Directors has recommended to the stockholders the amendment of Section 12.1 of the Executive Stock Purchase Plan (the “ESPP”) to allow the withdrawal of the Participants from the ESPP at any time, and to submit said amendment to the Securities and Exchange Commission. This is to align the ESPP with the ABS-CBN Stock Purchase Plan which allows such withdrawal from the Plan.

11. Consideration of such other business as may properly come before the meeting

The Chairman will open the floor for comments and questions by the stockholders submitted beforehand in accordance with the rules

12. Other Business

This covers consideration of other business that may properly come before the meeting.

Under SEC Memorandum Circular No. 14, series of 2020, stockholders who alone, or together with other shareholders, hold at least five percent (5%) of the outstanding capital stock of ABS-CBN Corporation, shall have the right to include items on the agenda prior to the annual stockholders meeting.

The Company did not receive any such request to include items on the agenda in accordance with the Memorandum Circular before the filing of this Information Statement. Items added on the agenda pursuant to the Memorandum Circular after the filing of this Definitive Information Statement shall be filed under Other Business.

The Chairman of the meeting will entertain other comments, questions, or proposals or points of clarification from the stockholders.

## PROXY FORM

Date:

### Item 1. Identification

This proxy will serve to nominate, constitute and appoint \_\_\_\_\_, as my attorney and proxy, to represent me at the Annual Meeting of the Stockholders of the Corporation scheduled on September 24, 2020 at 8:00 a.m. at [https://agm.conveneagm.com/abscbn\\_asm2020](https://agm.conveneagm.com/abscbn_asm2020), and any adjournment(s) thereof, as fully and to all intents and purposes as I might or could if present and voting in person, hereby ratifying and confirming any and all action taken on matters which may properly come before such meeting or adjournment(s) thereof.

### Item 2. Instruction

By affixing his/her signature on the space provided below, the undersigned stockholder hereby directs the said proxy to vote on the agenda items set forth below as he/she has expressly indicated by marking the same with an "X", failing which, his/her said proxy shall exercise full discretion in acting thereon. **If the undersigned stockholder fails to indicate his/her vote on the items specified below, this shall serve to authorize his/her proxy to exercise full discretion to act,**

Please be advised that proxies are validated by the Company's stock and transfer agent, Rizal Commercial Banking Corporation. The record date for the stockholders entitled to attend and to vote in the said meeting is **August 14, 2020**.

### Item 3. Revocability of Proxy

This proxy shall be valid for the Annual Stockholders Meeting scheduled on September 24, 2020 or any adjournment thereof. It shall be for a maximum period of five (5) years, unless withdrawn by the undersigned stockholder by written notice duly filed with the Corporate Secretary. This proxy shall not be valid where the undersigned stockholder personally appears and registers in the stockholders meeting. The proxy may not be withdrawn if coupled with an interest.

Proposal	Action		
	FOR	AGAINST	ABSTAIN
1. Approval of Minutes of the Annual Stockholders' Meeting held on April 25, 2019			
2. Ratification of the Audited Financial Statements for the Year Ended Dec. 31, 2019 and Approval of Report of Management			
3. Ratification of the Acts of the Board and of Management			
4. Election of Directors			
Federico M. Garcia			
Carlo L. Katigbak			
Augusto Almeda Lopez			
Eugenio Lopez III			
Federico R. Lopez			
Manuel M. Lopez			
Martin L. Lopez			
Oscar M. Lopez			
Salvador G. Tirona			
Emmanuel S. de Dios (Independent Director)			
Antonio Jose U. Periquet (Independent Director)			
5. Appointment of Sycip, Gorres, Velayo & Co. as External Auditors			

6. Amendment of the Executive Stock Purchase Plan			
7. Consideration of such other business as may properly come before the meeting, including items added by stockholders pursuant to Memorandum Circular No. 14, series of 2020.			

IN WITNESS WHEREOF, I have hereunto set my hand at \_\_\_\_\_, this \_\_\_\_\_, 2020.

\_\_\_\_\_  
(Printed Name of Stockholder & Signature)

\_\_\_\_\_  
(Witness)

NOTE: Accomplished proxy form, together with copies of valid identification cards, should be delivered on or before September 14, 2020 to the Office of the Secretary at [corporatesecretary@abs-cbn.com](mailto:corporatesecretary@abs-cbn.com).

**THIS PROXY FORM IS BEING PROVIDED AS A SAMPLE FOR USE BY THE STOCKHOLDERS SHOULD THEY WISH TO ACCOMPLISH THE SAME. IT IS NOT BEING SOLICITED ON BEHALF OF THE CORPORATION OR ITS MANAGEMENT. THE CORPORATION OR ITS MANAGEMENT IS NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND MANAGEMENT PROXY.**

## **ABS-CBN CORPORATION INFORMATION STATEMENT**

This information statement is dated August 28, 2020 and is being furnished to stockholders of record of ABS-CBN Corporation ("ABS-CBN" or the "Company") as of August 14, 2020 in connection with the Annual Stockholders' Meeting.

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

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### **A. GENERAL INFORMATION**

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

Date - September 24, 2020, Thursday  
Time - 8:00 A.M.  
Place - [https://agm.conveneagm.com/abscbn\\_asm2020](https://agm.conveneagm.com/abscbn_asm2020) via remote communication

Principal Office - ABS-CBN Broadcast Center, Sgt. Esguerra Ave.,  
cor. Mo. Ignacia St., Quezon City, Metro Manila

#### **Approximate date of which the Information Statement is first to be sent to security holders**

September 2, 2020

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

A stockholder has a right to dissent and demand payment of the fair value of his share: (i) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares or of authorizing preferences over the outstanding shares or of extending or shortening the term of corporate existence; (ii) in case any sale, lease, mortgage or disposition of all or substantially all the corporate property or assets; (iii) in case of merger or consolidation and (iv) in case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

The appraisal right may be exercised by a stockholder who has voted against the proposed corporate action, by making a written demand on the Company within thirty (30) days after the date on which the vote was taken for the payment of the fair market value of his shares.

There are no matters or proposed corporate actions, which may give rise to a possible exercise by security holders of their appraisal rights under Title X of the Corporation Code of the Philippines.

#### **Item 3. Interest of Certain Persons in Matters to be acted upon**

- (a) No Director or Executive Officer of the Company has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon.
- (b) No Director has informed the Company of his opposition to any action to be taken by the registrant at the meeting.

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

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

- (a) The Company has 861,971,968 common shares subscribed and outstanding as of July 31, 2020. Every stockholder shall be entitled to one vote for each share of common stock held as of the established record date.
- (b) The Company has 1,000,000,000 preferred shares subscribed and outstanding as of July 31, 2020. The preferred shares are voting and every holder of preferred shares shall be entitled to one vote for each share of preferred stock held as of the established record date.
- (c) All stockholders of record as of August 14, 2020 are entitled to notice of and to vote at the Company's Stockholders' Meeting.
- (d) With respect to the election of directors, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may accumulate said shares and give one candidate as many votes as the number of directors to be elected or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the total number of shares owned by him multiplied by the whole number of directors to be elected.
- (e) Security ownership of certain Record and Beneficial Owners and Management:

#### **Security Ownership of Certain Records and Beneficial Owners as of July 31, 2020:**

<b>Title Of class</b>	<b>Name and Address of Record Owner</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>% of Class</b>	<b>% of Outstanding</b>
Common	Lopez, Inc. 5/F Benpres Bldg, Exchange Road cor Meralco Ave., Pasig City	Lopez, Inc.	Filipino	480,933,747	55.79%	25.83%
Common	PCD Nominee Corporation* G/F Makati Stock Exchange Bldg., Ayala Ave., Makati City	ABS-CBN Holdings Corporation	Filipino	286,760,200	32.46%	15.23%
Preferred	Lopez, Inc. 5/F Benpres Bldg, Exchange Road cor Meralco Ave., Pasig City	Lopez, Inc.	Filipino	987,130,246	98.71%	53.02%

*\*PCD Nominee Corporation is not related to the Company*

Lopez, Inc. is the holding company of the Lopez family. It is owned by the respective holding companies of the families of the late Eugenio Lopez, Jr., Oscar M. Lopez, the late Presentacion L. Psinakis and Manuel M. Lopez. It has issued Philippine Deposit Receipts covering the shares in the Company registered and beneficially owned by it in favor of Lopez Holdings Corporation (formerly: Benpres Holdings Corporation).

Eugenio Lopez III, or in his absence, Manuel M. Lopez, or in his absence Oscar M. Lopez has been named and appointed to exercise the voting power of Lopez Inc.'s shares in ABS-CBN Corporation.

The 286,760,200 common shares under the name of PCD Nominees Corporation are held for ABS-CBN Holdings Corporation (ABS-CBN Holdings) and represent the underlying shares covered by Philippine Deposit Receipts (PDRs)



issued by ABS-CBN Holdings. ABS-CBN Holdings is owned 60% by Lopez, Inc. and 40% by Oscar M. Lopez, Manuel M. Lopez, Salvador G. Tirona, and Eugenio Lopez III. The shares in the Company registered and beneficially owned by it are covered by the PDRs which gives the holder thereof the right to delivery or sale of the underlying share, upon payment of the exercise price and subject to certain other conditions. The PDRs are listed with the Philippine Stock Exchange (PSE). ABS-CBN Holdings remains to be the registered and beneficial owner of the ABS-CBN shares covered by the PDRs and also retains the voting rights over the ABS-CBN shares. 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 Filipino nationals.

Eugenio Lopez III, or in his absence, Manuel M. Lopez, or in his absence Oscar M. Lopez has been named and appointed to exercise the voting power of ABS-CBN Holdings' shares in ABS-CBN Corporation.

Other than the stockholders identified above, as of July 31, 2020, there are no other stockholders other than participants under PCD account who own more than 5% of the voting securities.

There are no foreign shareholders.

#### Security Ownership of Management as of July 31, 2020:

As of July 31, 2020, the Company's directors and senior officers owned an aggregate of **3,473,002** shares of the Company, equivalent to 0.39% of the Company's total issued and outstanding capital stock.

Title of Class	Stockholder Name and Position	Nature of Beneficial Ownership	Citizenship	Number of Shares Held	Percent Held
Common	Eugenio L. Lopez III <i>Chairman Emeritus</i>	Direct	Filipino	769,690	0.09%
Common	Martin L. Lopez <i>Chairman</i>	Direct	Filipino	89,659	0.01%
Common	Augusto Almeda-Lopez <i>Vice-Chairman</i>	Direct/Indirect	Filipino	253,888	0.03%
Common	Oscar M. Lopez <i>Director</i>	Direct	Filipino	63,605	0.01%
Common	Carlo L. Katigbak <i>Director, President and Chief Executive Officer</i>	Direct	Filipino	249,500	0.03%
Common	Federico R. Lopez <i>Director</i>	Direct	Filipino	1	0.00%
Common	Manuel M. Lopez <i>Director</i>	Direct	Filipino	351,196	0.04%
Common	Salvador G. Tirona <i>Director</i>	Direct	Filipino	22,002	0.00%
Common	Federico M. Garcia <i>Director</i>	Direct	Filipino	13,898	0.00%
Common	Antonio U. Periquet <i>Independent Director</i>	Direct	Filipino	2,001	0.00%
Common	Emmanuel S. De Dios <i>Independent Director</i>	Direct	Filipino	1	0.00%
Common	Eloisa D. Balmoris <i>Head, Internal Audit</i>	Direct	Filipino	1,000	0.00%
Common	Ma. Rosario S. Bartolome <i>Head, Themed Experiences</i>	Direct	Filipino	80,000	0.01%
Common	Philip Lamberto L. Berba <i>Head, Corporate Services Group</i>	Direct	Filipino	130,600	0.02%

<b>Title of Class</b>	<b>Stockholder Name and Position</b>	<b>Nature of Beneficial Ownership</b>	<b>Citizenship</b>	<b>Number of Shares Held</b>	<b>Percent Held</b>
Common	Aldrin M. Cerrado <i>Compliance Officer</i>	Direct	Filipino	25,000	0.00%
Common	Kane Errol C. Chua <i>Head, Corporate Communications</i>	Direct	Filipino	2,000	0.00%
Common	Olivia G. De Jesus <i>Head, Global</i>	Direct	Filipino	20,000	0.00%
Common	Higino T. Dungo, Jr. <i>Head, Integrated Public Service</i>	Direct	Filipino	51,000	0.01%
Common	Richmond Ezer O. Escolar <i>Head, Customer Relationship Management</i>	Direct	Filipino	10,200	0.00%
Common	Jay C. Gomez <i>Data Protection Officer</i>	Direct	Filipino	27,500	0.00%
Common	Roberto G. Labayen <i>Head, Creative Communication Management</i>	Direct	Filipino	71,000	0.01%
Common	Olivia M. Lamasan <i>Managing Director, ABS-CBN Film Productions, Inc.</i>	Direct	Filipino	140,040	0.02%
Common	Dino Jacinto M. Laurena <i>Head, Integrated Sports and ABS-CBN Sports Action</i>	Direct	Filipino	40,000	0.01%
Common	Charles A. Lim <i>Head, Access</i>	Direct	Filipino	65,500	0.01%
Common	Dennis Marco A. Liquigan <i>Head, Star Music</i>	Direct	Filipino	65,788	0.01%
Common	Raymund Martin T. Miranda <i>Chief Strategy Officer and Chief Risk Management Officer</i>	Direct	Filipino	139,900	0.02%
Common	Luis Paolo M. Pineda <i>Head of Lifestyle Ecosystem and Concurrent Head, Business Development</i>	Direct	Filipino	10,000	0.00%
Common	Ma. Regina E. Reyes <i>Head, Integrated News and Current Affairs</i>	Direct	Filipino	35,048	0.00%
Common	Ricardo B. Tan, Jr. <i>Group Chief Financial Officer</i>	Direct	Filipino	91,500	0.01%
Common	Vivian Y. Tin <i>Head, Customer Business Development Research and Analytics</i>	Direct	Filipino	60,600	0.01%
Common	Rosanna H. Trinidad <i>Head, Integrated Sales</i>	Direct	Filipino	10,000	0.00%
Common	Antonio S. Ventosa <i>President and Chief Operating Officer, Sky Cable Corporation</i>	Direct	Filipino	45,000	0.01%
Common	Socorro V. Vidanes	Direct	Filipino	239,500	0.03%

Title of Class	Stockholder Name and Position	Nature of Beneficial Ownership	Citizenship	Number of Shares Held	Percent Held
	<i>Chief Operating Officer, Broadcast</i>				
Common	Fernando V. Villar <i>Head, Integrated Marketing and Officer-In-Charge, Licensing, Retail, and Storefronts</i>	Direct	Filipino	0	0.00%
Common	Enrique I. Quiason <i>Corporate Secretary</i>	Direct	Filipino	9,615	0.00%
Common	Marifel Gaerlan-Cruz <i>Assistant Corporate Secretary</i>	Direct	Filipino	2,000	0.00%
	<b>Total Security Ownership of Directors and Management</b>			<b>3,473,002</b>	<b>0.39%</b>

None of the members of the Company's directors and management owns 2% or more of the outstanding capital stock of the Company.

- (f) The Company knows of no person holding more than 5% of common shares under a voting trust or similar agreement.
- (g) No change of control in the Company has occurred since the beginning of its last fiscal year.

#### **Item 5. Directors and Executive Officers**

##### **Board of Directors**

The following are expected to be nominated as members of the Board of Directors for the ensuing year during the Company's Annual Stockholders' Meeting on September 24, 2020:

Eugenio L. Lopez III  
Augusto Almeda-Lopez  
Carlo L. Katigbak  
Federico M. Garcia  
Federico R. Lopez  
Martin L. Lopez  
Manuel M. Lopez  
Oscar M. Lopez  
Salvador G. Tirona  
Emmanuel S. de Dios (*Independent Director*)  
Antonio Jose U. Periquet (*Independent Director*)

All of the nominees are incumbent directors. They were formally nominated by Lopez Inc., through its Chairman, Mr. Manuel M. Lopez. The nominees will serve as directors of the Company for one year from date of election. The independent directors were nominated by Mr. Raul B. Quizon, a stockholder. Mr. Quizon is not related in any way to the nominees for independent directors.

The Nomination and Election Committee reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval, and assesses the effectiveness of the Board's processes and procedures in the election or replacement of directors. It is composed of Eugenio L. Lopez III, Emmanuel S. De Dios, and Antonio Jose U. Periquet. Randolph S. David is an advisor of the committee.

The Company has adopted the SRC Rule 38 (Requirements on Nomination and Election of Independent Directors) and has complied therewith.

The following nominees have held their current positions in their respective companies for more than five (5) years unless otherwise indicated. Below is a summary of the nominees' qualifications:

**Eugenio L. Lopez III, Filipino, age 67**

**Chairman Emeritus of the Board of Directors**

Mr. Eugenio "Gabby" Lopez III became a Director of the company on April 23, 1992 and was elected Chairman of the Board in 1997 and became the Company's Chairman Emeritus on April 19, 2018. Mr. Lopez III also serves as Vice Chairman of Lopez Holdings Corporation. He is also a Director of First Gen Corporation, First Philippine Holdings, and Sky Vision Corporation. He earned a Bachelor of Arts degree in Political Science from Bowdoin College in 1974 in Brunswick, Maine and a Master's degree in Business Administration from the Harvard Business School in 1980 in Boston, Massachusetts.

**Martin L. Lopez, Filipino, age 47**

**Chairman**

Mr. Martin Lopez was appointed as a Director on April 6, 2017. He was elected as Chairman of the Board on April 19, 2018. He is responsible for setting the Company's strategic direction. Prior to joining the Company, he was Vice President and Chief Information Officer of Meralco. He was also the President of e-Meralco Ventures, Inc. (eMVI), a wholly owned subsidiary of Meralco. He is a graduate of Menlo College in California with a degree in Business Administration. He completed the Executive MBA Program from the Asian Institute of Management.

**Augusto Almeda-Lopez, Filipino, age 91**

**Vice-Chairman**

Mr. Augusto Almeda Lopez became a Director on April 27, 1988 and has served as Vice Chairman since 1989. He also serves as Director of the First Philippine Holdings Corporation (FPHC), First Philippine Industrial Corporation (FPIC), and ADTEL Inc. He is the Board Chairman of his family's company, ACRIS Corporation. He is an Alumnus of De La Salle College, Ateneo de Manila, and the University of the Philippines College of Law Class 1952. He has attended several Business Seminars including the Advance Management Program at Harvard Business School in 1969.

**Carlo L. Katigbak, Filipino, age 50**

**President and Chief Executive Officer**

Mr. Carlo L. Katigbak was appointed President and Chief Executive Officer of the Company effective January 1, 2016. Mr. Katigbak became a Director on May 5, 2016. He has 22 years of experience in business, spanning financial management, business operations, corporate planning and general management. He began his career as a financial analyst with First Pacific Capital Corporation in 1992. Joining SKYcable in 1994 as a Corporate Finance Manager, he eventually held various positions in Corporate Planning, Provincial Operations and Finance. In 1998, he served as the first Managing Director of Pilipino Cable Corporation. He was appointed Managing Director of ABS-CBN Interactive the following year, and led the Company's pioneering efforts in various digital services such as mobile downloads, interactive television, online advertising and online video-on-demand. In 2005, he returned to SKYcable as Managing Director. In 2015, he was appointed as Chief Operating Officer of the Company. Mr. Katigbak holds a degree in Bachelor of Science in Management Engineering from the Ateneo De Manila University, and has completed the Advanced Management Program at Harvard Business School in 2009.

**Emmanuel S. de Dios, Filipino, age 64**

**Board Member, Independent Director**

Mr. Emmanuel S. de Dios was appointed as independent director on April 23, 2013. Mr. de Dios has been a Professor of Economics at the University of the Philippines School of Economics since 1989. He is also the President of Human Development Network (Philippines) since July 2012. He was the Dean of the University of the Philippines School of Economics from 2007 to 2010. He was a member of the Board of Advisers to the Board of Directors of the Company from 2011 until his election as an Independent Director in 2013. He became chair of the Board of Trustees of Pulse Asia Research, Inc. as of 2016. He received his AB Economics degree from the Ateneo de Manila University (cum laude) in

1978 and his Ph.D. in Economics from the University of the Philippines in 1987. He pursued post-doctoral studies at the Universität Konstanz in Germany from 1987 to 1988 and is the author or editor of various books, monographs, articles and reviewers in economics.

**Federico M. Garcia, Filipino, age 76**

**Board Member**

Mr. Garcia is a Director of ABS-CBN and was appointed on September 2, 1992. He was also a consultant for radio and television broadcasting from January 2006 to present. Mr. Garcia is currently the Chairman of Programming Committee and a member of Compensation Committee for the Chairman and CEO and Risk Management Committee. Mr. Garcia was the President of ABS-CBN from 1997 to 2003. Prior to his appointment as President, Mr. Garcia was Executive Vice President and General Manager of ABS-CBN from 1987 to 1998. He also worked as a TV Sales Executive with ABS-CBN in 1966 until Martial Law. Before rejoining the Company in 1987, he was Executive Vice President of GMA Network, managing its marketing and programming activities. He attended the College of Business Administration at the University of the Philippines. Mr. Garcia is a recipient of various Philippine broadcasting industry awards.

**Federico R. Lopez, Filipino, age 58**

**Board Member**

Mr. Federico Lopez has served as Director of the Company since August 25, 1999. Mr. Lopez is Chairman and Chief Executive Officer of First Philippine Holdings Corporation (FPH), First Gen Corporation (First Gen) and Energy Development Corporation (EDC). First Gen and EDC are publicly listed power generation companies that are into clean and indigenous energy and are part of the FPH portfolio. He is currently the Vice Chairman of Rockwell Land Corporation. An advocate of the environment, Mr. Lopez is the Chairman of the Oscar M. Lopez Center for Climate Change Adaptation and Disaster Risk Management Foundation (The OML Center) and the Sikat Solar Challenge Foundation, Inc. The OML Center is the result of the advocacy of the Lopez family for environmental protection and public service. He is also a member of the Board of Trustees of World Wildlife Fund Philippines, Philippine Disaster Recovery Foundation and the Forest Foundation Philippines. Mr. Lopez is a member of the World Presidents Organization, Asia Business Council, ASEAN Business Club, New York Philharmonic International Advisory Board, Management Association of the Philippines, Philippine Chamber of Commerce and Industry, European Chamber of Commerce of the Philippines and Makati Business Club. Mr. Lopez graduated with a Bachelor of Arts degree, major in Economics and International Relations (cum laude) from the University of Pennsylvania, U.S.A. in 1983.

**Manuel M. Lopez, Filipino, age 77**

**Board Member**

Mr. Manuel M. Lopez was appointed as a Director on July 28, 2010. Mr. Lopez was the Philippine Ambassador to Japan from December 2010 until June 2016. He was the Chairman and Chief Executive Officer of Manila Electric Company (Meralco) from July 2001 to June 2010. He is concurrently the Chairman and CEO of Lopez Holdings Corporation and is the Chairman of Bayan Telecommunications Holdings Corp., Rockwell Land Corporation, and Rockwell Leisure Club. He is also the Vice Chairman of First Philippine Holdings Corporation and Lopez, Inc., President of Eugenio Lopez Foundation, Inc. and a Director at Meralco, Sky Cable Corporation, Sky Vision Corporation, First Philippine Realty Corp. and Lopez Group Foundation, Inc. Mr. Lopez is a holder of a Bachelor of Science degree in Business Administration and attended the Program for Management Development at the Harvard Business School.

**Oscar M. Lopez, Filipino, age 89**

**Board Member**

Mr. Oscar M. Lopez has served as a Director of ABS-CBN since July 1966. He also serves as Chairman Emeritus to First Philippine Holdings Corp., Lopez Holdings Corporation, First Gen Corporation, Energy Development Corp., Rockwell Land Corp., First Philippine Industrial Park, among others. He was Management Association of the Philippines' Management Man of the Year 2000. He was the first Filipino businessman to be awarded the most prestigious Officer's Cross of the Order of Merit of the Federal Republic of Germany in 2005. He was a recipient of The Outstanding Filipino (TOFIL) Award in the field of Business for the year 2009. Mr. Lopez has a Master's Degree in Public Administration from the Littauer School of Public Administration at the Harvard University (1955), where he also earned his Bachelor of Arts degree, cum laude, in 1951.

**Antonio Jose U. Periquet, Filipino, age 58****Board Member, Independent Director**

Mr. Antonio Jose U. Periquet has been an independent director of ABS-CBN since April 23, 2013. He is currently the Chairman of the Campden Hill Group Inc. (since August 2011), Pacific Main Properties & Holdings, Inc. (since December 1999), BPI Asset Management & Trust Corporation (since February 2017) and also serves as an independent director on the boards of Ayala Corporation (September 2010), Albizia ASEAN Tenggara Fund (July 2015), Bank of the Philippine Islands (April 2012), BPI Capital (May 2010), BPI Family Savings Bank (May 2012), DMCI Holdings (August 2010), the Max's Group of Companies (February 2014) and the Philippine Seven Corporation (July 2010). Mr. Periquet is a Trustee of the Lyceum of the Philippines University and is a member of the Dean's Global Advisory Board of the Darden School of Business, University of Virginia. He is a graduate of the Ateneo de Manila University (AB Economics) and holds an MSc in Economics from Oxford University and an MBA from the University of Virginia.

**Salvador G. Tirona, Filipino, age 65****Board Member**

Mr. Salvador G. Tirona has served as a Director of the Company since July 28, 2010. He is the President and Chief Operating Officer and concurrently, Chief Finance Officer of Lopez Holdings Corporation. He initially joined Lopez Holdings Corporation as its Chief Finance Officer in September 2005 and held this position until his appointment to his current position in 2010. He was formerly a Director and the Chief Finance Officer of Bayan Telecommunications, Inc. He joined the Lopez Group in 2003 as the Chief Finance Officer of Maynilad Water Services, Inc. He holds a Bachelor's degree in Economics from the Ateneo de Manila University and a Master's degree in Business Administration from the same university.

**Independent Directors of the Board**

The nominees for Independent Directors, Mr. Periquet and Mr. de Dios, are independent of management and free from any business or other relationship, which could, or could reasonably be perceived to, materially interfere with their exercise of independent judgment in carrying out their responsibilities as directors of the Company.

Specifically, Mr. Periquet and Mr. de Dios: (i) are not directors or officers or substantial stockholders of the Company or its related companies or any of its substantial shareholders (other than as independent directors of any of the foregoing); (ii) are not relatives of any director, officer or substantial shareholder of the Company, or any of its related companies or any of its substantial shareholders; (iii) are not acting as nominees or representatives of a substantial shareholder of the Company, or any of its related companies or any of its substantial shareholders; (iv) have not been employed in any executive capacity by the Company, or any of its related companies or by any of its substantial shareholders within the last two (2) years; (v) are not retained as professional advisers by the Company, any of its related companies or any of its substantial shareholders within the last two (2) years, either personally or through their firms; (vi) have not engaged and do not engage in any transaction with the Company or with any of its related companies or with any of its substantial shareholders, whether by themselves or with other persons or through a firm of which they are partners or companies of which they are directors or substantial shareholders, other than transactions which are conducted at arm's length and are immaterial; (vii) do not own more than two percent of the shares of the Company and/or its related companies or any of its substantial shareholders; (viii) are not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders; and (ix) are not employed as executive officers of another company where any of the Company's executives serve as directors. Mr. Periquet and Mr. de Dios do not possess any of the disqualifications enumerated under the Code of Corporate Governance and SEC Memorandum Circular No. 19, Series of 2016.

### **List of Executive Officers**

The following officers are expected to be nominated for re-election or election at the Organizational Meeting of the Board of Directors following the Annual Stockholders' Meeting on September 24, 2020:

**Roberto V. Barreiro, Filipino, age 59**

**Head, Customer Engagement**

Mr. Barreiro is Head, Customer Engagement shall provide direction to the Customer Engagement team in the achievement of sales targets, revenues and business objectives. Mr. Barreiro brings with him years of experience in Television, Radio, Theater and Live Events Production. Prior to joining ABS-CBN in 2017, he was the President and CEO of Ten Bridges Media Corp. and Director of Atlantis Theatrical Entertainment Group Pte. He also formerly held the position of COO in Associate Broadcasting C. TV5 from 2009 to 2013. He was also the CEO of Audience Impact Inc., a broadcast media production, marketing and consultancy company from 2002 to 2006. He was also Head, Television Group of GMA from 1998 to 2002. Mr. Barreiro graduated from University of the Philippines with a Bachelor's Degree in Economics. He also graduated from the University of Asia and the Pacific with a Masters Degree in Business Economics in 2010.

**Ma. Rosario S. Bartolome, Filipino, age 49**

**Head, Integrated Marketing**

Ms. Bartolome is appointed as Head, Integrated Marketing, Prior to this, she held the positions of President & CEO of Play Innovations, Inc. (PII), and Head of ABS-CBN Integrated Marketing. Ms. Bartolome brings with her more than 21 years of experience in integrated communications planning and media marketing. She is recognized locally and internationally for her innovative and cutting edge media solutions that have shaped the Philippine media landscape. Prior to joining ABS-CBN, she was the Managing Director of Carat Philippines and was Vice President of Universal McCann Philippines. Ms. Bartolome graduated from the Ateneo de Manila University with a degree in Communication Arts. In 2016, she completed the IAAPA Attraction Managers Program and Harvard Business School's Advanced Management Program.

**Nilda L. Bayani, Filipino, age 51**

**Head, Human Resources and Organizational Development**

Ms. Bayani is the Company's Head for Human Resources and Organizational Development since 2019. As Head, Ms. Bayani will drive the strategic initiatives of the division to ensure alignment with corporate strategies. Ms. Bayani has over 24 years of experience in Human Resources management handling various leadership roles in the Company and others. Her expertise in HR systems, compensation and benefits facilitated the establishment, review, and upgrading of various enterprise-wide HR Systems in the Company. Ms. Bayani graduated from University of the Philippines with a Bachelor's Degree in Psychology. She also graduated from University of the Philippines with a Master's Degree in Labor and Industrial Relations in 2003.

**Aldrin M. Cerrado, Filipino, age 50**

**Compliance Officer**

Mr. Cerrado also serves concurrently as the Chief Financial Officer of ABS CBN Corporation since 2013. Prior to joining ABS CBN in July 1, 2012, Mr. Cerrado was a Partner in SyCip Gorres Velayo & Co. He is a certified public accountant with close to 25 years of experience in providing independent assurance on financial and non-financial information on companies in various industries, including media and entertainment. His previous roles include transaction advisory partner focused on providing transaction support services, which included financial and commercial due diligence work and merger and acquisitions advisory work. Mr. Cerrado completed his Bachelor's degree in Business Administration from the University of Santo Tomas in 1991. He obtained his Master in Business Management degree, with distinction, from the Asian Institute of Management in 1998.

**Kane Errol C. Choa, Filipino, age 47**

**Head, Integrated Corporate Communications**

Mr. Choa is currently the head of the Integrated Corporate Communications of ABS-CBN. He has 24 years of work experience in media and communications. Prior to joining ABS-CBN, he worked at Euro Agatep Associates, the offices of Sen. Manuel Villar and the late Sen. Miriam Defensor Santiago, and ABC 5. Mr. Choa also serves as the Chairman of the

International Association of Business Communicators (IABC) Philippines, vice president of Anak TV, trustee of the Quezon City Tourism Council, and a member of the Standards Authority of the Kapisanan ng mga Brodkaster ng Pilipinas. He maintains a column, "Kapamilya Day," in The Philippine Star. He obtained his Master of Science degree in Media and Communications with Merit from The London School of Economics and Political Science in 2005 as a British Chevening scholar. He also has an MA in Communication from the Ateneo de Manila University.

**Olivia G. De Jesus, Filipino, age 56**

**Head of Global**

Ms. De Jesus is currently the Chief Operating Officer of ABS-CBN Global. Prior to becoming Global COO, Ms. De Jesus held various positions in ABS-CBN, including Managing Director of its North America business and Managing Director of Creative Programs Inc.. She completed an Advanced Management Program from Harvard Business School in 2015. She graduated from the University of the Philippines, Diliman with a Bachelor of Arts degree in Communication.

**Carmela Grace C. Del Mundo, Filipino, age 48**

**Head, Internal Audit**

Ms. Del Mundo has been with ABS-CBN since 2003 where she started as an Audit Manager. During her stint, she consistently raised the performance of the Audit Department conducting an average of 143 projects annually. She was able to complete all regular and special projects committed to the Audit Committee of ABS-CBN, Bayan, and Sky Cable. Her Department's performance served as a benchmark of the Internal Audit Division. In 2008, she was promoted to Special Projects Director and later on became the Financial and Operations Head in 2011. Ms. Del Mundo is a Certified Public Accountant, Fraud Examiner, and Forensics Accountant. She graduated from the De La Salle University with a Bachelor's Degree in Asian Studies and Accountancy.

**Olivia M. Lamasan, Filipino, age 56**

**Managing Director, ABS-CBN Film Productions, Inc. (Star Cinema)**

Ms. Lamasan was appointed as Managing Director of Star Cinema effective January 15, 2018. After a stint doing Line Production for Regal Films and Vision Films, she joined ABS-CBN in 1987 as Supervising Producer for Going Bananas, and Executive Producer for the Sharon Cuneta Show. Ms. Lamasan was the co-creator of "Maalala Mo Kaya," becoming its Supervising Producer, Creative Head, and eventually Writer/Director. As Head of Star Cinema Creative Department and its premier director, Ms. Lamasan drives the creative development and supervision of all Star Cinema movies, and its Training Department. As Creative Head/Consultant of Star Creatives TV, she was the creative force that helped shape ABS-CBN drama programs. Concurrently, she heads the Moving Images Department of the ABS-CBN University. Ms. Lamasan graduated from Miriam College, with a Bachelor of Arts degree in Communication Arts.

**Dennis Marco A. Liquigan, Filipino, age 50**

**Head, Star Music**

Mr. Liquigan was appointed as Head of Star Music in 2013. Prior to becoming Head of Star Music, he held various positions in ABS-CBN, starting as a Researcher, then as a Segment Producer for Showbiz Lingo, an Executive Producer for The Buzz, and rising up the rank as Promo Director for Star Cinema. He graduated from the University of Santo Tomas with a Bachelor of Arts degree in Communication Arts.

**Eugenio Lopez IV, Filipino, age 40**

**Head, Digital**

Mr. Lopez is appointed as Head, Digital of ABS-CBN Corporation. Prior to this appointment, Mr. Lopez has spent the past 4 years in SkyCable in various capacities: Customer Engineering, Project Management Office, and Program Owner for Business Transformation. Prior to this, he spent 4 years with Energy Development Corporation in the Information Technology Group as its IT Integration Manager where he led the management of EDC's Central IT Group. He graduated with a degree in Bachelor of Arts (BA) in Psychology and completed Master's in Business Administration (MBA) in Notre Dame de Namur University.

**Raymund Martin T. Miranda, Filipino, age 57**

**Chief Strategy Officer and Chief Risk Management Officer**

Mr. Miranda has been an Asia-Pacific media executive and strategist for more than 31 years. Mr. Miranda was appointed Chief Strategy Officer (CSO) in August 2012. He was also appointed Chief Risk Management Officer (CRMO) in a



concurrent capacity in November 2012. As CSO, Mr. Miranda is tasked with designing, driving and managing the strategic planning process across the organization. As CRMO, he is also tasked with leading, developing and managing the risk management strategies, processes and policy reviews of the Company. Prior to his appointment with ABS-CBN, he was a consultant for the company for various projects. Mr. Miranda served as the Managing Director, Global Networks Asia-Pacific of NBC Universal from 2007 to 2011, heading the entertainment channels division of NBC Universal across 33 countries. Before that, he spent a year in Manila as the President/CEO of Nation Broadcasting Corporation (92.3x FM) and Head of Strategy and Content for Mediaquest Holdings, Inc. From 1998 to 2006, he was with The Walt Disney Company in Singapore and Manila as Managing Director South East Asia for Walt Disney International, Managing Director for South East Asia/Korea for Walt Disney Television International and the Head of Radio Disney Asia. He started his career in FM radio before joining the GMA Network group in 1987. He was named Vice-President, Creative Services of GMA Network, Inc. in 1992. Mr. Miranda took up degrees in Bachelor of Science in Biology and Bachelor of Arts in Communication at the University of the Philippines.

**Ma. Regina E. Reyes, Filipino, age 57**

**Head, Integrated News and Current Affairs**

Ms. Reyes is responsible for all newsgathering, content and strategic direction of the News and Current Affairs Division of ABS-CBN. She has over 20 years of solid experience as a broadcast journalist. She joined ABS-CBN in 1986 as a Production Assistant, rose from the ranks to become Executive Producer and Head Writer of the award-winning "The World Tonight" and other special events, and eventually, Director for News Production. Prior to her appointment as Head of News and Current Affairs, Ms. Reyes was ABS-CBN'S North America News Bureau Chief from 2002 to 2010. In 2007, she was named by the Filipina Women's Network as one of the 100 Most Influential Filipino Women in the U.S. Ms. Reyes received her Bachelor of Arts in Broadcast Communication from the University of the Philippines.

**Ricardo B. Tan, Jr., Filipino, age 54**

**Group Chief Financial Officer**

Mr. Tan was the Compliance Officer of ABS-CBN and presently the concurrent Head, Treasury and Finance Operations (Cluster 2). Before joining ABS-CBN Corporation, he was the Chief Financial Officer of Vista Land & Lifescapes Inc. where he was employed for over five (5) years. He has also worked for the Philippine government (International Finance Group of the Department of Finance), Philippine Airlines (finance division), Philippine Long Distance Telephone Company (in various divisions as Vice President - regulatory management, investor relations, and strategic planning), and as a consultant for the Asian Development Bank. Mr. Tan obtained his BSc. degree in Monetary Economics from the London School of Economics in 1986, and MBA degree (Finance and International Business) from the University of Chicago Booth School of Business in 1991.

**Mara Loraine P. Tejero, Filipino, age 29**

**Data Privacy Officer**

Ms. Tejero joined ABS-CBN in 2019 as IT Governance Analyst, responsible for developing, analyzing, and articulating the requirements for the governance of Enterprise Information Technology. Prior to her employment with ABS-CBN, she was a Strategy and Enterprise Architecture Analyst with MIESCOR (a Meralco subsidiary) for 4 years. As Strategy and EA Analyst, she was responsible for defining, assessing, and prioritizing IT requirements, as well as its financial management. She was also appointed as Compliance Officer, assisting the Data Privacy Officer and later on, the interim Head of ICT Governance and Compliance, responsible for managing the group's risk register. She also spearheaded the IT Risk Assessment. Ms. Tejero is an Electronics Engineering board passer and a graduate from Saint Louis University with a Bachelor's Degree in Electronics Engineering.

**Rosanna H. Trinidad, Filipino, age 56**

**Head, Integrated Sales**

Ms. Trinidad joined ABS-CBN Corporation in 2008 as the Head of Sales Strategic Planning. At this time, she was tasked to drive strategic revenue planning/maximization through utilizing different platforms. Thereafter, from 2012 to 2019 she held the position of Head of Channel 2 & Strategic Planning. For this role, she established strategic partnerships with agencies and client advertisers. Ms. Trinidad graduated from De La Salle University with a Bachelor of Science Degree in Applied Math in 1984.

Ms. Trinidad has several years of experience in the media and advertising industry. She was previously President & CEO

of ZenithOptimedia Philippines, Media Planning Director for Stracom Mediavest, and Media Director for Strategic planning in Jimenez d'Arcy.

**Antonio S. Ventosa, Filipino, age 58**

**Chief Operating Officer, Sky Cable, and Concurrent Head, Narrowcast**

Mr. Ventosa joined the Company in 2006 as Head of Corporate Marketing. In November 2015, he was appointed Chief Operating Officer of Skycable Corporation, and in June 2017, he was appointed President. In his over 10 years with ABS-CBN, Mr. Ventosa took on roles as the OIC of Access Group and concurrent Head of ABS-CBN's Narrowcast group consisting of ABS-CBN Integrated Sports, ABS-CBN Publishing, and Creative Programs, Inc. and was involved with the launch of ABS-CBN TV+, the group's DTT service. Over the past 3 years he was focused on the integration of the Company's sports agenda and strengthening local cable programming. He led the re-staging of the UHF Channel to ABS-CBN Sports+Action and led the launch of Jeepney TV as ABS-CBN's TV classics channel. He brings to the Group his 20 years of professional experience in general management, marketing and communications here and abroad. Prior to ABS-CBN, he was Managing Director of Leo Burnett Manila, President of ARC Worldwide & Blackpencil Advertising. He was also Chairman and President of the Association of Accredited Advertising Agencies of the Philippines, a Board Director of AdBoard, Executive Vice President of the *Kapisanan ng mga Brodkaster ng Pilipinas*, and the Founding Chairman of the Araw Values Awards. He is a member of the Advisory Board of UA&P Tambuli Awards. Mr. Ventosa was honored in 2004 by his alma mater, De La Salle University, as La Sallian Achiever on Advertising. He obtained his degree of Bachelor of Science in Marketing from De La Salle University.

**Ma. Socorro V. Vidanes, Filipino, age 57**

**Chief Operating Officer, Broadcast**

Ms. Vidanes was appointed as Chief Operating Officer, Broadcast effective February 1, 2016. Prior to this appointment, she was Head of Free TV. She was also the Head of Channel 2 Mega Manila in 2009. Prior to that, she held the position of Managing Director for ABS-CBN TV Production from 2001 to 2008. She has been with ABS-CBN since 1986, starting as an Associate Producer and has since then been involved in the production of all types of programs – talk shows, variety, reality, game, comedy and drama. Ms. Vidanes obtained her degree of Bachelor of Arts in Communication Arts from the Ateneo de Manila University. She has also completed the Advance Management Program at Harvard Business School in 2014.

**Enrique I. Quiason, Filipino, age 59**

**Corporate Secretary**

Mr. Enrique I. Quiason was appointed as Corporate Secretary in 2015. He has been the Assistant Corporate Secretary of the Company since 1993. He received a Bachelor of Science degree in Business Economics and a Bachelor of Laws degree from the University of the Philippines, and a Master of Laws degree in Securities Regulation from Georgetown University. He is a senior partner of the Quiason Makalintal Barot Torres Ibarra Sison & Damaso Law Office. He is the corporate secretary of FPHC, LHC, Lopez, Inc., Rockwell Land Corporation, ABS-CBN Holdings, Inc., and Sky Cable Corporation.

**Marifel G. Gaerlan-Cruz, Filipino, age 53**

**Assistant Corporate Secretary**

Ms. Gaerlan-Cruz, who currently heads the Company's Legal Services Department, was appointed as Assistant Corporate Secretary in 2015. She has been the Head for Contracts and Corporate Services, Legal Services Department of the Company and its subsidiaries since 2006. She received her Bachelor of Arts in History (cum laude), from the University of the Philippines, and her Juris Doctor degree (second honors) from the Ateneo de Manila School of Law.

**Family Relationships**

Mr. Oscar M. Lopez is the brother of the late Mrs. Presentacion L. Psinakis and Manuel M. Lopez. He is the uncle of Mr. Eugenio L. Lopez III and the father of Mr. Federico R. Lopez. Mr. Eugenio L. Lopez III and Mr. Federico R. Lopez are first cousins.

Mr. Rafael L. Lopez is the brother of Eugenio L. Lopez III. Mr. Martin L. Lopez is the cousin of Eugenio L. Lopez III and the son of Mr. Manuel M. Lopez. Mr. Carlo L. Katigbak is a cousin of Mr. Eugenio L. Lopez III.

## **Significant Employees**

The Company considers its entire workforce as significant employees. Everyone is expected to work together as a team to achieve the company's goals and objectives.

## **Involvement of Directors and Officers in Certain Legal Proceedings**

For the past five (5) years up to July 31, 2020 the Company is not aware of any bankruptcy proceedings filed by or against any business of which a director, person nominated to become a director, executive officer, or control person of the Company is a party or of which any of their property is subject.

For the past five (5) years up to July 31, 2020, the Company is not aware of any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, of any of its director, person nominated to become a director, executive officer, or control person, except for People of the Philippines v. Tulfo et. al., a libel case filed and still pending against Eugenio Lopez III, in his former capacity as President and CEO of the Company.

For the past five (5) years up to July 31, 2020, the Company is not aware of any order, judgment, or decree not subsequently reversed, superseded, or vacated, by any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting the involvement of a director, person nominated to become a director, executive officer, or control person of the Company in any type of business, securities, commodities, or banking activities.

For the past five (5) years up to July 31, 2020, the Company is not aware of any findings by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, that any of its director, person nominated to become a director, executive officer, or control person has violated a securities or commodities law.

## **Relationships and Related Transactions**

For a detailed discussion of ABS-CBN's related party transactions, see the accompanying notes to the Company's audited consolidated financial statements.

Except for transactions discussed in the accompanying notes to the Company's audited consolidated financial statements, there had been no material transactions during the past two (2) years, nor is any material transaction presently proposed, to which the Company was or is to be a party in which any director, executive officer of the Company, or security holder of more than 10% of the Company's voting securities, any relative or spouse of any such director or executive officer or owner of more than 10% of the Company's voting securities had or is to have direct or indirect material interest.

Furthermore, there had been no material transactions during the past two (2) years, nor is any material transaction presently proposed, between the Company and parties that fall outside the definition of "related parties" under Philippine Accounting Standards (PAS) No. 24, but with whom the registrants or its related parties have a relationship (e.g., former senior management of the Company or other parties who have some other former or current relationship with the Company) that enables the parties to negotiate terms of material transactions that may not be availed from other, more clearly independent parties on an arm's length basis.

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

Information as to the aggregate compensation paid or accrued during the last two (2) fiscal years and to be paid in the ensuing fiscal year to the Company's chief executive and four (4) other most highly compensated executive officers follow:

SUMMARY COMPENSATION TABLE				
Annual Compensation – 2018 Actual and 2019 Estimated				
Name	Year	Salary	Bonus	Other Annual Compensation
Chief executive and most highly compensated executive officers (in alphabetical order): Carlo L. Katigbak Laurenti M. Dyogi Roldeo Theodore Endrinal Olivia M. Lamasan Rolando P. Valdueza Ma. Socorro V. Vidanes	2020E 2019	₱164,835,838 ₱193,269,660	₱ ₱59,082,175	₱ -
All managers and up as a group unnamed	2020E 2019	₱1,517,960,814 ₱1,794,037,846	₱ ₱554,408,815	₱

SUMMARY COMPENSATION TABLE				
Annual Compensation -2018				
Name	Year	Salary	Bonus	Other Annual Compensation
Chief executive and most highly compensated executive officers (in alphabetical order): Carlo L. Katigbak Aldrin M. Cerrado Laurenti M. Dyogi Ma. Lourdes N. Santos Rolando P. Valdueza Ma. Socorro V. Vidanes	2018	₱149,576,856.00	₱34,454,182.29	-
All managers and up as a group unnamed	2018	₱1,676,910,928.66	₱309,059,071.95	₱106,327,742.65

There are no compensatory plans or arrangements that will result from a resignation, retirement, or any other termination of an executive officer's employment from a change-in-control of the Company or a change in the executive officer's responsibilities following a change-in-control. No action is to be taken with regard to election, any bonus, profit sharing, and pension/retirement plan. On February 22, 2017, the Board of Directors approved an Employee Stock Purchase Plan and an Executive Stock Purchase Plan. The stockholders unanimously approved the Stock Purchase Plans on April 6, 2017, and the Securities and Exchange Commission (SEC) resolved that the issuance of said shares is exempt from the registration requirement, pursuant to Section 10.2 of the Securities and Regulation Code, on September 28, 2017.

## Item 7. Independent Public Accountants

The principal accountants and external auditors of the Company is the accounting firm of SyCip, Gorres, Velayo & Company (SGV & Co.). The accounting firm of SGV & Co. has been the Company's Independent Public Accountants for the last five (5) years. There was no event in the past five (5) years where SGV & Co. and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

The Company has engaged SGV & Co., with Ms. Catherine E. Lopez as the engagement partner, for the audit of the Company's books in 2014. The Company has complied with SRC Rule 68, paragraph 3(b)(iv).

SGV & Co. is being recommended for re-election at the scheduled Annual Stockholders' Meeting on September 24, 2020.

Representatives of SGV & Co. for the current year and for the most recently completed fiscal year are expected to be present at the Annual Stockholders' Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The aggregate fees billed to ABS-CBN and its subsidiaries for each of the last two (2) fiscal years for professional services rendered by the external auditor are as follows:

	2019	2018
Audit Fees	29,644,000	26,904,000
Non-Audit Fees	7,150,000	16,288,644

The Audit Committee's approval policies and procedures for the above services from SGV & Co., the external auditors are discussed in Section IV of the Company's Manual of Corporate Governance filed with the Commission on May 26, 2017. The Audit Committee pre-approves all audit and non-audit services as these are proposed or endorsed before these services are performed by our independent auditor.

The Audit Committee is composed of Mr. Antonio Jose Periquet as Chairman, Mr. Salvador Tirona, and Mr. Emmanuel De Dios. Mr. Honorio Poblador IV is an advisor of the Audit Committee.

## Item 8. Employee Stock Option Plan

The Company had an employee stock option plan (ESOP) which covered 1,403,500 shares at 95% of offer price during the initial public offering. Collections were made in 48 semi-monthly installments without interest through payroll deductions. Shares offered under the ESOP have been fully paid and issued since 1995.

On March 29, 2000, the Board of Directors approved another ESOP covering 6,080,306 shares. In 2002, all the shares acquired by the Company covering this ESOP, were exercised by the employees. As of December 31, 2010, there are no more outstanding ESOP.

On February 22, 2017, the Board of Directors approved an Employee Stock Purchase Plan and an Executive Stock Purchase Plan. The ABS-CBN Employee Stock Purchase Plan was offered to rank and file employees, technical specialists and Internal Job Market members with at least one (1) year tenure, in January 2018. The maximum number of ABS-CBN common shares that was subscribed by a participant under this plan is 2,000 shares. The subscription price was at PHP29.50, which was a 15% discount on the closing price as of the offer date. The subscription price will be paid in 5 years. The Executive Stock Purchase Plan was offered to managers and artists and members of the Board of Directors with at least one (1) year tenure. Managers and artists can subscribe up to a maximum of shares equivalent to 2.5 months of their monthly salary or income. Members of the Board of Directors can subscribe up to 100,000 shares. The subscription price for the first 2,000 shares was at PHP29.50, which was a 15% discount on the closing price as of the

offer date. There was no discount on the subscription price for the shares subscribed in excess of 2,000 shares. The subscription price will be paid in 5 years. The stockholders unanimously approved the Employee Stock Purchase Plan and Executive Stock Purchase Plan on April 6, 2017, and the Securities and Exchange Commission (SEC) resolved that the issuance of said shares is exempt from the registration requirement, pursuant to Section 10.2 of the Securities and Regulation Code, on September 28, 2017. From January 22, 2018 to February 9, 2018, the Company offered shares to qualified employees and executives under the ESPP and the Executive Stock Purchase Plan and as of February 22, 2018, the Company accepted a total subscription from participants of 11,391,500 common shares.

On August 20, 2020, the Board of Directors recommended to the stockholders the amendment of Section 12.1 of the Executive Stock Purchase Plan to allow the withdrawal of Participants thereto at anytime.

### **C. ISSUANCE AND EXCHANGE OF SECURITIES**

#### **Item 9. Item Authorization or Issuance of Securities Other than for Exchange**

No action is to be taken with respect to the authorization or issuance of securities.

#### **Item 10. Modification or Exchange of Securities**

No action is to be taken with respect to the modification or exchange of the Company's securities.

#### **Item 11. Financial and Other Information**

No action is to be taken.

#### **Item 12. Mergers, Consolidations, Acquisitions, and Similar Matters**

No action is to be taken with respect to the mergers, consolidations, acquisitions, and similar matters.

#### **Item 13. Acquisition or Disposition of Property**

No action is to be taken with respect to the acquisition or disposition of any property.

#### **Item 14. Restatement of Accounts**

No action is to be taken with respect to the restatement of any asset, capital or surplus account of the Company.

### **D. OTHER MATTERS**

#### **Item 15. Action with Respect to Reports**

- Approval of the Minutes of the Annual Meeting of the Stockholders held on April 25, 2019 covering the following matters:
  - Approval of the Minutes of the Annual Stockholders' Meeting held on April 19, 2018
  - Report of the President and Discussions of Questions from the Stockholders
  - Approval of Audited Financial Statements for the Year Ended December 31, 2018;
  - Election of the Directors
  - Ratification and approval of the acts of Board, the Officers and Management for the fiscal year 2018;
  - Appointment of External Auditors;
  - Investment of Funds in Business Ventures with Purposes other than the Primary Purpose
  - Adjournment

- Approval of the Annual Report of Management and the Audited Financial Statements for the year ending December 31, 2019.

#### **Item 16. Matters Not Required to be Submitted**

No action is to be taken with respect to any matter that is not required to be submitted to a vote of security holders.

#### **Item 17. Amendment of Charter, By-laws or Other Documents**

No action is to be taken with respect to an amendment of the Articles of Incorporation or By-laws of ABS-CBN.

#### **Item 18. Other Proposed Actions**

Other proposed actions in the Agenda are:

- Ratification of all acts of the Board of Directors, Executive Committee and Management for the period covering January 1, 2019 through December 31, 2019 adopted in the ordinary course of business. These matters have already been approved by the Board of Directors and these acts are not being submitted for approval or disapproval and are subject to general ratification of stockholders:
  - (a) The resolutions of the Board were duly adopted in the normal course of trade or business and involve
    - i) Approval of contracts, projects, investments, and other acts which have been covered by disclosures to the PSE and the SEC;
    - ii) Treasury matters, including borrowings, opening of accounts and bank transactions; and
    - iii) Housekeeping matters, including the appointment of signatories and amendments thereof.
  - (b) Election of the members of the Board, including the independent directors, for the ensuing year.
  - (c) Election of the external auditor and fixing its remuneration.
  - (d) Amendment of the Executive Stock Purchase Plan ("ESPP"). The Stock Purchase Plan Committee and the Board of Directors recommended to the stockholders the amendment of Section 12.1 of the ESPP to allow the withdrawal of the Participants from the ESPP at any time, and to submit said amendment to the Securities and Exchange Commission. This is to align the ESPP with the ABS-CBN Stock Purchase Plan which allows such withdrawal from the Plan.
- Other Business:
 

Under SEC Memorandum Circular No. 14, series of 2020, stockholders who alone, or together with other shareholders, hold at least 5% of the outstanding capital stock of ABS-CBN, shall have the right to include items on the agenda prior to the annual stockholders meeting.

The Company did not receive any such request to include items on the agenda in accordance with the Memorandum Circular before the filing of this Definitive Information Statement. Items proposed to be added on the agenda pursuant to the Memorandum Circular after the filing of this Definitive Information Statement shall be filed under Other Business.

#### **Item 19. Voting Procedures**

- (a) Vote Required: The proposed actions listed in Item 15 and Item 18, as in motions in general, require the affirmative vote of a majority of the shares of the Company's common stock and preferred stock present through remote communication, electronic voting in absentia and/or represented and entitled to vote via proxy. The manner of voting is non-cumulative, except as to the election of directors.

- (b) Method: Straight and cumulative voting. In the election of directors, the top eleven nominees with the most number of votes will be elected as directors. If the number of nominees does not exceed the number of directors to be elected, all the shares present or represented at the meeting will be cast in favor of the nominees. If the number of nominees exceeds the number of directors to be elected, voting will be done by ballots. On the election of directors, each stockholder may vote such number of shares for as many persons as there are directors to be elected or he may accumulate such shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected. In light of regulations relating to the COVID-19 pandemic, stockholders will only be allowed to vote by appointing the Chairman of the meeting as proxy or via electronically voting in absentia.

Voting will be by poll. Upon registration at the annual stockholders' meeting, each stockholder will be provided with an electronic ballot to enable him to vote on each item or proposal in the Agenda. All votes will be counted and tabulated by the Office of the Corporate Secretary and the results will be validated by SGV & Co.

The Corporate Secretary will be responsible for counting the votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies at any meeting of the stockholders, and the results will be validated by SGV & Co..

- (c) Participation via Remote Communication

To comply with applicable regulations on mass gatherings, and/or requirements of social distancing to prevent the spread of COVID-19 and to ensure the safety, security, and welfare of our directors and stockholders, the Company will dispense with the physical attendance of stockholders at the meeting and will only allow attendance through remote communication, as set forth below, by voting in absentia or by voting through the Chairman of the meeting as proxy.

The live webcast of the Annual Stockholders Meeting may be accessed through [https://agm.conveneagm.com/abscbn\\_asm2020](https://agm.conveneagm.com/abscbn_asm2020). To enable the Company to perform validation procedures, identify the shareholders participating by remote communication and record their presence for purposes of quorum, The shareholders shall follow the registration and validation procedures attached as Annex A to the notice.

**Upon the written request of a stockholder, the Company undertakes to furnish said stockholder with a copy of the Company's annual report on SEC Form 17-A free of charge. Any written request for a copy of the annual report shall be addressed to the following:**

**ABS-CBN Corporation  
ABS-CBN Broadcast Center  
Sgt. Esguerra Avenue corner Mother Ignacia Street, Diliman, Quezon City**

**Attention: Aldrin M. Cerrado  
Chief Financial Officer**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Pasig City on August 28, 2020.

**ABS-CBN CORPORATION**



By: \_\_\_\_\_

**ENRIQUE I. QUIASON**  
Corporate Secretary



## **PART I - BUSINESS AND GENERAL INFORMATION**

### **1. Business Overview**

#### **1.1. Historical Background**

ABS-CBN Corporation (“ABS-CBN” or the “Company”) traces its roots from Bolinao Electronics Corporation (BEC), established in 1946 as an assembler of radio transmitting equipment. In 1952, BEC adopted the business name Alto Broadcasting System (ABS) and began setting up the country’s first television broadcast by 1953. On September 24, 1956, Chronicle Broadcasting Network (CBN), owned by Don Eugenio Lopez Sr. of the Lopez family, was organized primarily for radio broadcasting. In 1957, Don Eugenio Lopez Sr. acquired ABS and on February 1, 1967, the operations of ABS and CBN were integrated and BEC changed its corporate name to ABS-CBN Broadcasting Corporation. On August 16, 2010, the Philippine Securities and Exchange Commission (SEC) approved the change of Company’s corporate name to ABS-CBN Corporation. This change is a reflection of the Company’s diversified businesses in existing and new industries.

ABS-CBN achieved many firsts since it started the television industry in the country in 1953. However, with the imposition of martial law in September 1972, ABS-CBN ceased operations as the government forcibly took control of the Company. ABS-CBN resumed commercial operations in 1986 after the People Power or EDSA revolution.

Recovery after fourteen (14) years of absence was difficult as resources were scarce. Nevertheless, through relentless effort, ABS-CBN recaptured leadership in the Philippine television and radio industries by 1988. During the 1990s and the early part of the new millennium, the Company expanded and ventured into complementary businesses in cable TV, international distribution, mobile services, and magazine publishing among others.

On 05 May 2020, the National Telecommunications Commission (“NTC”) issued an Order which directed ABS-CBN to cease operating all its radio and television stations throughout the Philippines (the “CDO”), and on 30 June 2020, the NTC likewise issued an *Alias* Cease and Desist Order which directed the shutdown of ABS-CBN’s Digital Terrestrial Television DTT) network (the “*Alias* CDO”).

On July 10, 2020, the House Committee on Legislative Franchises passed and approved the Resolution which denied the franchise application of ABS-CBN to construct, install, establish, operate, and maintain radio and television broadcasting stations in the Philippines (the “Resolution”).

Under the Resolution, the House Committee on Legislative Franchises adopted the findings and recommendations of a Technical Working Group (TWG), which under its TWG Report, recommended to deny the broadcast franchise application of ABS-CBN. The Resolution likewise stated that, pursuant to Section 49 of the 18th Congress Rules of the House of Representatives, all of the House Bills and House Resolutions relative to the grant or renewal of the franchise application of ABS-CBN are “laid on the table”, or effectively “killed”. Consequently, ABS-CBN is no longer authorized to operate as a broadcast company.

#### **1.2. Lines of Business**

ABS-CBN is the Philippines’ leading media and entertainment company. The Company presents its operations into the following reportable segments:

- A. Media Networks and Studio Entertainment
- B. Cable, Satellite and Broadband
- C. Digital
- D. Consumer Products and Experiences



## MEDIA NETWORKS AND STUDIO ENTERTAINMENT

Media networks and studio entertainment is comprised of broadcast, global operations, film and music production, radio, digital terrestrial television, cable channels, publishing, and soundstage development and management. This consists of local and global content creation and distribution through television and radio broadcasting.

**Broadcast** segment covers content creation and distribution mainly through free TV and radio with Channel 2 and DZMM as its flagship platforms. The content created is predominantly in Filipino and is aimed at the mass Filipino audience. The Company's leading position in the Philippine television broadcasting industry was largely due to the popularity of its entertainment programs, including *teleseryes*, drama anthologies, situation comedies, variety, reality and game shows. On the other hand, news and public affairs programs have developed a reputation for the quality of news coverage that includes national, local and international events. While the NTC CDO issued on 05 May 2020 and the Resolution approved on 10 July 2020 have caused the Company to cease the operations of its television and radio stations nationwide and to be no longer authorized to operate as a broadcast company, ABS-CBN continues to produce programs and provide programming services in platforms other than broadcast media, such as Iwant and the recently launched its Kapamilya Channel.

**Global** segment pioneered the international marketing and distribution of ABS-CBN content and media products in the United States 25 years ago through ABS-CBN International, with the main goal of bringing global Filipinos back to their roots through programs and products that reflect their needs, dreams, and aspirations.

Global's flagship product, The Filipino Channel (TFC), is a 24-hour programming service consisting primarily of general entertainment, news and feature programs in Tagalog and/or Tagalog-English language, distributed in different countries via cable, direct-to-home (DTH) satellite, online, internet protocol television (IPTV), mobile applications and video streaming services, to suit the needs and preferences of over 10 million global Filipinos. It is distributed in the US, Canada, Middle East, Europe, Australia, and Japan/ Asia Pacific through ABS-CBN's international subsidiaries and/or through third-party distributors. Global's portfolio of products and services also includes theatrical film distribution, transactional video-on-demand (pay per view), live events, concerts and music tours, retail, online radio and video streaming, and philanthropic support for Filipinos and the communities they now call home.

**Films** segment of the Company is produced through its subsidiary ABS-CBN Film Productions Inc. (AFPI) or more popularly known as Star Cinema. AFPI is composed of film creative work, production, post-production, distribution, talent development, and other film-related endeavors like film festivals and live events. It is made up of different film brands, namely Star Cinema, Black Sheep, Cinebro, and Cinema One Originals. Other movies are co-produced with other local or international producers and are distributed by AFPI through Cinescreen.

**Music** segment of the Company handles production, promotion, servicing and distribution, and publishing and licensing of music. Its main business is the production and promotion of recordings and the development of singers and songwriters. The production is subdivided into these labels: Star Music, Tarsier Music, MOR, Myx and One Music. Revenues are in the form of advertising and subscription revenues from online platforms such as YouTube and Spotify. Complementary to this business is the management of artists and the creation and mounting of events. The Company also produces commissioned recordings for television shows and commercial advertisements. The Company also controls a valuable music publishing and sound recording catalogue of iconic Filipino hit songs which covers half a century. These are licensed to third parties for various usages, including theme songs in TV shows and films, commercial advertisements, and communication to the public.

**Digital Terrestrial Television (DTT)** services with its flagship product, ABS-CBN TVplus, were commercially launched in February 2015 and led the nation to numerous innovative and revolutionary milestones that reshaped the television viewing and experience of ordinary Filipino families. The business grew with a total of 9.1 million TVplus boxes sold, since its launch in the Philippine market. With the issuance of the NTC's *Alias* CDO, the DTT network was shutdown as of 30 June 2020.

**Narrowcast** caters to the needs of specific audience or market not normally addressed by the broadcast business. This includes cable and satellite programming and channels as well as specialty content such as sports, lifestyle, music, animation, movies and kids.



## **CABLE, SATELLITE AND BROADBAND**

SKY Cable Corporation offers an array of innovative and pioneering products with superior content delivered on various platforms. Its products include: SKY, the leading cable brand in the country that is known for its top-notch programming with an extensive lineup of HD channels; SKYdirect, a direct-to-home television service available nationwide with prepaid and postpaid subscribers that is set to hit 1 million by the first quarter of 2019; and One SKY Fiber, fiber-powered broadband with plans up to 200Mbps that is bundled with HD cable TV and on-the-go access to content via SKY On Demand. SKY also caters to SMEs and enterprise commercial businesses through SKYbiz, which offers connectivity and content services. SKYbiz is the first provider to create relevant content for the hospitality industry, making it the preferred cable TV provider of premier establishments in the country.



## **DIGITAL**

Digital aims to provide Filipinos meaningful experiences online via engaging content and relevant platforms, whenever and wherever they prefer. It provides end-to-end services to internal lines of businesses and partner brands, from strategy and communication planning, content and product creation, business intelligence, social media analytics, and digital talent management. It also includes multi-channel and social marketing platforms.

**Digital Publishing** segment covers ABS-CBN platforms that provide news, sports, entertainment and lifestyle content. This also includes the country's first and only YouTube-certified multi-channel network, Adober Studios, where content creators can publish, promote, and monetize their original videos. It also includes Stellar, the first influencer marketing platform in the Philippines designed to connect social media celebrities with more brands and more followers.

**OTT Platforms** refers to mainly film, television, and music content that are accessible online. This segment includes iWant, a service offered by DTT services, Sky On Demand, a platform that allows Sky Cable subscribers to watch and stream their favorite shows, and TFC.tv, the online platform of The Filipino Channel.



## **CONSUMER PRODUCTS AND EXPERIENCES**

This segment is composed of live events, theme parks and consumer products.

### **Live Events**

The company delivers movie events, mall shows, concerts, theater musicals and plays, studio tours and corporate events to domestic and international locations.

**Themed Experiences:** The Company established its position at the forefront of themed experiences in the Philippines through KidZania and ABS-CBN Studio Experience.

**KidZania** is an interactive city made for children that combines inspiration, fun and learning through realistic role-play, making it one of the fastest growing global learning and entertainment brands in the world. Kids can independently explore a scaled indoor city of over 8,000 square meters with more than 100 exciting careers that they can try. It is present in 26 locations in 19 countries, with ABS-CBN spearheading in the Philippines. The business is sponsored by the leading industry partners that provide technical expertise and know-how, and help guide the content with real life business practices, making the activities as authentic as possible.

**ABS-CBN Studio Experience** is ABS-CBN's first Studio City, which allows visitors to enjoy the world of entertainment through fun and interactive themed attractions, where they can star in their favorite Kapamilya television shows and movies both in front of, and behind the camera. Studio XP houses full scale set reconstructions divided into three (3) zones, the Reality Studio, Fantasy Studio and Retail Studio.

The businesses relating to Themed Experiences will cease to operate on August 31, 2020.

#### Consumer Products and Services:

##### The Chosen Bun, Inc.:

ABS-CBN extended its portfolio by venturing into the Food & Beverage business thru The Chosen Bun Inc. which currently operates Heroes Burger and The Farm Organics.

**Heroes Burger** is the only Farm-to-Table Fast Food that offers Kapamilyas delicious quality, organic, 100% beef burgers. Heroes Burger sources its beef directly from the only certified organic cattle farm in the country which gives the burger its unique quality and flavor. The dining experience is completed with the use of Pinoy Heroes as a main theme in the interiors and branding. Darna, Captain Barbell, and Lastikman, are burger flavors showcased in colorful and exciting packaging.

Heroes Burger's main branch is at The ELJ building along Lopez Drive, Quezon City with a smaller branch inside the ABS-CBN Studio Experience in Trinoma Mall, Quezon City. Heroes Burger also caters to events via its mobile food truck.

**The Farm Organics** is a casual dining restaurant located at the lower level of The Powerplant Mall in Rockwell Makati. The restaurant was designed to be able to showcase the beef sourced locally from an organic cattle farm. The menu features various cuts of beef, cooked in various ways to highlight the superiority of grass-fed organic beef. The menu represents a modern Filipino theme not only its flavors but in the ingredients used. Sourcing from farms and purveyors who also share the same passion of good slow food. The ambiance and décor is casual and inviting allowing guests to feel relax in the midst of a busy mall.

#### Licensing and Merchandising

The Company brought to life the network's top programs, campaigns and sporting events through an extensive range of products and promotional executions. ABS-CBN-branded merchandise are offered through its partner stores.

#### Home Shopping

Launched in October 2013, A CJ O Shopping Corporation (A CJ O) is a joint venture between ABS-CBN and CJ ENM Co. Ltd. of Korea to provide online and TV home shopping in the Philippines. A CJ O Shopping Corporation will cease to operate on December 31, 2020.

### 1.3. Subsidiaries

The following is a list of the Company's active subsidiaries, which ABS-CBN has economic rights as of December 31, 2019 and 2018:

Company	Incorporation	Principal Activities	Currency	2019	2018
<b>Media, Network, and Studio Entertainment</b>					
Global:					
ABS-CBN Global Ltd. (ABS-CBN Global)	Cayman Islands	Holding company	United States dollar (USD)	100.0	100.0
ABS-CBN Europe Ltd. (ABS-CBN Europe)	United Kingdom	Cable and satellite programming services	Great Britain pound (GBP)	100.0	100.0
ABS-CBN Japan, Inc. (ABS-CBN Japan)	Japan	Cable and satellite programming services	Japanese yen (JPY)	100.0	100.0
ABS-CBN Middle East FZ-LLC (ABS-CBN Middle East)	Dubai, UAE	Cable and satellite programming services	United Arab Emirates dirham (AED)	100.0	100.0
ABS-CBN Middle East LLC	Dubai, UAE	Trading	AED	100.0	100.0

Company	Incorporation	Principal Activities	Currency	2019	2018
ABS-CBN Global Hungary Kft. (ABS-CBN Hungary)	Budapest, Hungary	Holding company	USD	100.0	100.0
Makati Kft.	Budapest, Hungary	Holding company	USD	100.0	-
ABS-CBN International, Inc. (ABS-CBN International)	California, USA	Cable and satellite programming services	USD	100.0	100.0
ABS-CBN Australia Pty. Ltd. (ABS-CBN Australia)	Victoria, Australia	Cable and satellite programming services	Australian dollar (AUD)	100.0	100.0
ABS-CBN Canada, ULC (ABS-CBN Canada)	Canada	Cable and satellite programming services	Canadian dollar (CAD)	100.0	100.0
ABS-CBN Telecom North America, Inc.	California, USA	Telecommunications	USD	100.0	100.0
<b>Films and Music:</b>					
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
<b>Narrowcast and Sports:</b>					
ABS-CBN Publishing, Inc. (ABS-CBN Publishing)	Philippines	Print publishing	Philippine peso	-	100.0
Creative Programs, Inc. (CPI)	Philippines	Content development and programming services	Philippine peso	100.0	100.0
<b>Others:</b>					
ABS-CBN Europe Remittance Inc. <sup>(a)</sup>	United Kingdom	Services - money remittance	GBP	100.0	100.0
E-Money Plus, Inc.	Philippines	Services - money remittance	Philippine peso	100.0	100.0
ABS-CBN Global Remittance Inc.	California, USA	Services - money remittance	USD	100.0	100.0
ABS-CBN Canada Remittance Inc.	Canada	Services - money remittance	CAD	100.0	100.0
ABS-CBN Center for Communication Arts, Inc.	Philippines	Educational/ training	Philippine peso	100.0	100.0
ABS-CBN Global Cargo Corporation	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.	Singapore	Services - support	Singapore dollar (SGD)	100.0	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
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)	Philippines	Marketing, sales and advertising	Philippine peso	79.7	79.7
<b>Digital and Interactive Media</b>					
Sapientis Holdings Corporation (Sapientis)	Philippines	Holding company	Philippine peso	100.0	100.0

Company	Incorporation	Principal Activities	Currency	2019	2018
Columbus Technologies, Inc. (CTI)	Philippines	Holding company	Philippine peso	70.0	70.0
ABS-CBN Convergence, Inc. (ABS-C)	Philippines	Telecommunication	Philippine peso	69.3	69.3
<b>Cable, Satellite and Broadband</b>					
Sky Vision Corporation (Sky Vision) (see Note 4)	Philippines	Holding Company	Philippine peso	75.0	75.0
Sky Cable Corporation (Sky Cable) (see Note 4)	Philippines	Cable television services	Philippine peso	59.4	59.4
Bisaya Cable Television Network, Inc. <sup>(b) (i) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Bright Moon Cable Networks, Inc.	Philippines	Cable television services	Philippine peso	59.4	59.4
Cavite Cable Corporation	Philippines	Cable television services	Philippine peso	59.4	59.4
Cepsil Consultancy and Management Corporation	Philippines	Cable television services	Philippine peso	59.4	59.4
Davao Cableworld Network, Inc.	Philippines	Cable television services	Philippine peso	59.4	59.4
HM Cable Networks, Inc.	Philippines	Cable television services	Philippine peso	59.4	59.4
HM CATV, Inc.	Philippines	Cable television services	Philippine peso	59.4	59.4
Hotel Interactive Systems, Inc.	Philippines	Cable television services	Philippine peso	59.4	59.4
Isla Cable TV, Inc.	Philippines	Cable television services	Philippine peso	59.4	59.4
Moonsat Cable Television, Inc.	Philippines	Cable television services	Philippine peso	59.4	59.4
Pilipino Cable Corporation (PCC)	Philippines	Cable television services	Philippine peso	59.4	59.4
Satellite Cable TV, Inc.	Philippines	Cable television services	Philippine peso	59.4	59.4
Sun Cable Holdings, Incorporated (SCHI)	Philippines	Holding company	Philippine peso	59.4	59.4
Sun Cable Systems Davao, Inc.	Philippines	Cable television services	Philippine peso	59.4	59.4
Sunvision Cable, Inc.	Philippines	Cable television services	Philippine peso	59.4	59.4
Tarlac Cable Television Network, Inc.	Philippines	Cable television services	Philippine peso	59.4	59.4
Telemondial Holdings, Inc.	Philippines	Holding company	Philippine peso	59.4	59.4
JMY Advantage Corporation	Philippines	Cable television services	Philippine peso	56.4	56.4
Cebu Cable Television, Inc.	Philippines	Cable television services	Philippine peso	57.4	57.4
Suburban Cable Network, Inc.	Philippines	Cable television services	Philippine peso	54.9	54.9
Pacific CATV, Inc. (Pacific)	Philippines	Cable television services	Philippine peso	58.0	58.0
First Ilocandia CATV, Inc.	Philippines	Cable television services	Philippine peso	54.9	54.9
Mactan CATV Network, Inc.	Philippines	Cable television services	Philippine peso	56.6	56.6
Discovery Mactan Cable, Inc.	Philippines	Cable television services	Philippine peso	41.6	41.6
Home-Lipa Cable, Inc.	Philippines	Cable television services	Philippine peso	35.6	35.6
<b>Consumer Products and Experiences</b>					
ABS-CBN Theme Parks and Resorts Holdings, Inc. (ABS-CBN Theme Parks)	Philippines	Holding company	Philippine peso	100.0	100.0

Company	Incorporation	Principal Activities	Currency	2019	2018
ABS-CBN Themed Experiences, Inc. (ABS-CBN Themed Experiences)	Philippines	Management of locations	Philippine peso	100.0	-
Play Innovations, Inc. (PII)	Philippines	Theme park	Philippine peso	73.0	73.0
Play Innovations Hungary Kft. (Play Innovations)	Budapest, Hungary	Theme park	USD	73.0	73.0

#### 1.4. Significant Philippine Associates and Affiliates

Company	Principal Activity	Date of Incorporation	Relationship
Lopez, Inc.	Holding Company	11 August 1967	Parent of ABS-CBN
Lopez Holdings Corporation*	Holding Company	08 June 1993	Under common control of Lopez Inc.
ABS-CBN Holdings Corporation		30 March 1999	Under common control of Lopez Inc.
A CJ O Shopping Corporation	Home shopping	13 August 2013	50% owned by ABS-CBN
ALA Sports	Boxing promotions	4 December 2013	44% owned by ABS-CBN
Daum Kakao Corporation	Services	16 February 2015	50% owned by ABS-CBN
The Flagship, Inc.	Services	20 October 2015	40% owned by ABS-CBN

\*Formerly Benpres Holdings Corporation

#### 1.5. Competition

##### MEDIA NETWORK AND STUDIO ENTERTAINMENT

##### **Broadcast**

**Free-to-Air Television:** Prior to the NTC CDO and the Resolution, there were 11 commercial television stations – those which derive the majority of their revenues from the sale of advertising and airtime – in Mega Manila (which includes Metro Manila and parts of the nearby provinces of Rizal, Laguna, Cavite and Bulacan), with 7 on VHF (Very High Frequency) and 4 on UHF.

The Company's television broadcasting networks competed for advertising revenues, the acquisition of popular programming and for the services of recognized talent and qualified personnel. The Company's television stations also competed with other advertising media, such as radio, newspapers, outdoor advertising and cable television channels, as well as with home video exhibition, the Internet and home computer usage.

The major free-to-air broadcasting networks in the country, their corresponding Mega Manila channels, and their respective performance in total Philippines household ratings and audience share for January-December 2019, are as follows:

##### **CHANNEL RATINGS AND SHARES (6AM-12MN) FY 2019 EXCLUDING HOLYWEEK**

**SOURCE: KANTAR MEDIA TAM - TOTAL HOUSEHOLDS**

Channel	Total Philippines	
	(January - December 2019)	
	Rating %	Share %
ABS-CBN	14.9	44.2

GMA	10.3	30.6
TV 5	1.0	3.0
GMA News TV	0.6	1.7
ABS-CBN Sports +		
Action	0.5	1.4
Cinemo	1.4	4.0
Yey	1.2	3.5
CNN Philippines	0.0	0.1
OTHER FTA/DTT	1.1	3.3

Prior to the NTC CDO and *Alias* CDO and the Resolution, the Company principally competed with 9 commercial free-to-air television stations in Mega Manila, including the channels of its major competitor, GMA Network, Inc. (GMA 7 or GMA Network) which owns and operates GMA 7.

**Radio:** Prior to the NTC CDO and the Resolution, the Company's flagship radio stations, DZMM on the AM band and 101.9 in the FM band, competed with over 21 radio stations in each band in Mega Manila. The Company's other regional/provincial radio stations (3 in the AM band and 16 in the FM band) also competed with the regional radio stations of major radio broadcasting companies, such as Manila Broadcasting Company, Bombo Radyo, and Radio Mindanao Network.

The Company's radio network competed with other radio broadcasting entities for advertising revenues and for the services of recognized talent and qualified personnel. The Company's radio stations also competed with other advertising media and other forms of entertainment, including music products such as CDs and digital music.

**Programming:** ABS-CBN continues to be a major supplier of Filipino content for television and cable channels both in the Philippines and, increasingly, throughout the world. In-house produced contents have been and are still currently aired in numerous countries around the world, particularly in Southeast Asia, China, Africa, and Eastern Europe.

The Company faces competition for distribution of its programming from other producers of Filipino programming. ABS-CBN also competes with other programming providers for channel space and compensation for carriage from cable television operators and other multi-channel distributors. For such program services, distributors select programming based on various considerations, including the prices charged for the programming and the quality, quantity and variety of programming.

ABS-CBN's content library of in-house produced drama series, movies, reality shows, variety shows, documentaries, and the like, runs in the hundreds of thousands of hours combined. Moreover, the Company also has exclusive broadcast licenses for numerous popular local and foreign-acquired programs and movies.

Competition in acquiring foreign-produced programming and films has also been greater than in the previous years. The Company competes with other Philippine broadcast entities and pan-regional cable programming producers in acquiring broadcast rights to popular foreign TV shows and films.

### **Global**

Global distributes TFC and other media content in the US, Canada, Middle East, and Asia Pacific through various multichannel video programming distributors (MVPDs).

TFC competes for audience attention not only with Filipino content providers in the regions where it is distributed, but also with mainstream media content on satellite television and cable systems, national broadcast networks, regional and local broadcast stations, as well as on-demand, streaming media services.



## **Films and Music**

**Film Production and Distribution:** The creation, production, and distribution of feature films is a highly competitive business in the Philippines. AFPI competes for the services of a limited pool of recognized and bankable creative talents, both artists and production staff, and for film rights and scripts, which are essential to the success of a feature film. The Company likewise competes with other feature film producers, including established Filipino studios, an increasing number of smaller independent producers, and major foreign studios such as Disney, Dreamworks, and Warner Brothers. Success in the Philippine movie business depends on the actors' performance in the film, the quality of the film, its strategic distribution, marketing, and massive promotion. But it is also highly influenced by external factors such as the political environment, the economic situation, natural occurrences such as storms and health scares, and seasonal shifts in audience behavior, making the venture one with the highest risk in media.

The number of films released by the Company's competitors in any given period may create an oversupply of product in the market, which may reduce the Company's share of gross box office admissions. Star Cinema also competes with other forms of entertainment and leisure time activities such as streaming, travel, and dining. Piracy also takes a considerable chunk of the Company's earnings potential.

**Music Production and Promotion:** The Music Group's main business is the production and promotion of recordings and the development of singers and songwriters. Revenues are in the form of advertising and subscription revenues from online platforms such as YouTube and Spotify. Complementary to this business is the management of artists and the creation and mounting of events.

**Music Servicing and Distribution:** The Company also produces commissioned recordings for television shows and commercial advertisements.

**Music Publishing and Licensing:** The Company controls a valuable music publishing and sound recording catalogue of iconic Filipino hit songs which covers half a century. These are licensed to third parties for various usages, including theme songs in TV shows and films, commercial advertisements, and communication to the public.

## **DTT**

DTT broadcasting will soon replace the current analog transmission system, with the intention of improving the quality of broadcast service and reception, and for a better and more effective utilization of frequency spectrums. As the Department of Information and Communications Technology (DICT) rolls out the DTT broadcasting migration plan, with the vision of moving to fully digital TV by 2023, competition is also increasing for the Company.

In 2015, the Company commercially released the country's first digital terrestrial set-top box with freemium digital TV channels called ABS-CBN TVPlus. Aside from carrying free-to-air digital broadcasts of ABS-CBN and other digital broadcasters, it came with four (4) new digital TV channels exclusive to the Company's set-top box. As of end-2019, the Company has sold over 9.1 million of these set-top boxes. However, with the issuance of the *Alias* CDO, the Company has shutdown its DTT network as of June 30, 2020.

## **Narrowcast**

ABS-CBN, through its subsidiaries Sarimanok News Netrowk, Inc. and Creative Programs, Inc., also provides programming for eight (8) cable channels. These cable channels compete for viewership with other local cable programmers and pan-regional cable channels. Production and acquisition for cable programs, as well as the selling of airtime for advertising, are highly competitive. The Company also faces competition with other cable channels in terms of cable carriage among the numerous pay TV providers in the country.



## CABLE, SATELLITE AND BROADBAND

SKYcable is a leading cable, satellite and broadband technology provider in the Philippines. SKYcable's main competitor in the pay TV business is Signal. SKYcable also competes with other small local operators in certain cities it operates in, but no other operator has the same scale and geographic reach as SKYcable.

SKYcable, through its SKYcable network, directly competes for viewer attention and subscriptions with other providers of entertainment, news and information, including other cable television systems, broadcast television stations and DTH satellite companies.

Cable television systems also face strong competition from all media for advertising revenues. Important competitive factors include fees charged for basic and premium services, the quantity, quality and variety of the programming offered, signal reception, customer service, and the effectiveness of marketing efforts.

The broadband business where SkyCable operates in, has several direct competitors. These competitors range from large telecommunications companies to smaller and dedicated service providers catering to individuals and businesses alike. Key competitive factors include speed of service, coverage, and fees charged for broadband services.



## DIGITAL

Digital Media: The Company continues to be the #1 Philippine-based website across all categories beating out media competitors.

OTT Platform: ABS-CBN's Over-The-Top platforms (iWant.ph, TFC.TV, and Sky on Demand) compete with international OTT providers. Over the past year, a number of OTT players have entered the country. Key factors in this segment include new technologies that support the platform, easy access to online content, and quality and quantity of content offered to address changing viewership habits of the market.



## CONSUMER PRODUCTS AND SERVICES

Themed Experiences: The Company established its position at the forefront of themed experiences in the Philippines through KidZania and ABS-CBN Studio Experience.

**KidZania** is an interactive city made for children that combines inspiration, fun and learning through realistic role-play, making it one of the fastest growing global learning and entertainment brands in the world. Kids can independently explore a scaled indoor city of over 8,000 square meters with more than 100 exciting careers that they can try. It is present in 26 locations in 19 countries, with ABS-CBN spearheading in the Philippines. The business is sponsored by the leading industry partners that provide technical expertise and know-how, and help guide the content with real life business practices, making the activities as authentic as possible.

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### Consumer Products and Services:

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#### **1.6. Patents, Trademarks, Licenses, Franchises, Concessions and Royalty**

Republic Act No. 7966, approved on March 30, 1995, granted the Company the franchise to operate TV and radio broadcasting stations in the Philippines through microwave, satellite or whatever means including the use of new technologies in television and radio systems. The franchise is for a term of 25 years. ABS-CBN is required to secure from the National Telecommunications Commission (NTC) appropriate permits and licenses for its stations and any frequency in the TV or radio spectrum.

The franchise expired on May 4, 2020. Thereafter, on May 05, 2020, the NTC issued an Order which directed ABS-CBN to cease operating all its radio and television stations throughout the Philippines (the "CDO"), and on June 30, 2020, the NTC likewise issued an *Alias* Cease and Desist Order which directed the shutdown of ABS-CBN's Digital Terrestrial Television (DTT) network (the "*Alias* CDO").

On July 10, 2020, the House Committee on Legislative Franchises passed and approved the Resolution which denied the franchise application of ABS-CBN to construct, install, establish, operate, and maintain radio and television broadcasting stations in the Philippines (the "Resolution"). Under the Resolution, the House Committee on Legislative Franchises adopted the findings and recommendations of a Technical Working Group (TWG), which under its TWG Report, recommended to deny the broadcast franchise application of ABS-CBN. The Resolution likewise stated that, pursuant to Section 49 of the 18th Congress Rules of the House of Representatives, all of the House Bills and House Resolutions relative to the grant or renewal of the franchise application of ABS-CBN are "laid on the table", or effectively "killed". Consequently, ABS-CBN is no longer authorized to operate as a broadcast company.

However, ABS-CBN continues to produce programs and provide programming services, over which ABS-CBN owns and holds intellectual property rights. ABS-CBN owns various trademarks and copyright over most programs it produced. ABS-CBN has also acquired the rights over content of a number of third party production entities.

#### **Third Party-owned Foreign and Local Film and Programs aired through the Networks**

ABS-CBN and its subsidiaries have licenses from foreign and local program and feature film owners to distribute the same through its networks. The licenses to distribute the foreign programs and foreign and local feature films grant ABS-CBN and its subsidiaries the right to distribute said programs and films on free TV, cable, and satellite in the Philippines and in territories wherein TFC is distributed. These licenses for TV rights have an average term of 2 to 3 years. Such programs comprise approximately 15% of the programming of Channel 2, approximately 65% of the content of Sports & Action, and close to 89% for all CPI cable channels collectively.

ABS-CBN Film Productions, Inc. has a license to distribute local and foreign feature films in the Philippines for theatrical, TV, and video distribution, with limited ancillary rights. The licenses for foreign films have an average term of 10 to 15 years.

Aside from licenses, programs or events produced by third parties are aired through the networks of ABS-CBN and its subsidiaries under blocktime agreements or coverage and broadcast agreements entered into with such third party-producers.

### **Music Licenses**

ABS-CBN and its subsidiaries secure synchronization licenses for music used in films and TV programs for both musical compositions and sound recordings. In addition, ABS-CBN has entered into multi-year agreements with the Filipino Society of Composers, Authors and Publishers, Inc. (FILSCAP) and Sound Recording Rights Society, Inc. (SOUNDSRIGHT), both collective management organizations in the Philippines. Fees for public performance rights of TFC are paid to the relevant collecting societies in the territories where the channels are being operated.

### **Government Regulations on Principal Products or Services**

The principal law governing the broadcasting industry is the Public Service Act (Commonwealth Act. No. 146, as amended). Under this Act, the term “public service” encompasses owning, operating, managing, controlling in the Philippines, for hire or compensation, with general or limited clientele, whether permanent, occasional or accidental, and done for general business purposes, wire or wireless broadcasting stations. Accordingly, the business of ABS-CBN comes under the jurisdiction of the Public Service Commission, which was created under the same Act to have jurisdiction, supervision, and control over all public services, their franchises, equipment, and other properties, and in the exercise of its authority, to have the necessary powers and the aid of the public force.

The Act seeks to protect the public against unreasonable charges and inefficient service by public utilities, including companies engaged in television and radio broadcasting as well as to prevent excessive competition. Thusly, the Public Service Commission has been granted certain powers under the Act, including the issuance of a certificate of public convenience; the fixing and determination of the rates, tolls, charges, etc.; the fixing of just and reasonable standards, classifications, regulations, etc.; the establishment of reasonable rules, regulations, instructions; to suspend or revoke certificates issued under the Act.

The 1987 Philippine Constitution provides that “ownership and management of mass media shall be limited to citizens of the Philippines, or to corporations, cooperatives or associations wholly-owned and managed by such citizens” (Section 11, Article XVI). As a result, the Company is subject to a nationality restriction, which it has continuously and fully complied with.

Republic Act No. 7966, approved on March 30, 1995, granted the Company a Congressional Franchise to operate TV and radio broadcasting stations in the Philippines through microwave, satellite or whatever means including the use of new technologies in television and radio systems. The Congressional Franchise is for a term of twenty-five (25) years. As previously discussed, in pages 41 of this Information Statement, said Congressional Franchise, which expired on May 4, 2020, was not renewed by virtue of the Resolution adopted by the Committee of Legislative Franchise on July 10, 2020

ABS-CBN is required to secure from the NTC appropriate permits and licenses for its stations and any frequency in the TV or radio spectrum. On May 05, 2020 the NTC issued an Order which directed ABS-CBN to cease operating all its radio and television stations throughout the Philippines (the “CDO”), and on June 30, 2020, the NTC likewise issued an *Alias* Cease and Desist Order which directed the shutdown of ABS-CBN’s Digital Terrestrial Television (DTT) network (the “*Alias* CDO”). In compliance with the CDO and the *Alias* CDO, ABS-CBN has shutdown the operations of its television and radio stations nationwide as well as its DTT network.

In the meantime, the Petition for Certiorari and Prohibition (the “Petition”), with urgent application of the issuance of a Temporary Restraining Order and/or a Writ of Preliminary Injunction (G.R Case No. 352119), questioning the validity

of the CDO, which the Company filed last May 07, 2020 remains pending for resolution with the Supreme Court. Please refer to the discussion of G.R. Case No. 352119 in page 59 of this Information Statement.

The government departments and agencies that administer the laws governing the broadcasting industry and content are the NTC, the DICT, the Movie and Television Review and Classification Board (MTRCB), the Optical Media Board (OMB), and the Department of Labor and Employment.

The NTC primarily regulates the broadcasting industry. Its mandate extends to the regulation and supervision of radio and television broadcast stations, cable television (CATV) and pay television (Executive Order No. 546 and Executive Order No. 205). Its functions include the granting of certificates of public convenience and necessity/provisional authority to install, operate and maintain telecommunications, broadcast and CATV services; granting licenses to install, operate and maintain radio stations; allocate/sub-allocate and assign the use of radio frequencies; type-approving/type-accepting all radio communications, broadcast and customer premises equipment; conduct radio communications examination and issue radio operations certificate; prepare, plan and conduct studies for policy and regulatory purposes; monitor the operation of all telecommunications and broadcast activities; enforce applicable domestic and international laws, rules and regulations, prosecute violation thereof, and impose appropriate penalties/sanctions; issue licenses to operate land, maritime, aeronautical and safety devices; and perform such other telecommunications/broadcast-related activities as may be necessary in the interest of public service.

The DICT is the primary policy, planning, coordinating, implementing and administrative entity of the Executive Branch of the government that will plan, promote and develop the national ICT agenda. Although the NTC is attached to the DICT for policy and program coordination, the DICT does not have the power to review the acts and resolutions of the NTC.

The MTRCB is responsible for rating television and film for the Philippines. It classifies television programs based on their content. It is also the regulatory body that initiates plans and fosters cooperation in the industry to improve, upgrade and make viable the industry as one source of fueling the national economy.

The OMB was created, pursuant to the policy of the state to institute means to regulate the manufacture, mastering, replication, importation and exportation of optical media. To this end, the OMB has been empowered to formulate policies and programs necessary to accomplish the purposes of the Optical Media Act of 2003. It has also been granted the power to supervise, regulate, grant or renew licenses. Its power also encompasses inspections, obtaining search warrants, and acting as complainant in criminal prosecutions for violators of the Act. It can hear and resolve administrative cases against violators of the Act and impose sanctions, confiscate optical media, suspend, cancel or deny renewal of licenses.

In addition to the restrictions imposed by the government agencies, a broadcaster must also follow rules and industry standards promulgated by the *Kapisanan ng mga Brodkaster sa Pilipinas* (KBP), of which the Company is a member. The KBP is a self-regulating trade organization consisting of television and radio operators. It formulates policies and guidelines for the operations of its members and enforces programming and advertising rules.

### **Costs and Effect of Compliance with Environmental Laws**

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate (ECC) prior to commencement. Through its regional offices or through the Environmental Management Bureau (EMB), the Department of Environment and Natural Resources (DENR) determines whether a project is environmentally critical or located in an environmentally critical area.

The ECC is a government certification that (i) the proposed project or undertaking will not cause a significant negative environmental impact; (ii) that the proponent has complied with all the requirements of the Environmental Impact System (EIS) system and; (iii) that the proponent is committed to implement its approved environmental management plan in the EIS or, if an IEE was required, that it will comply with the mitigation measures suggested therein. The ECC

contains specific measures and conditions that the project proponent must undertake before and during the operation of a project, and in some cases, during the abandonment phase of the project to mitigate identified environmental impact.

ABS-CBN is not engaged in any project or activity that may require compliance with these requirements. For the past three years, there were no costs related to the effect of compliance with environmental laws.

However, if and when applicable, the Company shall apply for and secure proper permits, clearances or exemptions from the DENR, Department of Health, Civil Aviation Authority of the Philippines, and other regulatory agencies, for the installation and operation of proposed broadcast stations nationwide.

#### **Employees and agreements of labor contracts, including duration**

ABS-CBN and Subsidiaries had 6,686 regular employees, 641 non-regular employees and 3,157 talents and project-based employees as of December 31, 2019. With the non-renewal of its legislative franchise, ABS-CBN was constrained to implement a retrenchment program covering ABS-CBN and its subsidiaries effective end of business day on August 31, 2020.

The Philippine Labor Code and other statutory enactments provide the minimum benefits that employers must grant to their employees, which include certain social security benefits, such as benefits mandated by the Social Security Act of 1997 (R.A. No. 8282), the National Health Insurance Act of 1995 (R.A. No. 7875), as amended, and the Home Development Fund Law of 2009 (R.A. No. 9679).

Under the Social Security Act of 1997, social security coverage is compulsory for all employees under 60 years of age. An employer is obligated to deduct and withhold from each employee's monthly salary, wage, compensation or earnings, the employee's contribution, and the employer, for its part, makes a counterpart contribution for the employee, and remits both amounts to the Social Security System (SSS). This enables the employees to claim their pension, death benefits, permanent disability benefits, funeral benefits, sickness benefits and maternity-leave benefits. The Social Security Act of 1997 imposes penal sanctions if an employer fails to remit the contributions to the SSS. For corporate employers, the penalty is imposed on its president and members of the board of directors.

The National Health Insurance Act, created the National Health Insurance Program (NHIP) to provide health insurance coverage and ensure affordable and accessible health care services to all Filipino citizens. Under the law, all members of the SSS are automatically members of the NHIP. The Philippine Health Insurance Corporation (PhilHealth) administers the NHIP, and an employer is required to deduct and withhold the contributions from the employee's salary, wage or earnings, make a counterpart contribution for the employee, and remit both amounts to PhilHealth. The NHIP will then subsidize personal health services required by the employee subject to certain terms and conditions under the law. The National Health Insurance Act likewise imposes penal sanctions if an employer does not remit the contributions to PhilHealth. For corporate employers, the penalty is imposed on its president and members of the board of directors.

The Home Development Fund Law (R.A. No. 9679) or the Pag-IBIG Fund Law, created the Home Development Mutual Fund (HDMF), a national savings program as well as a fund to provide for affordable shelter financing to Filipino workers. Coverage under the HDMF is compulsory for all SSS members and their employers. Under the law, an employer must deduct and withhold 2% of the employee's monthly compensation, up to a maximum of ₱5,000 and likewise make a counterpart contribution of 2% of the employee's monthly compensation, and remit the contributions to the HDMF. The Pag-IBIG Fund Law also imposes penal sanctions if the employer does not remit the contributions to the HDMF.

The Philippine Labor Code provides that, in the absence of a retirement plan provided by their employers, private-sector employees who have reached 60 years of age or more, but not beyond 65 years of age, the compulsory retirement age for private-sector employees without a retirement plan, and who have rendered at least 5 years of service in an establishment, may retire and receive a minimum retirement pay equivalent to one-half month's salary for every year of service, with a fraction of at least 6 months being considered as one whole year. For the purpose of computing the retirement pay, "one-half month's salary" shall include all of the following: 15 days salary based on the latest salary rate; in addition, one-twelfth of the 13<sup>th</sup> month pay and the cash equivalent of 5 days of service incentive leave pay. Other benefits may be included in the computation of the retirement pay upon agreement of the employer and the employee

or if provided in a collective bargaining agreement (CBA).

ABS-CBN has complied with all these labor regulations and laws.

ABS-CBN's management recognizes two labor unions, one for the supervisory employees and another for the rank and file employees. The Supervisory Union represents approximately 3% of the total regular employees of ABS-CBN, while 12% of belong to the Rank & File Union. The current CBA for the supervisory union covers the period August 1, 2018 to July 31, 2020, while the CBA for the rank and file employees covers the period December 1, 2019 to November 30, 2021.

For the last 3 years, there were neither labor strikes nor any disputes with the labor unions. CBA negotiations with the Rank and File and Supervisory unions were concluded without any major issues and were ratified by the majority of the union members.

### 1.7. Corporate Social Responsibility (CSR)

#### ABS-CBN Lingkod Kapamilya Foundation, Inc. (now ABS-CBN Foundation, Inc.)

ABS-CBN's enviable position of being in media opens up opportunities to render public service. The driving philosophy underpinning the Company's business is to be of service to the Filipino people. Given the socio-political context of the Philippines, ABS-CBN's audience and stakeholders expect and rightly deserve nothing less.

ABS-CBN Lingkod Kapamilya Foundation, Inc. (ALKFI), a non-stock, non-profit organization, was incorporated in 1989 to address the plight of the disadvantaged and to ensure that solicited help are properly allotted and utilized. ALKFI has 3 flagship programs:

- *Sagip Kapamilya*. Sagip Kapamilya provides relief assistance to victims of calamities and natural disasters. It is likewise engaged in the rehabilitation of typhoon-damaged public schools and several disaster risk-reduction projects all over the country. Programa Genio of Sagip Kapamilya was launched in 2012 to focus on helping every Filipino child discover and develop the inherent “*genio*” or genius in them. Named in honor of ABS-CBN Founder and Chairman Eugenio Lopez Jr., Programa Genio's goal is to help empower the marginalized and disadvantaged children and youth through quality educational soft programs in order for them to become skilled and productive citizens that would be able to contribute in the growth of their community and to the country's development.
- *Bantay Bata* (Child Watch). Founded in 1997, Bantay Bata 163 started as a child welfare program for children at risk. Through the years, its services have evolved to include helping indigent children through medical assistance and scholarships. It has broadened its scope to include the community to help advance its advocacies, empowering the family through education and information campaigns. In 2018, Bantay Bata 163 re-opened the Children's Village will serve as a halfway home to abused and at risk children. Moving forward, Bantay Bata 163 will enter the online arena to aid in stopping online child abuse and exploitation. Bantay Bata's services now fall under the following categories:
  - Bantay Proteksyon – Being the front runner in child protection, these services aim to promote the intrinsic rights of a child especially their right to protection. This includes Hotline 163 and the Children's Village.
  - Bantay Edukasyon – Bantay Bata 163 provides educational assistance to children victims of abuse, exploitation and neglect and those children from destitute families.
  - Bantay Kalusugan – this category includes services that cater to the overall health and well-being of a child. Included in this group are the medical assistance services and supplemental feeding projects.
  - Bantay Pamilya – includes interventions that advance the advocacies of Bantay Bata thereby empowering the family and the community to be advocates and champions of children rights and welfare. Projects under this category include Community Outreach Programs and Capacity Building Programs for parents and service providers.
- *Bantay Kalikasan* (Nature Watch). Launched in 1998, Bantay Kalikasan (BK), ABS-CBN Lingkod Kapamilya's environment advocacy arm, has propelled massive changes towards the protection and sustainability of the country's natural environment. For two decades, it has initiated different projects such as watershed rehabilitation and management, recovery and recycling of Used Lead Acid Batteries (ULABs) and used oil, advocacy building through Information and Education Campaigns (IEC) and community empowerment. BK's projects include the Green Initiative Project, La Mesa Watershed and Ecopark, Bantay Baterya and Langis and the SEA Verde Island Passage (SEA VIP) Project. All of Bantay Kalikasan's projects revolve around five pillars which include:
  - Environmental Advocacy and Stewardship - This pillar awakens the “steward” in every Filipino – to encourage them to take steps, even small, for the environment.
  - Food Security and Sustainable Livelihood - This pillar provides the necessary inventory/equipment/infrastructure, and even operating capital needed to start up the social enterprise.



- o Empowered Communities and Governance - This pillar trains the community on managing their own social enterprise in the areas of financial literacy, marketing, operations, and other sustainable business practices. It also includes values transformation of individuals enabling them to make sound decisions based on integrity, truth, and the common good. This pillar also assists the communities to form a recognized organization capable of governing themselves and implementing policies to achieve their common goals.
- o Building Networks and Ecosystems - This pillar equips the communities to become independent organizations capable of tapping government agencies, the academe, and trade associations to launch, manage and sustain their projects.

In 2019, Bantay Kalikasan had projects and interventions in 51 communities nationwide.

**On our Sustainability Report, please refer to the following links for the full report:**

<https://www.abs-cbn.com/sustainability>

<https://www.abs-cbn.com/governance/reports/sustainability-report/2019-sustainability-report/id-79>

## **1.8. Principal Competitive Strengths of the Company**

### **Diversified businesses**

ABS-CBN is considered the country's leading media and entertainment company, with service offerings across the different platforms of media, servicing a wide array of customer segments.

Prior to the Resolution, the Company's VHF television network, consisting of Channel 2, other owned and operated television stations, and 10 affiliated stations, was the leading television networks in the Philippines. The Company also operated Channel 23, one of the leading UHF television networks with 41 television stations. These VHF and UHF networks reached an estimated 97% and 50%, respectively, of all television owning households in the Philippines.

ABS-CBN as a radio broadcast company, operated 22 radio stations throughout the key cities of the Philippines. The Company's anchor radio stations in Mega Manila, DZMM and DWRR, were among the highest-rated stations in Mega Manila, in the AM and FM bands, respectively.

The Company delivers television programming outside of the Philippines to over 3 million viewers in North America, the Middle East, Europe, Japan, Australia, Canada, and other countries in Asia, through the internet and the Company's global distribution platform, TFC, using DTH satellite service, cable television channels, IPTV, mobile applications and video streaming services.

ABS-CBN beneficially owns 92% of Sky Cable and holds approximately 59.4% economic interest (on a fully diluted basis) in Sky Cable. Sky Cable also offers the fastest residential broadband service in the country. On May 11, 2012, Sky Cable entered into agreements with Destiny Cable, Inc. (Destiny), Solid Broadband Corporation, and Uni-Cable TV, Inc. (together, the Destiny Cable Group) for the acquisition of its cable and broadband assets and subscribers.

The Company's product offering is further complemented by subsidiaries focused on other multimedia services such as film production, music recording, telecommunications and magazine and book publishing.

### **Extensive experience of management team**

ABS-CBN's management is composed of highly experienced professionals with significant track record in the media sector, managing close to 10,000 employees in 2019. Key senior officers have been working within the industry for at least 10 years.

## Growth strategy

In light of the Resolution, the Company plans to continue to operate in other businesses that do not require a legislative franchise, such as, international licensing and distribution, digital and cable businesses, as well as, continue with the syndication of content through various streaming services. The Company takes into consideration the probable shift of consumer behavior in terms of accessing content, as well as, the ever-changing technology available to the public.

### 1.9. Key Strategies and Objectives

As an organization, ABS-CBN affirms its mission of being in the service of the Filipino. The Company is driven to pioneer and innovate because it knows that it helps more Filipinos discover themselves and connect to one another. The Company opens pathways to opportunities and brings people a step closer to their dreams. ABS-CBN is firmly committed to pursuing excellence. The key elements to its business strategy are:

***Building on our core strength in content creation.*** While the technology, the production process, and the medium used to access content evolve, ABS-CBN's core ability to create quality content that touches, inspires and empowers its viewers must remain constant. The Company will continue building on its core strength in content creation.

***Anytime, anywhere, in any device or medium.*** As ABS-CBN's audience demand greater control over how and when they will consume content, the Company will ensure its continued relevance by distributing its content in the widest array of platforms that technology will allow. The Company's audience will be able to reach ABS-CBN anytime at any place in any medium.

***Maintain a strong fiscal position and bring value to our stakeholders.*** The Company will derive the most synergies possible between its content and distribution businesses. The Company will ensure that it is able to optimize its strength of content creation by being present in all platforms possible. In addition, the Company will consciously operate more efficiently and cost-effectively, as it delivers greater value to its customers, clients, partners, and shareholders.

### 1.10. Transactions with Related Parties

For a detailed discussion of ABS-CBN's related party transactions, refer to Note \_ of the Company's 2019 audited consolidated financial statements.

Except for related party transactions discussed in the accompanying notes to the Company's 2019 audited consolidated financial statements, there had been no material transactions during the past 2 years, nor is any material transaction presently proposed, to which the Company was or is to be a party in which any director, executive officer of the Company, or security holder of more than 10% of the Company's voting securities, any relative or spouse of any such director or executive officer or owner of more than 10% of the Company's voting securities had or is to have direct or indirect material interest.

Furthermore, there had been no material transactions during the past two (2) years, nor is any material transaction presently proposed, between the Company and parties that fall outside the definition of "related parties" under PAS 24 *Related Party Disclosure – Key Management Personnel*, but with whom the registrants or its related parties have a relationship (e.g., former senior management of the Company or other parties who have some other former or current relationship with the Company) that enables the parties to negotiate terms of material transactions that may not be availed from other, more clearly independent parties on an arm's length basis.

### 1.11. Risks Relating to the Company

The Company's results of operations may be negatively affected by the NTC CDO, Resolution, COVID-19, and the adverse economic conditions in the Philippines and abroad since its operations depend on its ability to sell airtime for advertising, to sell various goods and services, and to collect subscription fees from its subscribers. Historically, the advertising industry, relative to other industries, has been particularly sensitive to the general condition of the economy. Also, the ability of consumers to pay for the Company's services or goods depends on their disposable income at any given time.

Consequently, the Company's business may be affected by the economic condition of the country and of the territories where it conducts its business.

ABS-CBN's Board of Directors and management are mindful of the potential impact of various risks to the Company's ability to operate a viable business. Strategy formulation and decision-making always take into account these potential risks and the Company ensures that it takes all the steps necessary to minimize, if not eliminate, such risks. ABS-CBN ensures that it has the proper control systems in place, and to the extent possible, adopted global best practices, to identify, assess, analyze and mitigate market, operating, financial, regulatory, community, reputational, and other risks.

The Risk Management Committee formed in March 2010 assumes the responsibility of oversight for Enterprise Risk Management (ERM), taking over from the Audit Committee.

## **2. Properties**

### **2.1 Head Office**

The properties of the Company consist of production, broadcasting, transmission and office facilities, majority of which are owned by the Company. Broadcast operations are principally conducted in the 44,000 square meters ABS-CBN Broadcasting Center located at Sgt. Esguerra Avenue corner Mother Ignacia St. Quezon City. The broadcast center also houses the Company's 650-foot transmitter tower and other broadcast facilities and equipment.

The broadcast center is comprised of several buildings, one of which is a modern 15-story building known as the Eugenio Lopez Jr. Communications Center (ELJCC). The ELJCC houses the corporate offices of the Company and its subsidiaries engaged in related businesses. Aside from the corporate offices, the building also has television soundstages, sound recording studios and other television production facilities. The building has a gross floor area of approximately 100,000 square meters and total office space of approximately 58,000 square meters. The ground floor is leased to various businesses including banks, retail stores, coffee shops and restaurants. The broadcast center also houses the Company's other buildings and properties:

- The main building, which currently houses the Company's TV Production, News and Current Affairs, Regional Network, and Manila Radio groups. The Company's Technical Operations Center and several studios and soundstages are also located in the main building, which was completed in 1968.

### **2.2 Local and Regional Properties**

ABS-CBN also owns real estate properties in various parts of the country. Originating stations have the capacity to produce and broadcast their own programs and to air advertising locally. Relay stations can only re-transmit broadcasts from originating stations. Affiliate stations are not owned by the Company. Rather, they are typically independently owned by local Filipino business people and are contracted to re-broadcast the Company's originating signals during specified time blocks for negotiated fixed fees.

By virtue of the NTC CDO and the Resolution of the House Committee on Legislative Franchises, the Company has ceased to broadcast any programming in its television and radio stations.

## **3. Legal Proceedings**

For the past 5 years, the Company has not been a party in any legal proceedings which involved a claim for damages in an amount, exclusive of interest and cost, exceeding 10% of the current assets of ABS-CBN.

### **A. Non-Material Legal Proceedings**

While not deemed material, legal proceedings based on the amount of the claims involved, the following legal proceedings involving ABS-CBN were the subject of news reports, and therefore generated public interest, but

Management is nevertheless of the opinion that should there be any adverse judgment based on these claims, these will not materially affect ABS-CBN's financial position and results of operations:

**"GMA Network, Inc. vs. ABS-CBN Broadcasting Corporation, et al"**

The Company has a pending civil case for libel against it filed by GMA Network, Inc. in connection with the same events covered by the case against AGB Nielsen. The case was filed on 03 January 2008 and docketed as Q-08-61735, is pending before the Regional Trial Court of Quezon City, Branch 76. GMA's total claim against the Company is Fifteen Million Pesos (P15,000,000). On 6 February 2020, the trial court rendered a Decision dismissing the complaint filed by GMA and the Company's counterclaims. The Company filed a motion for partial reconsideration on the dismissal of its compulsory counterclaims. GMA filed a Notice of Appeal.

**"Wilfredo Revillame vs. ABS-CBN Broadcasting Corporation"**

This is a civil action for rescission of contract and damages filed by Wilfredo Revillame against the Company in connection with the former's talent contract with the Company. The Company filed a counterclaim for breach of contract, injunction, and damages. The case was docketed as Civil Case No. Q-10-67770 and original raffled to Regional Trial Court, Branch 84. Upon the inhibition of the presiding judge of Branch 84, the case was re-raffled to and is now pending with Branch 217. Revillame's total claim against the Company is Eleven Million Five Hundred Thousand Pesos (P11,500,000.00). Revillame filed a Motion to Dismiss on the ground that the Company is guilty of forum-shopping which was granted by the trial court. The Company filed a Motion for Reconsideration which was also denied. The Company filed an appeal which was granted. Thus, ABS-CBN's counterclaims were reinstated. Revillame filed a Motion for Reconsideration which was denied. Revillame filed a petition for review on certiorari with Supreme Court. On 25 March 2019, the Company filed its *Comment/Opposition [Re Petition for Review on Certiorari dated 19 January 2018]* of even date. In the *Resolution* dated 12 February 2020, the Supreme Court noted ABS-CBN's *Comment*.

In the *Resolution* dated 19 February 2020, the Supreme Court consolidated the instant case with G.R. No. 221781 entitled "*ABS-CBN Corporation vs. Willie Revillame*", which was filed in relation to the examination of Revillame's AIPC Bond.

**"ABS-CBN Corporation vs. Wilfredo Revillame aka Willie Revillame, Wilproductions, Inc., ABC Development Corporation and Ray Espinosa in his capacity as President of ABC"**

This is a complaint for copyright infringement filed by the Company against Revillame, Wilproductions, ABC Development Corporation and Ray Espinosa, for the production and airing of "Willing Willie", in violation of the Company's copyright over the show "Wowowee", which it created, produced and broadcast. The case was docketed as Civil Case No. 10-1155 and is pending with the Regional Trial Court, Makati, Branch 66. The Company is asking for One Hundred Two Million Four Hundred Thousand Pesos (P102,400,000) as actual and compensatory damages and other consequential damages.

When the Court denied defendants' Motion to Defer Proceedings, they filed a petition for Certiorari before the Court of Appeals, entitled "*ABC Development Corporation and Ray Espinosa vs. Villarosa and ABS-CBN Corporation*," docketed as CA-GR Sp. No. 117063. The Court of Appeals granted the petition, and dismissed the copyright infringement case on the ground of forum-shopping. The Company filed a Motion for Reconsideration which was denied. The Company filed a petition for review with the Supreme Court. In a *Resolution* dated 16 October 2019, the Supreme Court dismissed the Company's petition for review and ruled that the Company committed forum-shopping and ordered it to pay the costs of suit. The Company filed a motion for reconsideration on 5 December 2019 and said motion for reconsideration remains pending.

**ABS-CBN Corporation vs. Willie Revillame, Atty. Romeo Monfort, Reynaldo Fong and other John and/or Jane Does**

This is a suit for use of a falsified document in a judicial proceeding and falsification of AIPC Bond No. G (16)-09314/NSMKT2 which Revillame submitted in the trial court. This case was filed with the Office of the City Prosecutor of Quezon City and was docketed as XV-03-INV-11I-07-532. The suit was dismissed. The Company's appeal with the Department of Justice was denied. The Company filed a motion for reconsideration. Respondents Fong and Revillame have filed their respective comment/opposition. The Company's motion for reconsideration remains pending.

**B. Material Legal Proceedings**

**Republic of the Philippines v. ABS-CBN Corporation and ABS-CBN Convergence, Inc.**

This is a petition for quo warranto against the Company and ABS-CBN Convergence, Inc. for alleged violations of its franchise in connection with the Company's pay-per-view offerings through free-to-air signals and issuance of Philippine Deposit Receipts through ABS-CBN Holdings Corporation purportedly in violation of the foreign ownership restriction on mass media under the Constitution. In the petition, the Republic also contended that ABS-CBN Convergence, Inc. violated its franchise under RA 7908 when the transfer of the franchise was made without congressional approval, and when it failed to publicly offer any of its outstanding capital stock in any securities exchange. The Company filed its Comment to the Petition. It was reported that the petition against the Company was dismissed for being moot while the petition remained pending against ABS-CBN Convergence. The Company has not received any order from the Supreme Court in this regard.

**National Telecommunications Commission v. ABS-CBN Corporation**

The National Telecommunications Commission (NTC) issued an Order dated May 5, 2020 directing the Company to immediately cease and desist from operating its radio and television stations in Metro Manila and other regional stations and to show cause why the frequencies assigned to it should not be recalled for lack of a necessary Congressional Franchise as required by law. On May 5, 2020, the Company ceased operating its television and radio stations in compliance with the NTC's Order.

On May 7, 2020, the Company filed with the Supreme Court a petition for certiorari and Prohibition (Petition) to challenge the Order dated May 5, 2020, docketed as G.R. No. 252119. (please refer to the next case)

In the meantime, on May 15, 2020, the Company filed its Verified Answer and Compliance to the Order dated May 5, 2020. In its Verified Answer, the Company alleged, among others, that allowing the Company to retain its assigned frequencies is consistent with legislative policy, the recall of the frequencies is inextricably linked with the issues raised before the Supreme Court, the case must be suspended pending the resolution of the case before the Supreme Court, and the recall of the frequencies should be done after hearing and compliance with the requisites of due process of law.

On June 30, 2020, the Company received an alias cease and desist order from the NTC directing it to cease and desist from operating its digital transmission service in Metro Manila using Channel 43. While Channel 43 is operated by Amcara Broadcasting Network, Inc., the Company's digital transmission service in Metro Manila using Channel 43 was stopped.

**ABS-CBN Corporation vs. National Telecommunications Commission**

This is a petition for certiorari and prohibition with urgent application of the issuance of a Temporary Restraining Order and/or a Writ of Preliminary Injunction, challenging the Order dated May 5, 2020 issued by the NTC. In the Petition, the Company alleged that the NTC gravely abused its discretion when it issued a cease and desist order instead of deferring to Congress and issuing a provisional authority to allow the Company and its stations to continue operating. It also argued that the issuance of the cease and desist order deviated from past practice and violated its rights to equal protection of the law and due process, because it was issued without due notice and hearing. The Company likewise said that the CDO violated the right of the public to information and curtails the right to freedom of speech. The NTC filed its Comment.

The petition remains pending.

**Application for Franchise to Construct, Install, Establish, Operate and Maintain Radio and Television Broadcasting Stations**

On July 10, 2020, the Committee on Legislative Franchises of the House of Representatives and Ex-Officio Members thereof voted to adopt a Resolution denying the franchise application of the Company. With the passage of the Resolution, the Company is no longer authorized to operate as a broadcast Company.

**PART II - OPERATIONAL AND FINANCIAL INFORMATION**

**1. Market for Issuer's Common Equity and Related Stockholder Matters**

The Company's common shares have been listed on the PSE since 1992. The Philippine Depositary Receipts (PDRs) were listed in 1999. Common shares may be exchanged for PDRs. The common shares (PSE: ABS) closed at ₱7.25 while the PDRs (PSE: ABSP) closed at ₱6.81 on August 28, 2020.

**Dividends**

The declaration and payment of dividends are subject to certain conditions under the Company's existing long term loan agreements with various banks.

**2. Stock Dividend (Per Share)**

No stock dividend declared since July 2, 1996.

**Cash Dividend (Per Share)**

Amount	Share	Declaration Date	Record Date	Payment Date
₱0.60	Common	March 28, 2001	April 25, 2001	May 25, 2001
₱0.64	Common	July 21, 2004	July 24, 2004	August 10, 2004
₱0.45	Common	March 28, 2007	April 20, 2007	May 15, 2007
₱0.83	Common	March 26, 2008	April 30, 2008	May 27, 2008
₱0.90	Common	March 25, 2009	May 5, 2009	May 29, 2009
₱1.11	Common	March 11, 2010	March 31, 2010	April 29, 2010
₱2.10	Common	March 4, 2011	March 25, 2011	April 19, 2011
₱0.80	Common	March 30, 2012	April 25, 2012	May 22, 2012
₱0.40	Common	April 23, 2013	May 10, 2013	June 6, 2013
₱0.004	Preferred	January 30, 2014	February 14, 2014	February 28, 2014
₱0.60	Common	March 27, 2014	April 16, 2014	May 7, 2014
₱0.60	Common	March 5, 2015	March 20, 2015	April 30, 2015
₱0.004	Preferred	April 24, 2015	May 11, 2015	May 18, 2015
₱0.75	Common	March 18, 2016	April 11, 2016	April 29, 2016
₱0.004	Preferred	May 05, 2016	May 20, 2016	June 7, 2016
₱1.04	Common	February 22, 2017	March 8, 2017	March 22, 2017
₱0.004	Preferred	February 22, 2017	March 8, 2017	March 22, 2017
₱0.92	Common	February 22, 2018	March 8, 2018	March 22, 2018
₱0.004	Preferred	February 22, 2018	March 8, 2018	March 22, 2018
₱0.55	Common	February 28, 2019	March 14, 2019	March 26, 2019
₱0.004	Preferred	February 28, 2019	March 14, 2019	March 26, 2019

## High and Low Share Prices

		ABS		ABSP	
		High	Low	High	Low
<b>2019</b>	First Quarter	25.30	20.00	22.00	18.24
	Second Quarter	20.85	16.80	19.56	16.34
	Third Quarter	22.00	17.06	20.00	16.72
	Fourth Quarter	19.56	14.80	18.78	13.52
<b>2018</b>	First Quarter	29.40	28.70	27.85	27.50
	Second Quarter	25.50	24.90	25.00	24.20
	Third Quarter	21.30	20.90	19.50	19.20
	Fourth Quarter	20.15	19.92	18.80	18.70
<b>2017</b>	First Quarter	48.95	43.80	48.80	44.00
	Second Quarter	46.60	42.2	47.00	41.00
	Third Quarter	43.90	40.30	44.50	39.90
	Fourth Quarter	40.70	34.5	40.50	34.10
<b>2016</b>	First Quarter	62.80	53.40	64.00	50.00
	Second Quarter	59.50	45.50	60.00	45.00
	Third Quarter	54.25	46.75	55.00	47.00
	Fourth Quarter	49.50	43.25	49.30	43.50
<b>2015</b>	First Quarter	66.00	45.00	70.00	45.70
	Second Quarter	64.20	59.80	66.00	59.90
	Third Quarter	65.10	53.00	68.15	55.00
	Fourth Quarter	68.00	59.80	68.50	59.90
<b>2014</b>	First Quarter	32.60	27.00	32.00	26.40
	Second Quarter	39.85	32.70	40.40	32.50
	Third Quarter	43.80	36.50	43.80	35.80
	Fourth Quarter	48.00	42.00	49.00	42.00
<b>2013</b>	First Quarter	41.30	37.00	45.00	37.50
	Second Quarter	46.00	36.95	48.10	35.10
	Third Quarter	40.30	30.60	43.00	31.50
	Fourth Quarter	33.95	30.30	35.15	30.80
<b>2012</b>	First Quarter	37.75	30.00	38.30	29.90
	Second Quarter	41.80	33.70	50.00	32.00
	Third Quarter	37.00	24.45	36.95	23.30
	Fourth Quarter	34.20	29.95	34.00	29.15
<b>2011</b>	First Quarter	47.50	40.50	47.90	44.00

Second Quarter	42.50	38.90	44.00	41.50
Third Quarter	40.50	28.60	44.00	34.50
Fourth Quarter	32.60	29.70	33.50	29.50

## 2010

First Quarter	30.00	25.50	31.00	26.00
Second Quarter	38.50	29.00	40.50	28.50
Third Quarter	56.00	36.50	56.00	40.50
Fourth Quarter	56.00	43.50	56.00	45.00

The number of shareholders of record as of July 31, 2020 was 7,985. Common shares issued as of July 31, 2020 were 883,295,819. Preferred Shares outstanding as of July 31, 2020 were 1,000,000,000.

As of July 31, 2020, the foreign equity ownership of ABS-CBN is at 0%.

### Top 20 Common Shares Stockholders

As of July 31, 2020, the Top 20 stockholders of ABS-CBN own an aggregate of 820,924,429 or 95.20% of issued common shares.

Rank	Name	Citizenship	Record/Beneficial	No. of Shares	Percentage
1	LOPEZ, INC.	Filipino	Record	480,933,747	54.42%
2	PCD NOMINEE CORPORATION	Filipino	Record	352,535,695	39.91%
3	JOSE MARI CHAN	Filipino	Record	1,257,130	0.14%
4	CHING TIONG KENG	Filipino	Record	1,111,500	0.13%
5	ABS-CBN FOUNDATION, INC.	Filipino	Record	780,995	0.09%
6	EUGENIO LOPEZ III	Filipino	Record	769,960	0.09%
7	CREME INVESTMENT CORPORATION	Filipino	Record	417,486	0.05%
8	FG HOLDINGS	Filipino	Record	386,270	0.04%
9	MANUEL M. LOPEZ	Filipino	Record	351,196	0.04%
10	CHARLOTTE C. CHENG	Filipino	Record	340,000	0.04%
11	CYNTHIA D. CHING	Filipino	Record	337,500	0.04%
12	ROLANDO P. VALDUEZA	Filipino	Record	284,500	0.03%
13	CARLO L. KATIGBAK	Filipino	Record	249,500	0.03%
14	MA. SOCORRO V. VIDANES	Filipino	Record	239,500	0.03%
15	LA SUERTE CIGAR & CIGARETTE FACTORY	Filipino	Record	205,000	0.02%
16	LAURENTI M. DYOGI	Filipino	Record	191,500	0.02%
17	ALBERTO G. MENDOZA &/OR JEANIE MENDOZA	Filipino	Record	168,250	0.02%
18	MIMI CHUA	Filipino	Record	162,390	0.02%
19	MAJOGRAJO DEV. CORPORATION	Filipino	Record	140,700	0.02%
20	OLIVIA M. LAMASAN	Filipino	Record	140,060	0.02%
	Subtotal of Top 20 Stockholders			820,924,429	95.20%



Rank	Name	Citizenship	Record/Beneficial	No. of Shares	Percentage
	Others			42,371,390	4.80%
	<b>Total No. of Shares</b>			<b>883,295,819</b>	<b>100.00%</b>

#### Top 20 Preferred Shares Stockholders

As of July 31, 2020, the Top 20 stockholders of ABS-CBN's preferred stock are as follows:

Rank	Name	Citizenship	Record / Beneficial	No. of Shares	%
1	Lopez, Inc.	Filipino	Record	987,130,246	98.71%
2	Tower Securities Incorporated	Filipino	Record	4,431,583	0.44%
3	Citibank NA FAO Maybank ATR King Eng Capital Partners Inc. Trust Dept	Filipino	Record	2,244,787	0.22%
4	Manuel M. Lopez and/or Ma. Teresa Lopez	Filipino	Record	1,643,032	0.16%
5	Abacus Securities Corporation	Filipino	Record	727,085	0.07%
6	Abacus Securities Corporation	Filipino	Record	699,091	0.07%
7	Value Quest Securities Corporation	Filipino	Record	662,020	0.07%
8	Globalinks Securities & Stocks, Inc.	Filipino	Record	297,081	0.03%
9	Manuel M. Lopez	Filipino	Record	187,518	0.02%
10	Maybank ATR Kim Eng Securities	Filipino	Record	182,083	0.02%
11	Belson Securities, Inc.	Filipino	Record	128,905	0.01%
12	Asiasec Equities, Inc.	Filipino	Record	120,000	0.01%
13	PCCI Securities Brokers Corporation	Filipino	Record	112,022	0.01%
14	Ricky See Eng Huy	Filipino	Record	103,901	0.01%
15	Noli de Castro	Filipino	Record	93,372	0.01%
16	Meridian Securities, Inc.	Filipino	Record	93,133	0.01%
17	Edmond T. Aguilar	Filipino	Record	71,961	0.01%
18	Leonardo P. Katigbak	Filipino	Record	66,702	0.01%
19	Kris Aquino	Filipino	Record	64,136	0.01%
20	Imperial, De Guzman, Abalos & Co., Inc.	Filipino	Record	56,641	0.01%
	Subtotal of Top 20 Stockholders			999,115,299	99.91%
	Others			884,701	0.09%
	<b>Total No. of Shares</b>			<b>1,000,000,000</b>	<b>100.00%</b>

#### Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

On February 28, 2013, the Company issued One Billion Preferred Shares at an issue price of ₱0.20 per share through a rights offering solely to its stockholders. No underwriters were involved in the offer and no commission or remuneration was paid in connection with the offer. The offer and issuance of the Preferred Shares is an exempt transaction under Section 10.1 (e) of the Securities Regulation Code since the said securities were offered and sold to the Company's stockholders exclusively and no commission or remuneration was paid in connection with the offer and sale of the securities.

On June 5, 2013, the Company issued 57,836,900 Common Shares to ABS-CBN Holdings Corporation at an issue price of ₱43.125 per share. The offer and issued of the said Common Shares is an exempt transaction under Section 10.1 (k) of the Securities Regulation Code since the securities was sold to fewer than twenty (20) persons in the Philippines during

any twelve-month period. On June 25, 2013, Lopez, Inc. subscribed to 34,702,140 Common Shares at a subscription price of ₱43.225 per share. The offer and issued of the said Common Shares is an exempt transaction under Section 10.1 (k) of the Securities Regulation Code since the securities was sold to fewer than twenty (20) persons in the Philippines during any twelve-month period.

The Registration Statement for the issuance of the additional Common Shares has been approved by the SEC.

On February 22, 2017, the Board of Directors approved an Employee Stock Purchase Plan and an Executive Stock Purchase Plan. The ABS-CBN Employee Stock Purchase Plan was offered to rank and file employees, technical specialists and Internal Job Market members with at least one (1) year tenure, in January 2018. The maximum number of ABS-CBN common shares that was subscribed by a participant under this plan is 2,000 shares. The subscription price was at PHP29.50, which was a 15% discount on the closing price as of the offer date. The subscription price will be paid in five (5) years. The Executive Stock Purchase Plan was offered to managers and artists and members of the Board of Directors with at least one (1) year tenure. Managers and artists can subscribe up to a maximum of shares equivalent to 2.5 months of their monthly salary or income. Members of the Board of Directors can subscribe up to 100,000 shares. The subscription price for the first 2,000 shares was at PHP29.50, which was a 15% discount on the closing price as of the offer date. There was no discount on the subscription price for the shares subscribed in excess of 2,000 shares. The subscription price will be paid in 5 years. The stockholders unanimously approved the Employee Stock Purchase Plan and Executive Stock Purchase Plan on April 6, 2017, and the Securities and Exchange Commission (SEC) resolved that the issuance of said shares is exempt from the registration requirement, pursuant to Section 10.2 of the Securities and Regulation Code, on September 28, 2017. From January 22, 2018 to February 9, 2018, the Parent Company offered shares to qualified employees and executives under the ESPP and the Executive Stock Purchase Plan and as of February 22, 2018, the Company accepted a total subscription from participants of 11,391,500 common shares.

#### **Key Variable and Other Qualitative and Quantitative Factors**

The following parameters pertain to various qualitative and quantitative factors that may affect the operations of the Company:

- i. Other than what was discussed on the Resolution passed by the House Committee on Legislative Franchises denying the franchise application of ABS-CBN Corporation and the pandemic COVID-19 under Note 3, pages 47-48 of the Audited Financial Statements under *Going Concern Assessment*, there are no other known trends, demands, commitments, events or uncertainties that will have a material impact on ABS-CBN's liquidity.
- ii. Other than what was discussed on the Resolution passed by the House Committee on Legislative Franchises denying the franchise application of ABS-CBN Corporation and the pandemic COVID-19 under Note 3, pages 47-48 of the Audited Financial Statements under *Going Concern Assessment*, there are no other known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of obligation.
- iii. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
- iv. ABS-CBN's financial performance depends on its ability to sell airtime for advertising and generate revenues from its consumer businesses. The Company's business was affected by the Resolution passed by the House Committee on Legislative Franchises denying the franchise application of ABS-CBN Corporation and the COVID-19 pandemic. This risk is augmented and managed with the plans discussed under Note 3, pages 47-48 of the Audited Financial Statements under *Going Concern Assessment*.
- v. Other than what was discussed on the Resolution passed by the House Committee on Legislative Franchises denying the franchise application of ABS-CBN Corporation and the pandemic COVID-19 under Note 3, pages 47-48 of the Audited Financial Statements under *Going Concern Assessment*, there are no other significant elements of income or loss that did not arise from the Company's continuing operations.

vi. There are no seasonal aspects that may have a material effect on the financial condition or results of operations.

#### Information on Independent Accountant and other Related Matters

The principal accountants and external auditors of the Company is the accounting firm of SyCip, Gorres, Velayo & Company (SGV & Co.). The accounting firm of SGV & Co. has been the Company's Independent Public Accountants for the last 5 years. There was no event in the past 5 years where SGV & Co. and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

The Company has engaged SGV & Co., with Catherine E. Lopez as the engagement partner, for the audit of the Company's books in 2014. The Company has complied with the revised SRC Rule 68, paragraph 3(b) (iv) re: rotation requirements for the external auditor.

SGV & Co. is being recommended for re-election at the scheduled Annual Stockholders' Meeting on September 24, 2020.

Representatives of SGV & Co. for the current year and for the most recently completed fiscal year are expected to be present at the Annual Stockholders' Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The aggregate fees billed to ABS-CBN and its subsidiaries for each of the last two (2) fiscal years for professional services rendered by the external auditor are as follows:

	2019	2018
Audit Fees	29,644,000	26,904,000
Non-Audit Fees	7,150,000	16,288,644

The Audit Committee's Approval Policies and Procedures for the above services from SGV & Co., the external auditors are discussed in Section IV of the Company's Manual of Corporate Governance filed with the Commission on May 26, 2017. The Audit Committee pre-approves all audit and non-audit services as these are proposed or endorsed before these services are performed by our independent auditor.

#### 4. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Management's Discussion and Analysis of Financial Condition and the Results of Operation for the past three fiscal years are attached hereto as **Annex A**.

#### Key Performance Indicators

Ratios	2019	2018	2017	Formula
Current Ratio	2.61	2.42	2.18	Current Assets/Current Liabilities
Net Debt-to-Equity Ratio	0.45	0.28	0.24	Interest-bearing loans and borrowings less Cash and Cash equivalent/ Total Stockholders' Equity
Asset-to-equity ratio	2.55	2.37	2.23	Total Assets/ Total Stockholders' Equity
Interest rate coverage ratio	0.41	2.71	5.09	EBIT/ Interest Expense
Return on Equity	(8.51%)	5.34%	9.38%	Net Income/ Total Stockholders' Equity
Return on Assets	(3.34%)	2.26%	4.21%	Net Income/Total Asset
Profitability Ratios:				
Gross Profit Margin	38.64%	36.15%	39.42%	Gross Profit/ Net Revenue
Net Income Margin	(6.18%)	4.76%	7.77%	Net Profit/ Net Revenue

## **5. Financial Statements**

The Company's Statement of Management's Responsibility and Audited Financial Statements as of December 31, 2019 is in **Annex B**. Financial Statements are prepared in accordance with SRC Rule 68, as amended and Rule 68.1.

The Schedule for Determination of Retained Earnings available for Dividend Declaration prepared in accordance with SEC Memorandum Circular No. 11 is also included in **Annex B**.

## **6. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

There are no changes in and disagreements with accountants on accounting and financial disclosure during the two (2) most recent fiscal years or subsequent interim period.

## PART III - COMPENSATION INFORMATION

### 7. Executive Compensation

Information as to the aggregate compensation paid or accrued during the last two (2) fiscal years and to be paid in the ensuing fiscal year to the Company's chief executive and four (4) other most highly compensated executive officers as follows:

SUMMARY COMPENSATION TABLE				
Annual Compensation – 2019 Actual and 2020 Estimated				
Name	Year	Salary	Bonus	Other Annual Compensation
Chief executive and most highly compensated executive officers (in alphabetical order): Carlo L. Katigbak Aldrin M. Cerrado Laurenti M. Dyogi Rolando P. Valdueza Ma. Socorro V. Vidanes	2020E	₱164,835,838	₱	₱
	2019E	₱193,269,660		-
All managers and up as a group unnamed	2020E	₱1,517,960,814	₱	₱
	2019E	₱1,794,037,846		

SUMMARY COMPENSATION TABLE				
Annual Compensation -2018				
Name	Year	Salary	Bonus	Other Annual Compensation
Chief executive and most highly compensated executive officers (in alphabetical order): Carlo L. Katigbak Aldrin M. Cerrado Laurenti M. Dyogi Ma. Lourdes N. Santos Rolando P. Valdueza Ma. Socorro V. Vidanes	2018	₱149,576,856.00	<del>₱</del> 34,454,182.29	-
All managers and up as a group unnamed	2018	₱1,676,910,928.66	<del>₱</del> 309,059,071.95	₱106,327,742.65

#### Compensation of Directors

Each Board Director receives a set amount of ₱40,000 per board meeting and ₱20,000 per committee meeting attended. In terms of profit sharing and bonuses, the total yearly compensation of directors shall not exceed 10% of the net income before income tax of the Company during the preceding year.

## 8. Security Ownership of Certain Beneficial Owners and Management

### Security Ownership of Certain Records and Beneficial Owners as of July 31, 2020

Title Of class	Name and Address of Record Owner	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	% of Class	% of Outstanding
Common	Lopez, Inc. 5/F Benpres Bldg, Exchange Road cor Meralco Ave., Pasig City	Lopez, Inc.	Filipino	480,933,747	55.79%	25.83%
Common	PCD Nominee Corporation* G/F Makati Stock Exchange Bldg., Ayala Ave., Makati City	ABS-CBN Holdings Corporation	Filipino	286,760,200	32.46%	15.23%
Preferred	Lopez, Inc. 5/F Benpres Bldg, Exchange Road cor Meralco Ave., Pasig City	Lopez, Inc.	Filipino	987,130,246	98.71%	53.02%

*\*PCD Nominee Corporation is not related to the Company*

The preferred shares are voting and every holder of preferred shares shall be entitled to one vote for each share of preferred stock held as of the established record date.

Lopez, Inc. is the holding company of the Lopez family. It is owned by the respective holding companies of the families of the late Eugenio Lopez, Jr., Oscar M. Lopez, the late Presentacion L. Psinak and Manuel M. Lopez. It has issued convertible notes covering the shares in the Company registered and beneficially owned by it in favor of Lopez Holdings Corporation (formerly: Benpres Holdings Corporation).

Eugenio Lopez III, or in his absence, Manuel M. Lopez, or in his absence Oscar M. Lopez has been named and appointed to exercise the voting power of Lopez Inc.'s shares in ABS-CBN Corporation.

The 286,760,200 common shares under the name of PCD Nominees Corporation are held for ABS-CBN Holdings Corporation (ABS-CBN Holdings) and represent the underlying shares covered by Philippine Deposit Receipts (PDRs) issued by ABS-CBN Holdings. ABS-CBN Holdings is owned 60% by Lopez, Inc. and 40% by Oscar M. Lopez, Manuel M. Lopez, Salvador G. Tirona, and Eugenio Lopez III. The shares in the Company registered and beneficially owned by it are covered by Philippine Depositary Receipts (PDRs) which gives the holder thereof the right to delivery or sale of the underlying share. The PDRs are listed with the PSE.

Eugenio Lopez III, or in his absence, Manuel M. Lopez, or in his absence Oscar M. Lopez has been named and appointed to exercise the voting power of ABS-CBN Holdings' shares in ABS-CBN Corporation.

Other than the stockholders identified above, as of July 31, 2020 there are no other stockholders other than participants under PCD account who own more than 5% of the voting securities.

There are no foreign shareholders.

## **Changes in Control**

There have not been any arrangements that have resulted in a change in control of the Company during the period covered by this report. The Company is not aware of the existence of any voting trust arrangement among the shareholders.

## **9. Certain Relationships and Related Transactions**

### **Relationships and Related Transactions / Agreements with Affiliates**

For a detailed discussion of ABS-CBN's related party transactions, see Section 23 of the Company's audited consolidated financial statements, which also refers to Transactions with Related Parties of the said report.

### **Parent Company**

Lopez, Inc. is the registered owner of 78.84% of the voting stock of the Company as of December 31, 2019. Lopez, Inc. is the holding company of the Lopez family. It is owned by the respective holding companies of the families of the late Eugenio L. Lopez III, Oscar M. Lopez, the late Presentacion L. Psinakis and Manuel M. Lopez. It has issued convertible notes covering the shares in the Company registered and beneficially owned by it in favor of Lopez Holdings Corporation.

### **Resignation of Directors Because of Disagreement with Policies**

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

## **PART IV - Corporate Governance**

ABS-CBN recognizes the importance of corporate governance in enhancing the stakeholders' interests in the Company. Its Board of Directors commits itself to the principles of good corporate governance.

The Company's principles of corporate governance are contained in its Articles of Incorporation, By-Laws, Manual of Corporate Governance, and Annual Corporate Governance Report.

As an organization, ABS-CBN reaffirms its mission of being in the service of the Filipino people, and espouses that there is no dichotomy between doing good business and practicing the right values.

Through values cascading throughout the organization, the Company has identified the core values necessary to guide its leaders and employees in formulating and making business decisions, which in the end must always remain consistent with this mission and goal of service.

In 2013, the Institute of Corporate Directors (ICD), in partnership with the SEC, the Institute of Internal Auditors of the Philippines (IIA-P), and the Chartered Financial Analysts Society (CFA) recognized ABS-CBN among the Top 50 Philippine Publicly-Listed Companies in terms of corporate governance efforts. The Top 50 Publicly-Listed Companies were selected based on their policies, procedures, and practices in relation to the Association of Southeast Asian (ASEAN) Corporate Governance Scorecard (ACGS) standards on the rights and equitable treatment of shareholders, the role of stakeholders, disclosure and transparency, and the responsibilities of the board.

In May 2017, the Company revised its Manual on Corporate Governance, to comply with SEC Memorandum Circular No. 19, Series of 2016, the Code of Corporate Governance for Publicly-Listed Companies. This Manual was further revised in September 2018 to comply with Integrated Annual Corporate Governance recommendations.

Pursuant to SEC Memorandum Circular No. 10, Series of 2019, the Company, through its Board of Directors, adopted its Related Party Transactions Policy in October 2019.

### **THE BOARD OF DIRECTORS**

The ABS-CBN Board of Directors (the "Board") represents the stakeholders' interest in pursuing a successful business, including the optimization of financial returns. The Board's mission is to determine that the Company is managed in such a way as to ensure this result while adhering to the laws and rules of the jurisdictions in which it operates, observing the highest standards of corporate governance, and observing high ethical norms. The Board establishes the overall goals, strategies, and policies of the Company. It strives to regularly monitor the effectiveness of management's decisions and the execution of strategies. In addition to fulfilling its obligations for increased stockholder value, the Board has responsibility to the Company's customers, employees, suppliers, and the community.

In accordance with the Company's Articles of Incorporation, By-Laws, and Corporate Governance Manual, the Board in 2016 was comprised of eleven (11) members elected by the shareholders during the Annual Stockholders' Meeting. The Company has eleven (11) directors, two (2) of whom are independent.

All nominations for the election of Directors by the stockholders are required to be submitted in writing to the Board of Directors at least thirty (30) business days before the scheduled date of the annual stockholders' meeting. The Nomination and Election Committee reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval, and assesses the effectiveness of the Board's processes and procedures in the election or replacement of directors.

There is a mix of executive, non-executive, and independent directors on the Board. Senior management executives other than the Chief Executive Officer attend Board meetings on a regular basis even if they are not members of the Board. On matters of corporate governance, while the Board assumes that decisions will be made by the impartial (previous word used is "independent") directors, inputs to any policy formulation and discussions from directors who



are employees of the Company are welcome and expected, unless the issue involves an actual conflict of interest with such directors.

For the year 2019, these directors are Eugenio L. Lopez III, Chairman Emeritus, Martin L. Lopez, Chairman, Augusto Almeda-Lopez, Carlo L. Katigbak, Oscar M. Lopez, Federico R. Lopez, Federico M. Garcia, Salvador G. Tirona, Manuel M. Lopez, Antonio Jose U. Periquet, and Emmanuel S. De Dios.

### **Independent Directors**

Two (2) independent directors – Mr. Periquet and Mr. de Dios — are presently elected. These directors are independent of management, and are free of any relationship that may interfere with their judgment. In addition, Mr. Periquet and Mr. de Dios do not possess any of the disqualifications enumerated under SEC Memorandum Circular No. 19, Series of 2016. An additional independent director will be elected pursuant to the Revised Corporation Code.

### **Criteria for Independence for Independent Directors**

The Board assesses the independence of each director and individual nominated for election to the Board as an independent director. As part of this analysis, the Board must review and conclude whether each nominee for independent director satisfies the requirements of the rules of the SEC, the by-laws, and the Manual of Corporate Governance.

Under the Manual of Corporate Governance, independent directors (i) are not, or have not been officers or employees or substantial stockholders of the Company or its related companies, or any of its substantial shareholders (other than as independent directors of any of the foregoing); (ii) are not relatives of any director, officer or substantial shareholder of the Company, or any of its related companies, or any of its substantial shareholders; (iii) are not acting as nominees or representatives of a substantial shareholder of the Company, or any of its related companies or any of its substantial shareholders; (iv) have not been employed in any executive capacity by the Company, or any of its related companies or by any of its substantial shareholders within the last two years; (v) are not retained as professional advisers by the Company, any of its related companies, either personally or through their firms; (vi) have not engaged and do not engage in any transaction with the Company, or with any of its related companies, or with any of its substantial shareholders, whether by themselves or with other persons, or through a firm of which they are partners, or companies of which they are directors or substantial shareholders, other than transactions which are conducted at arms-length and are immaterial; (vii) do not own more than 2% of the shares of the Company and/or its related companies, or any of its substantial shareholders; (viii) are not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders; and (ix) are not employed as executive officers of another company where any of the Company's executives serve as directors.

The Company also adopted a policy that independent directors of the Company may serve for a maximum cumulative term of 9 years, after which, the independent director will be perpetually barred from re-election as such, but may qualify for election as non-independent director. In the instance that the Board wants to retain an Independent Director who has served 9 years, the Board will provide a meritorious justification and seek approval from the shareholders during the Annual Stockholders Meeting. As of December 31, 2019, the Company's independent directors have served in such capacity for 6 years.

### **Selection of Directors**

The Board itself is responsible for screening its own members and recommending them for election by the stockholders. The Chairman and Chief Executive Officer have direct input into the screening process. The final approval of nominees to the director position is determined by the full Board. In case of vacancies in the Board between annual stockholder meetings, the Board may elect directors to serve until the next annual meeting.

### **Board of Advisors**

The Board of Advisors was created to provide guidance to the Board of Directors. The Board of Advisors sits in all the Board Meetings and its members are also members of the Board Committees. Randolph S. David, Mario L. Bautista,

Honorio G. Poblador IV, and Maria Rosario Santos-Concio are the members of the Board of Advisors. Mr. Rafael L. Lopez was appointed as Board Advisor on February 22, 2018.

#### **Separate Roles of the Chairman and President & Chief Executive Officer (CEO)**

The respective roles of the Company's Chairman, Mr. Martin L. Lopez, and President & CEO, Mr. Carlo L. Katigbak, are clearly defined to achieve appropriate balance of power, increase accountability, and improve the Board's capacity for decision making independent of the management.

Mr. Martin L. Lopez is responsible for the management, development and the effective performance of the Board, and maintains proper governance of the Company. As Chairman of the Board, Mr. Lopez plans and organizes all the activities of the Board, including the preparation for, and the conduct of, Board meetings. He ensures the quality, quantity and timeliness of the information that goes to the Board. He also oversees the formation of the Board committees and the integration of their activity with that of the Board.

The President & CEO has general charge and supervision of the business and affairs of the Company, subject to the Board. On a day-to-day basis, he makes, executes and signs in the name of the Company such contracts as are necessary in the ordinary course of business, and such other contracts as are authorized by the Board. As the President & CEO, Mr. Katigbak leads Management in developing and implementing business strategies, plans, and budgets subject to Board approval. He then provides the Board and stockholders a report on the financial performance of the Company and its results of operations on a regular basis.

#### **The Corporate Secretary**

Atty. Enrique I. Quiason is the Company's Corporate Secretary. Under the Company's Corporate Governance Manual, the Corporate Secretary must be a Filipino Citizen. The Corporate Secretary issues notices for all board and shareholders meetings. It is required that the Corporate Secretary attends and records the minutes of all board meetings. He is also responsible for assisting the Board in the preparation of the meeting agenda and the Management in the preparation and gathering of materials/documents to be presented to the Board or shareholders. In addition, as the Corporate Secretary, Atty. Quiason takes charge of the corporate seal and records, and signs, together with the President & CEO, all stock certificates and such other instruments as may require such signature.

#### **Board Performance**

The Board has regular monthly meetings, as much as possible, to review the performance of the Company and its subsidiaries, approve any pertinent plans, budgets, and financial statements, set guidelines for management, and discuss any various matters requiring Board attention and approval. Any member of the Board may ask management to give special reports on and analysis of certain issues.

From January 1, 2019 to December 31, 2019, the Board had ten (10) meetings.

#### Board Attendance to Meetings in 2019

Directors' Name	Total No. of Board Meetings	No. of Board Meetings Attended	Percentage of Attendance (%)	Attended Annual Stockholders' Meeting? (Y/N)
Martin L. Lopez	10	10	100%	Y
Eugenio L. Lopez III	10	7	70%	Y
Augusto Almeda Lopez	10	10	100%	Y
Carlo L. Katigbak	10	10	100%	Y
Oscar M. Lopez	10	6	60%	N
Manuel M. Lopez	10	8	80%	Y
Federico R. Lopez	10	7	70%	Y
Federico M. Garcia	10	10	100%	Y
Salvador Tirona	10	10	100%	Y
Emmanuel S. De Dios	10	9	90%	Y
Antonio Jose U. Periquet	10	8	80%	N

#### Continuing Education Programs and Trainings for Directors

The Board has attended the following trainings and seminars during the year 2019:

Director's Name	Trainings / Continuing Education FY2019
Eugenio L. Lopez III	Lopez Group Corporate Governance Training Program (September 2019)
Martin L. Lopez	Lopez Group Corporate Governance Training Program (September 2019)
Carlo L. Katigbak	Lopez Group Corporate Governance Training Program (September 2019)
Augusto Almeda Lopez	Lopez Group Corporate Governance Training Program (September 2019)
Manuel M. Lopez	Corporate Governance Training Program 2019 by Center for Best Global Practices (April 2019)
Federico R. Lopez	Corporate Governance Training Program 2019 by Philippine Corporate Enhancement & Governance Inc. (October 2019)
Federico M. Garcia	Lopez Group Corporate Governance Training Program (September 2019)
Salvador Tirona	Lopez Group Corporate Governance Training Program (September 2019)
Emmanuel S. De Dios	Lopez Group Corporate Governance Training Program (September 2019)
Antonio Jose U. Periquet	Corporate Governance Training Program 2019 by the Good Governance Advocates & Practitioners of the Philippines (GGAPP) (July 2019)

On December 6, 2016, the SEC has granted Mr. Oscar M. Lopez a permanent exemption from the Corporate Governance training requirement under SEC Memorandum Circular No. 20, series of 2013.

## Board Committees

The Board has established the following eight (8) board committees to address any issues requiring the directors' attention:

### 1. The Programming Committee

<b>Composition</b>	Chairman, two (2) members, two (2) advisors
<b>Members</b>	Federico Garcia – Chairman, Martin L. Lopez, and Emmanuel De Dios
<b>Advisors</b>	Randolf S. David, and Ma. Rosario Santos-Concio
<b>Responsibilities</b>	The Programming Committee deliberates on the programming issues and strategies of the network, and is primarily a business strategy committee.

### 2. The Compensation Committee

<b>Composition</b>	Chairman, two (2) members, and two (2) advisors
<b>Members</b>	Augusto Almeda Lopez – Chairman, Federico R. Lopez, and Antonio Jose U. Periquet
<b>Advisors</b>	Mario L. Bautista, and Randolf S. David
<b>Responsibilities</b>	The Compensation Committee reviews any recommendations on bonus and incentive schemes and other compensation benefits.

### 3. The Succession Planning Committee

<b>Composition</b>	Chairman, two (2) members, and one (1) advisor
<b>Members</b>	Salvador G. Tirona – Chairman, Emmanuel S. De Dios, and Augusto Almeda Lopez
<b>Advisors</b>	Randolf S. David
<b>Responsibilities</b>	The Succession Planning Committee ensures that there is a pipeline to key positions in the organization, and that there are ready replacements for any key positions that are suddenly vacated. It oversees the replacement planning table of the organization, and identifies successors and gaps in succession, as well as any measures needed to fill such gaps.

### 4. The Compensation Committee for the Chairman and the Chief Executive Officer

<b>Composition</b>	Chairman, two (2) members, and one (1) advisor
<b>Members</b>	Augusto Almeda-Lopez – Chairman, Federico Garcia, and Antonio Jose U. Periquet.
<b>Advisors</b>	Mario L. Bautista
<b>Responsibilities</b>	The Compensation Committee for the Chairman and the Chief Executive Officer reviews and approves the recommended changes concerning the salaries and benefits provided to the Company's Chairman and CEO.

### 5. The Audit Committee

<b>Composition</b>	Chairman, two (2) members, and one (1) advisor
<b>Members</b>	Antonio Jose U. Periquet – Chairman, Salvador G. Tirona, and Emmanuel S. De Dios
<b>Advisors</b>	Honorio G. Poblador IV
<b>Responsibilities</b>	The Audit Committee reviews the financial reports and risks, examines internal control systems, and oversees the audit process. The Audit and Compliance Committee also selects and appoints the Company's External Auditor.

#### 6. The Risk Management Committee

<b>Composition</b>	Chairman, three (3) members, and one (1) advisor
<b>Members</b>	Emmanuel S. De Dios – Chairman, Federico M. Garcia, Salvador G. Tirona and Martin L. Lopez
<b>Advisors</b>	Honorio G. Poblador IV
<b>Responsibilities</b>	The Risk Management Committee oversees the formulation and establishment of an enterprise wide risk management system, including the review, analysis, and recommendation of policies, frameworks, strategies, and systems to be used by the Company to manage risks, threats, and liabilities. The Risk Management Committee also reviews material related party transactions. The said Committee also oversees the Company's Sustainability initiatives and practices.

#### 7. The Nominations and Elections Committee

<b>Composition</b>	Chairman, two (2) members, and one (1) advisor
<b>Members</b>	Eugenio Lopez III – Chairman, Emmanuel S. De Dios, and Antonio Jose U. Periquet
<b>Advisors</b>	Randolf S. David
<b>Responsibilities</b>	The Nomination and Election Committee reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval, and assesses the effectiveness of the Board's processes and procedures in the election or replacement of directors.

#### 8. The Corporate Governance Committee

<b>Composition</b>	Chairman, two (2) members, and one (1) advisor
<b>Members</b>	Antonio Jose U. Periquet – Chairman, Eugenio Lopez III, and Emmanuel S. de Dios
<b>Advisors</b>	Mario L. Bautista
<b>Responsibilities</b>	The Corporate Governance Committee ensures compliance with and proper observance of corporate governance principles and practices.

The Board should ensure that, through a managed and effective system, board appointments are made that provide a mix of proficient directors, each of whom is able to add value and to bring prudent judgment to bear on the decision making process.

Under the Company's Manual of Corporate Governance, the Nomination and Election Committee shall consider the following qualifications and disqualification of a nominee to the Board in its recommendation of such nominee for election or re-election.

##### *Qualifications of Director*

A director shall have the following qualifications at the time he is duly elected and qualified and throughout his term of office:

- Holder of at least 1 share of stock of the Company;
- Personal integrity, capacity to read and understand financial statements, absence of conflicts of interest with the Company (subject to the discretion of the Board), time availability and motivation.

##### *Qualifications of an Independent Director*

- An independent director shall mean a person other than an officer or employee of the Company, its parent or subsidiaries, or any other individual having a relationship with the Company, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director.
- If the independent directors becomes an officer or employee of the same corporation he shall be automatically disqualified from being an independent director.

#### *Disqualification and Grounds for Dismissal of Directors*

Any of the following shall be a ground for the temporary disqualification or dismissal for a cause of a Director:

- Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;
- Absence or non-participation for unjustifiable reason/s for more than 50% of all meetings, both regular and special, of the Board during his incumbency, or any 12-month period during said incumbency. This disqualification applies for purposes of the succeeding election;
- Dismissal or termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
- Conviction that has not yet become final referred to in the grounds for the disqualification of Directors.

#### **Directorship in Other Listed Companies**

The following members of the Board are also directors of the publicly listed companies identified below.

<b>Director's Name</b>	<b>Name of Listed Company</b>	<b>Directorship for FY2019</b>
<b>Eugenio L. Lopez III</b>	Lopez Holdings Corporation	Vice Chairman
	First Gen Corporation	Non-Executive Director
	First Philippine Holdings Corporation	Non-Executive Director
	Rockwell Land Corporation	Non-Executive Director
	ABS-CBN Holdings Corporation	Executive Director
<b>Oscar M. Lopez</b>	Lopez Holdings Corporation	Chairman Emeritus
	First Gen Corporation	Chairman Emeritus
	First Philippine Holdings Corporation	Chairman Emeritus, Executive Director
	Energy Development Corporation	Chairman Emeritus
	Rockwell Land Corporation	Chairman Emeritus
	ABS-CBN Holdings Corporation	Chairman, Executive Director
<b>Augusto Almeda Lopez</b>	First Philippine Holdings Corporation	Non-Executive Director
<b>Manuel M. Lopez</b>	Lopez Holdings Corporation	Chairman, Executive Director
	First Philippine Holdings Corporation	Vice Chairman
	Rockwell Land Corporation	Chairman
<b>Federico R. Lopez</b>	First Gen Corporation	Chairman, Executive Director
	Energy Development Corporation	Chairman, Executive Director
	First Philippine Holdings Corporation	Chairman, Executive Director
	Rockwell Land Corporation	Vice Chairman
<b>Salvador Tirona</b>	Lopez Holdings Corporation	Executive Director
<b>Carlo L. Katigbak</b>	SSI Group Inc.	Independent Director
<b>Antonio Jose U. Periquet</b>	Ayala Corporation	Independent Director
	Bank of the Philippine Islands	Independent Director
	DMCI Holdings, Inc.	Independent Director
	Philippine Seven Corporation	Independent Director
	Max's Group of Companies	Independent Director
	ABS-CBN Holdings Corporation	Independent Director

## **COMPANY POLICIES**

### **Code of Conduct and Conflict of Interest Policy**

The Company's Code of Conduct (CoC) defines the behaviors that are acceptable or not acceptable within the organization. It details the offenses versus the Company's or the person's property, the schedule of penalties for each offense according to its gravity, and the grievance process, and defines the roles of the different people involved in disciplinary action. The CoC covers all directors, employees, consultants, product and service providers, and anyone who acts in the name of ABS-CBN.

The CoC includes the Company's Conflict of Interest Policy. Directors are disallowed from engaging in any business, which competes with or is antagonistic to that of the Company or any of its subsidiaries and affiliates. On the other hand, employees are expected not to have any direct or indirect financial or pecuniary interest in any business, contract, or transaction in connection with which they intervene or take part in their official capacity. In addition, employees are expected not to render services to another employer without the knowledge of higher management. They are also expected to disclose other businesses or jobs undertaken which may be in conflict with any existing or future undertaking of the Company.

Assisting in the dissemination and implementation of this Code of Conduct is the Ethics Committee, which focuses on conflict-of-interest situations. The Committee helps make decisions and clarify stands in cases of personal or professional conflict, or in which the employee or the company stands to gain unfairly from an arrangement, relationship, or procedure. Essential to the idea of good and ethical conduct is the upholding of common corporate and individual values, which are disseminated through a process of values cascading.

### **Related Party Transactions Policy**

The Company, through its Board of Directors, has adopted its Related Party Transactions Policy pursuant to SEC Memorandum Circular No. 10, Series of 2019.

It is the policy of the Company to transact sales to and purchases from related parties at normal market prices. Outstanding balances as of year-end are unsecured, interest-free and settlement occurs in cash, and are collectible or payable on demand. Assessment of provision for doubtful accounts relating to amounts owed by related parties is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Related party transactions or reorganizations that would affect related-party transactions are reported to and reviewed by the Audit Committee. All related party transactions are reported in the Company's Annual Audited Financial Statement and Annual Company Report.

### **Dividend Policy**

The declaration and payment of dividends are subject to certain conditions under the Company's existing long-term loan agreements with various banks.

### **Disclosures and Financial Reporting**

ABS-CBN's financial statements comply with Philippine Accounting Standards and Philippine Financial Reporting Standards that in turn conform with International Accounting Standards.

The annual consolidated financial statements provide information on the financial condition and results of operations of the businesses of ABS-CBN and its subsidiaries. These financial statements include detailed information on the total assets, total liabilities and shareholders' equity, revenues, costs and expenses, operating income and income before tax, net income attributable to shareholders of ABS-CBN and minority interest, earnings per share, and EBITDA.

Business segment information is likewise provided for major business categories and includes information such as revenues, operating and net income, assets and liabilities, capital expenditures and depreciation and amortization expenses.

### **Dealings in Company Shares**

ABS-CBN requires all members of the Board of Directors and principal officers to report any purchase, sale or change in their shareholdings of the Company's common shares or Philippine Depositary Receipts within three (3) trading days, in compliance with the PSE's requirement for such disclosure.

## **RISK MANAGEMENT**

ABS-CBN's Board of Directors and management are mindful of the potential impact of various risks to the Company's ability to deliver quality content across multiple platforms and consequently, as a result of its operations, value to shareholders. In 2009, the Audit Committee of the Board of Directors provided oversight on Enterprise Risk Management.

In 2010, the newly created Risk Management Committee assumed this responsibility. At the same time, the Board of Directors of the Company approved the appointment of a Chief Risk Management Officer, reporting directly to the Board of Directors. In November 2012, the Board of Directors approved the appointment of Mr. Raymund Martin T. Miranda as Chief Risk Management Officer concurrent with his role as Chief Strategy Officer of ABS-CBN. As Chief Risk Management Officer, he will continue to provide the overall leadership, vision and direction for enterprise risk management by continuing to establish and implement an integrated risk management framework that covers all aspects of risk across the Company's organization, and improve the Company's risk management readiness.

The Company's corporate strategy formulation and business decision-making processes always take into account potential risks and the steps and costs necessary to minimize, if not eliminate, such risks. As part of its stewardship responsibility and commitment to deliver optimum value to its stakeholders, ABS-CBN ensures that it has the proper control systems in place, and to the extent possible, adopted global best practices, to identify and assess, analyze and mitigate market, operating, financial, regulatory, community, reputational, and other risks. The formal identification of the control systems is currently being undertaken. The Company contracted SGV (a member firm of Ernst and Young) to assist in the development of an ERM Framework and Program.

## **AUDIT**

### **Internal Audit**

The Internal Audit Division (IA Division) is responsible for providing independent and objective assurance and consulting services to the Company's Board of Directors through its Audit Committee. Its main function is to evaluate the adequacy, effectiveness, and efficiency of the Company's internal control system and to recommend necessary control measures for its improvement. It likewise establishes an effective follow-up system to monitor the implementation of recommended controls.

The IA Division is composed of people with varied specializations, majority of which are certified public accountants. It also has certified internal auditors, certified information systems auditor, certified fraud examiners, certified forensic accountants, and accredited quality assurance validators. The IA Division has an Information Technology (IT) Audit and a Technical Audit Teams, which are composed of engineers and IT professionals.

The IA Division conducts regular audits of the Company and its Subsidiaries based on an annual audit plan in a three (3)-year audit cycle that is approved by the Audit Committee. Special audit projects are also undertaken as the need arises.

In 2019, the IA Division presented to the Audit Committee its audit plan, updates on the status of audit projects, highlights of significant findings, implementation status of audit recommendations, and other significant audit activities.



Beginning 2012, the IA Division also worked closely with the Company's Risk Management Officer.

#### **Report of the Audit Committee for the Year Ended December 31, 2019**

The Audit Committee represents and assists the Board of Directors in fulfilling its oversight responsibilities by reviewing the:

- Reasonableness of the Company's financial statements, efficiency of the financial reporting process, and soundness of the internal control environment;
- Objectivity, independence, and effectiveness of internal audit functions and processes;
- Qualifications, independence, and fees of the Company's external auditors with regard to the annual review of the Company's financial statements; and
- Company's compliance with legal and regulatory requirements.

The roles and responsibilities of the Audit Committee are embodied in an Audit Committee Charter. In compliance with the Charter, the Audit Committee confirms that:

- The majority of the Audit Committee members are independent directors, including the Chairman;
- Quarterly meetings were held and attended by the Chairman and members of the Committee;
- The Committee reviewed and approved the internal audit scope, manpower resources, and competencies necessary to carry out the audit plan;
- The Committee reviewed the reports of the internal auditors and discussed the necessary corrective actions with concerned management;
- The Committee reviewed the Company's internal control environment, through the External Auditor's Management Letter and Internal Audit's reports on completed audit projects, and found it adequate;
- The Committee reviewed the audited annual financial statements of the Company and its Subsidiaries and discussed it with management, internal auditors, and external auditors taking into consideration that:
  - Management is responsible for the Company's financial statements and the related statements of financial condition and results of operations, and;
  - SGV & Co., the external auditor, is responsible for expressing an opinion on the conformity of the Company's audited financial statements with the Philippine Financial Reporting Standards and International Financial Reporting Standards, as appropriate.



#### **ROLE OF STAKEHOLDERS**

##### **Customers' Welfare**

The Company is committed to the delivery of world-class products and services and to the responsible and creative utilization of resources, most especially its human resource. It fosters and promotes an environment of professionalism based on competence, self-discipline and responsible behavior. In establishing such an environment, a set of defined standards of acceptable behavior in performing one's job and in dealing with co-employees and the public that is consistent with corporate policies and core values is necessary.

##### **Supplier/Contractor Selection and Criteria**

In dealings with suppliers and contractors the Company abides by its Code of Conduct, wherein it is stated that favoring or conniving with suppliers, customers or any other person in consideration of kickbacks, personal rebates or any valuable consideration is considered an offense. Company personnel who do not adhere to this policy are dealt with, accordingly.

The Company, likewise, has a general policy on the conduct of its bidding process to ensure fair and honest competition. The general policy for supplier/contractor selection is available in the Company's website.

## **Environmentally Friendly Value Chain**

The Company complies with several government environmental laws through the following initiatives: re-use or recycling of effluent water (PD984 or Clean Water Act); proper disposal of busted lamps used oil and used/spent batteries (RA6969 or Toxic Substance and Hazardous and Nuclear Waste Control Act) and annual stack emission testing of generator sets (RA8749 or Clean Air Act). The Company saves energy its office headquarters by installing variable frequency drives for chilled water pump operations in the centralized air conditioning system. It also has materials recovery facilities for solid waste management, which results in an average reduction of 25 tons per year of solid waste for disposal.

The vermicomposting facilities reduce solid waste from tree and plant trimmings and the resulting organic fertilizer is used for plants propagation. The Company uses mostly “green sealed” or “designed for the environment” chemicals for housekeeping, which reduces the health risk among cleaners. The Company also has properly labeled trashcans (reusable, biodegradable, non-biodegradable) which makes it easy to segregate waste. It also uses biodegradable trash bags.

## **Whistle Blowing Policy**

In November 2013, the Company implemented the Whistle Blowing Policy. This policy provides for and encourages employees and others to report, in good faith, any covered wrongful conduct committed by employees of which they have personal knowledge. The policy assures the employees of protection against harassment, threats, and any other form of retaliation from the persons reported. Any employee, who attempts, performs, causes or encourages any retaliatory actions against a whistleblower and/or the whistleblower relatives up to the fourth degree of consanguinity or affinity, will be subjected to disciplinary action and may be either suspended or dismissed, without prejudice to other legal actions that the Company may take, upon showing that the motive of the said employee was due to the disclosure made whistleblower.

The Whistle Blowing Policy is a clear statement that if any covered wrongdoing by any of its employees is identified and reported accordingly, it will be dealt with, through a thorough investigation and the proper imposition of accountability. To provide employees several avenues to report illegal or wrongful activities, the Policy allows reporting to any of the following: Head of Human Resources and Organizational Development, Head of Audit, Head of Legal, and employee’s Division Head.

## **Creditors’ Rights**

The Company complies with the debt servicing requirements of the creditors. The Company also ensures that the documentary requirements of the creditors are complete, accurate and submitted on time.

Creditors are regularly provided with financial and operational information about the Company through quarterly and annual investors’ briefings. The Company’s Treasury Head updates the creditors of the Company’s performance on a regular basis and when there is an immediate need. New contracts or agreements for investments, loan availments, asset disposals, mergers and acquisitions, etc. are reviewed by the Company’s Legal Department in order to determine if certain provisions may violate existing loan covenants. In cases when certain covenants will be breached, the Treasury seeks the consent of creditors to undertake the new initiative or when appropriate, negotiate with counter parties to remove/modify provisions that may have a consequence of breaching any loan covenants.

## **Interaction with Community**


The ABS-CBN Lingkod Kapamilya Foundation, Inc. was established to become a holistic community builder. “Bantay Bata,” a child protection and welfare organization cited by the United Nations Convention on the Rights of the Child, responds to thousands of hotline calls and handles hundreds of rescue causes. The program also provides scholarships and conducts feeding programs. As the term implies, “BantayKalikasan” is engaged in environmental protection through policy formulation assistance, reforestation, river system rehabilitation and ecotourism promotion. “Operation Sagip”

is involved in relief operations and rehabilitation after a natural or man-made disaster. It also trains schools and communities in disaster risk reduction.

Programa Genio is involved in curriculum enhancement, teacher training and learning resource development in public schools. BayaniJuan manages a 107-hectare resettlement community in Calauan, Laguna for families affected by the rehabilitation of the Pasig River and typhoon Ondoy.

Kapit Bisig Para sa Ilog Pasig (KBPIP), in partnership with the Pasig River Rehabilitation Commission (PRRC) is heavily involved in the rehabilitation of the Pasig River. Together, they have collected over 70 tons of garbage in 10 GI and KBPIP areas, engaged 6,398 volunteers, and completed 1,270 linear meters of estero rehabilitation.

The Company sends representatives to meetings, hearings and public consultations on various issues conducted by the barangay. The Company also requests for barangay clearance/permit for tapings, production shootings, and use of sidewalks as parking area during stockholders' meetings, trade events, program launchings, awarding ceremonies, etc. Every year, the Company requests as well for issuance of community tax certificates to employees.

 The Company submits incident reports to the barangay in relation to accidents, robbery, illegal parking, illegal vendors, violation of tricycle drivers and establishment. In addition, the Company supports the barangay on its information drive by covering barangay related activities.

## **SUSTAINABILITY**

### **Sustainability at ABS-CBN: A Commitment to Service for a Sustainable Future**

For the Company, sustainability is its mandate to grow the business in a way that leaves the world a better place than we found it. As a media and entertainment organization, our mission is to serve the Filipino people by providing support towards attaining a sustainable society. This is why, we continually re-invent ourselves, innovate and develop ways to mitigate our risks and maximize our opportunities socially, environmentally, and economically. Our actions are measured and our performance is monitored through that lens.

For an enterprise as large and complex as ABS-CBN, a wide range of factors could materially affect our operations. Thus, failure to responsibly manage our multi-tiered operations and supply chain can negatively affect our people, our customers, the communities we serve, and our continued economic growth.

Since the 1990s, we thrived to operate sustainably – program by program, in all aspects of the organization, and in every critical point in our operations and supply chain. Our goal is to attain ZERO loss of life, stakeholder dissatisfaction, environmental damage, legal liabilities, business disruption, and financial losses. With this as a top priority, policies, standards, and guidelines for sustainable operations and supply chain management were created and strictly enforced on the management of talents and employees, the acquisition, procurement and management of needed goods and services, disposal of materials, and on the creation and dissemination of our products and services. We are in compliance with local and international laws and standards, and adhere to management best practices.

Sustainability is embedded at the very core of our business operations and is observed in every critical path of our supply chain, both upstream and downstream. This is how we operate and manage our supply chain - closing the loop to create circular economy in the service of the Filipino.

### **About the Sustainability Report 2019**

This report has been prepared in accordance with the GRI Standards: Core option.

For several years, we report our sustainability as a section in our Annual Report following the GRI-referenced claim. This report is the first sustainability report by ABS-CBN following the GRI Standards: Core Option. We plan to report using the Core Option annually covering our operation from January 1 to December 31, 2019.

This sustainability report is focused on our material topics aligned with our service commitments (pp. 15- 16). Our material topics are anchored on the results of the materiality assessment process conducted which are based on our stakeholder engagements through different communication channels (pp. 17-18 of the Sustainability Report).

The general scope and boundaries used in this reporting can be found on pages 15-16, while the standard management approach we used is on page 17. Specific scope and boundaries, however, are identified and defined for some material topics due to limited data and information available during the time of the reporting period. Specific management approaches can also be found in some of the material topic discussions. In general, there are no significant changes to the scope of the report, nor any restatements of information provided in previous years except for the emissions and carbon sequestration capacity estimations. For emissions, as we continue to improve the management of our activity data, changes are expected due to the addition of categories and the expansion of boundaries covered. Additionally, changes in carbon sequestration were due to the adjustments of the boundaries set based on the latest map released by the Department of Environment and Natural Resources. This adjustment created a significant increase in the capacity of our reported carbon removals in 2018.

The Company's 2019 Sustainability Report can be found here:

<https://www.abs-cbn.com/sustainability>

<https://www.abs-cbn.com/governance/reports/sustainability-report/2019-sustainability-report/id-79>



## **SHAREHOLDERS' RIGHTS**

The Company respects the rights of the stockholders as provided in the Corporation Code; namely:

1. Right to vote on all matters that require their consent or approval;
2. Pre-emptive rights;
3. Power of inspection;
4. Right to dividends; and
5. Appraisal rights.

The shareholders, as a whole, have the right to receive timely and transparent information about the Company as may be required by laws or rules of the PSE.

### **Right to Nominate Candidates for Board of Directors**

The By-Laws of the Company allows all stockholders, including minority shareholders, the right to nominate candidates for the Board of Directors.

### **Conduct of Stockholders' Meeting**

Shareholders, including institutional shareholders, are encouraged to attend stockholders' meetings either personally or via remote communication. A written or printed notice of the annual meeting is delivered to each shareholder not less than twenty-one (21) days before the date of the meeting. Any stockholder entitled to vote may be represented at any regular or special meeting of stockholders by a duly executed proxy or cast his/her vote via electronic voting in absentia. Proxies should be in writing, properly signed and witnessed by one party. The written proxy and the intention to vote via electronic voting in absentia shall be filed with the Office of the Corporate Secretary of the Company not later than ten (10) calendar days prior to the scheduled stockholders meeting.

Shareholders have the right to propose matters in the agenda of the annual meeting, provided that the proposed matters are for legitimate business purposes.

Shareholders likewise have the explicit right to probe and/or ask questions during the annual meeting. In the 2019 Annual Stockholders' Meeting, several questions were asked by the shareholders which were answered by the Company. The minutes containing these questions and answers thereto may be accessed at: <https://www.abs->

[cbn.com/investors/annual-stockholders-meeting/2019-annual-stockholders-meeting/2019-minutes-of-the-annual-stockholders-meeting/id-204](http://cbn.com/investors/annual-stockholders-meeting/2019-annual-stockholders-meeting/2019-minutes-of-the-annual-stockholders-meeting/id-204).

Details of attendance of shareholders, results of voting, and the results of annual/special stockholders meetings' resolutions are disclosed in the Integrated-Annual Corporate Governance Report.

## **INVESTOR RELATIONS**

ABS-CBN fully respects shareholder rights and complies with regulatory and legal requirements that enforce and ensure that such rights are respected. These requirements include due and proper notification for general meetings and provision of adequate, transparent and timely information due shareholders.

As a publicly listed corporation, ABS-CBN is subject to reporting requirements prescribed by regulatory authorities, including the SEC and the PSE, among others. ABS-CBN is compliant in submitting timely structured and non-structured reports and disclosure filing required by the SEC and the PSE.

ABS-CBN's Chief Finance Officer, Head of Treasury, and its Head of Investor Relations, meet with representatives of institutional investors and investment funds upon request and at various investor conferences throughout the year for discussions about the Company's businesses, operating and financial results, business prospects and long-term plans. Inquiries from institutional and individual investors received by regular or electronic mail are also duly acknowledged and addressed in a timely and transparent manner.

ABS-CBN maintains an investor relations website that contains information on the history and businesses of the Company, its Board of Directors and senior management executives, financial information and reports and disclosures filed with the SEC and the PSE, share price performance and dividend history, and investor relations contact information.

The contact details (e.g. telephone and email) of the office responsible for investor relations are provided the ABS-CBN Investor Relations website – <https://www.abs-cbn.com/investors>.

## **Evaluation System**

ABS-CBN continues to evaluate its compliance with its Manual of Corporate Governance. The Board of Directors regularly conducts its self-assessment as well as an assessment of ABS-CBN's compliance with the Manual of Corporate Governance. ABS-CBN participates in the corporate governance survey conducted by the PSE.

The Board of Directors likewise conduct an evaluation of the performance of the Board, Chairman of the Board, Chief Executive Officer, Chief Risk Officer, Chief Audit Executive and Chief Compliance Officer.

## **Measures to Comply with Leading Practices**

ABS-CBN continues to implement enhancements to comply with leading practices on good corporate governance such as the revision of its Corporate Governance Manual to comply with recent SEC requirements and the submission of the Annual Corporate Governance Report to the SEC. In 2017, the Board approved a whistle blowing policy and a policy on insider trading. In 2018, the Board submitted to the SEC its Integrated-Annual Corporate Governance Report and implemented measures to fully comply with the same, such as, approving board committee charters, nomination and election policy and conducting self-assessment surveys. The members of the Board of Directors and the key officers attended a training seminar on corporate governance in 2019. Likewise, in 2019, the Company adopted its Related Party Transactions Policy pursuant to SEC directives.

In June 2019, the Company received an Arrow Recognition from the Institute of Corporate Directors (ICD), recognizing ABS-CBN Corporation as a top-performing publicly-listed company in the Philippines under the 2018 Asean Corporate Governance Scorecard. The Company was the only publicly-listed media company to have received the recognition.

**Deviations from Manual of Corporate Governance**

There were no reported deviations from the Company's Manual of Corporate Governance.

**Improvement of Corporate Governance**

ABS-CBN continues to review its Manual of Corporate Governance for improvements. In May 2017, the Company released its revised Manual on Corporate Governance to comply with the requirements under SEC Memorandum Circular No. 19, Series of 2016. ABS-CBN also reviews the charters of the different committees as well as evaluates existing policies on corporate governance. In July 2017, the Company approved its policy on insider trading that will be applicable to the directors, officers, and employees.

In 2018, ABS-CBN continued to improve its compliance with corporate governance regulations. It amended its Manual on Corporate Governance to include recommendations under the new Integrated Annual Corporate Governance Report, as well as, have the board committees approve its respective charters. In 2019, ABS-CBN continued to comply more recommendations stated in the Integrated Annual Corporate Governance Report.

The Board likewise conducted a board self-assessment last December 2019 to review and evaluate the performance of the Board, its Committees, its individual members and key corporate officers to measure the effectiveness of the company's governance practices.

## 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 years ended December 31, 2019, 2018 and 2017.

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

#### FOR THE YEAR ENDED DECEMBER 31, 2019

The table below summarizes the results of operations for the years 2019 and 2018.

	2019	2018	Variance	
			Amount	%
<b>Consolidated Revenues</b>	<b>₱42,835</b>	<b>₱40,131</b>	<b>₱2,704</b>	<b>6.7</b>
Advertising Revenues	22,942	20,382	2,560	12.6
Consumer Sales	19,893	19,749	144	0.7
<i>Sale of Services</i>	17,201	16,567	634	3.8
<i>Sale of Goods</i>	2,692	3,182	(490)	(15.4)
<b>Costs and Expenses</b>	<b>42,398</b>	<b>37,934</b>	<b>4,464</b>	<b>11.8</b>
Production Costs	13,136	12,345	791	6.4
Cost of Sales and Services	13,148	13,279	(131)	(1.0)
General and Administrative Expenses (GAEX)	16,114	12,310	3,804	30.9
<b>Financial Costs – net</b>	<b>1,299</b>	<b>518</b>	<b>781</b>	<b>150.9</b>
<b>Equity in Net Loss of Associates and Joint Ventures</b>	<b>19</b>	<b>30</b>	<b>(11)</b>	<b>(37.0)</b>
<b>Other Income – net</b>	<b>(530)</b>	<b>(331)</b>	<b>(199)</b>	<b>60.1</b>
<b>Net Income (Loss)</b>	<b>(₱2,645)</b>	<b>₱1,908</b>	<b>(₱4,553)</b>	<b>(238.6)</b>
<b>EBITDA</b>	<b>₱9,154</b>	<b>₱8,053</b>	<b>₱1,101</b>	<b>13.7</b>

#### Consolidated Revenues

For the year ended December 31, 2019, ABS-CBN generated consolidated revenues of ₱42.8 billion from advertising and consumer sales, ₱2.7 billion or 6.7% higher year-on-year.

Advertising revenues increased by ₱2.6 billion or 12.6% higher, attributable to both political placements and growth in regular advertising. Excluding political placements, regular advertising increased by ₱1.2 billion or 5.7% higher year-on-year. Consumer sales increased by ₱144 million mainly resulting from a mix of higher subscription revenues from Sky Cable and lower TVPlus Boxes sold.

Comparative revenue mix is as follows:

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

**Consolidated Costs and Expenses**

Direct costs and expenses amounted to ₱42.4 billion, or an 11.8% increase year-on-year.

Production cost increased by ₱791 million or 6.4%. This was due to the costs related to original Iwant produced content and Halalan expenses amounting to ₱347 million and ₱68 million, respectively.

Cost of sales and services decreased by ₱131 million or 1.0% year-on-year. This is mainly attributable to the lower sales of ABS-CBN TVPlus Boxes by 6.9% year-on-year.

GAEX increased by ₱3.8 billion or 30.9% compared to the previous year. The Company recognized impairment losses on its telecommunication, theme park and attractions businesses during the period, amounting to ₱3.36 billion. This follows the consequences of the COVID-19 pandemic as well as the resolution passed by the House Committee on Legislative Franchises denying the franchise application of the Company.

**Net Loss and EBITDA**





The Company incurred a ₱2.64 billion net loss for the year ended December 31, 2019. Excluding the non-recurring items, the Company's net income was at a ₱2.95 billion.

EBITDA increased to ₱9.15 billion, a 13.7% 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.

	<p><b><u>Media Network &amp; Studio Entertainment</u></b></p> <ul style="list-style-type: none"> <li>- Entertainment</li> <li>- News</li> <li>- Global</li> <li>- Film &amp; Music</li> <li>- DTT</li> <li>- Sports</li> <li>- Cable Networks</li> </ul>
	<p><b><u>Cable, Satellite &amp; Broadband</u></b></p> <ul style="list-style-type: none"> <li>- Pay TV (Cable &amp; Satellite)</li> <li>- Broadband</li> </ul>
	<p><b><u>Digital &amp; Interactive Media</u></b></p> <ul style="list-style-type: none"> <li>- Online</li> <li>- Over-the-top</li> </ul>
	<p><b><u>Consumer Products &amp; Experiences</u></b></p> <ul style="list-style-type: none"> <li>- Live events</li> <li>- Themeparks</li> <li>- Home shopping</li> <li>- Licensing &amp; merchandising</li> </ul>

The following analysis presents results of operations of the Company's business segments for the year ended December 31, 2019:

Segment	Operating Revenue		Net Income	
	2019	2018	2019	2018
Media & Studio Entertainment	₱30,922	₱28,828	₱1,424	₱2,531
Cable, Satellite & Broadband	9,792	8,923	203	(340)
Digital & Interactive Media	1,194	1,327	(2,964)	(181)
Consumer Product & Experiences	927	1,053	(1,308)	(102)

#### 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 54.40% for the fourth quarter of 2019. ABS-CBN programs continuously filled out the Top 10 highest rating programs in 2019, which was led by the top rating program and long running telenovela "Ang Probinsyano", with an average national TV rating of 36.9%. "The Voice Kids", "World of Dance Philippines", "The General's Daughter", "Search for the Idol Philippines", and "Ngayon at Kailanman" 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 26.4 and 2.8, respectively.

Revenue from international business decreased by ₱38 million or 0.6% 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 ₱46 million.

Film & Music's revenues decreased by ₱47 million or 3.8% lower year-on-year. In 2019, 14 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, Clarita, Hello, Love, Goodbye, Panti Sisters, Open, Isa Pa With Feelings, Hellcome Home, Unbreakable and The Mall, the Merrier. Total gross receipts generated from these movies, including receipts from Fantastika reached ₱2.27 billion. "Hello, Love, Goodbye" became the most successful Philippine produced film, generating worldwide gross receipts of ₱868 million, a feat which was previously held by 2018's blockbuster movie, "The Hows of Us".

ABS-CBN TVPlus showed lower revenues in 2019 with a total of 2.36 million boxes sold, or a 7% decrease in comparison to 2018 year.

As a result of the resolution passed by the House Committee on Legislative Franchises denying the franchise application of the Company, the latter recognized losses amounting to ₱2.1 billion, substantially relating to the Company's deferred tax assets.

#### B. Cable, Satellite & Broadband

Sky's revenue increased by ₱869 million or 9.7% year-on-year. The increase in Sky's performance was triggered by the increase in broadband and DTH subscribers by 55 and 417 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 1.6 million average active monthly users on its platform in 2019.

Total revenues generated from digital platforms amounted to ₱1.2 billion, higher by 27.6% compared to the 2018 revenues of ₱936 million.

The Company however, recognized impairment losses amounting to ₱2.38 billion from its telecommunications business following the resolution of the House Committee on Legislative Franchises denying the franchise application of the Company.

### **D. Consumer Products & Experiences**

Kidzania generated ₱486 million in revenues with a total of 317 thousand visitors, while ABS-CBN Studio Experiences generated ₱30 million in revenues with a total of 73 thousand visitors for the year ended December 31, 2019.

The Company also recognized impairment losses amounting to ₱1.16 billion following the impact of the COVID-19 pandemic on the experiences segment of the Company.

### **Capital Expenditures**

Cash capital expenditures and program rights acquisitions amounted to ₱5.6 billion as of December 31, 2019.

### **Statement of Financial Position Accounts**

As at December 31, 2019, total consolidated assets stood at ₱79.2 billion, 6.3% lower than total assets of ₱84.6 billion as of December 31, 2018.

Shareholders' equity decreased to ₱31.1 billion or 13.0% in December 31, 2019 compared to the previous year.

The company's net debt-to-equity ratio was at 0.45x and 0.28x as of December 31, 2019 and 2018, respectively.

## 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 years ended December 31, 2018, 2017 and 2016.

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

#### FOR THE YEAR ENDED DECEMBER 31, 2018

The table below summarizes the results of operations for the years 2018 and 2017.

	2018	2017	Variance	
			Amount	%
<b>Consolidated Revenues</b>	<b>₱40,131</b>	<b>₱40,698</b>	<b>(₱567)</b>	<b>(1.4)</b>
Advertising Revenues	20,382	21,098	(716)	(3.4)
Consumer Sales	19,749	19,600	149	0.8
<i>Sale of Services</i>	16,567	16,976	(409)	2.4
<i>Sale of Goods</i>	3,182	2,624	558	21.3
<b>Costs and Expenses</b>	<b>37,934</b>	<b>36,573</b>	<b>1,361</b>	<b>3.7</b>
Production Costs	12,345	11,834	511	4.3
Cost of Sales and Services	13,279	12,822	457	3.6
General and Administrative Expenses (GAEX)	12,310	11,917	393	3.3
<b>Financial Costs – net</b>	<b>518</b>	<b>800</b>	<b>(281)</b>	<b>(3.5)</b>
<b>Equity in Net Loss of Associates and Joint Ventures</b>	<b>30</b>	<b>5</b>	<b>25</b>	<b>500</b>
<b>Other Income – net</b>	<b>(331)</b>	<b>(615)</b>	<b>(284)</b>	<b>(46.2)</b>
<b>Net Income</b>	<b>₱1,908</b>	<b>₱3,163</b>	<b>(₱1,255)</b>	<b>(39.7)</b>
<b>EBITDA</b>	<b>₱8,053</b>	<b>₱9,626</b>	<b>(₱1,573)</b>	<b>(16.3)</b>

#### Consolidated Revenues

For the year ended December 31, 2018, ABS-CBN generated consolidated revenues of ₱40.1 billion from advertising and consumer sales, ₱567.0 million or 1.4% lower year-on-year.

Advertising revenues decreased by ₱716 million or 3.4% lower, attributable to fewer advertising placements from the year. Consumer sales increased by ₱149 million, mainly resulting from a 26% increase in ABS-CBN TVPlus boxes sold year-on-year.

Comparative revenue mix is as follows:

	2018	2017
Advertising revenues	51%	52%
Consumer sales	49%	48%

### **Consolidated Costs and Expenses**

Direct costs and expenses amounted to ₱37.94 billion in 2018, higher by ₱1.41 billion compared 2017.

Production cost increased by ₱511 million or 4.3%. The movement was attributable to separation costs of closing down certain regional stations of the Company. Other additional costs were licenses fees for sports programs which increased by ₱206 million and film rights amortization which increased by ₱140 million as a result of program rights acquisitions.

Cost of sales and services increased by ₱457 million or 3.6% in 2018. The increase is significantly attributable to the sale of ABS-CBN TVPlus. Boxes sold in 2018 reached 2.5 million, which was 26.3% higher or 529 thousand more boxes compared to 2017. As of December 31, 2018, total boxes sold have reached 6.8 million.

GAEX increased by ₱393 million or 3.3% 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 ₱1.9 billion net income, with EBITDA of ₱8.0 billion for the year ended December 31, 2018.

### **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.

	<b><u>Media Networks &amp; Studio Entertainment</u></b> <ul style="list-style-type: none"><li>- Entertainment</li><li>- News</li><li>- Global</li><li>- Film &amp; Music</li><li>- Radio</li><li>- DTT</li><li>- Sports</li><li>- Cable Networks</li></ul>
	<b><u>Cable, Satellite &amp; Broadband</u></b> <ul style="list-style-type: none"><li>- Pay TV (Cable &amp; Satellite)</li><li>- Broadband</li></ul>

	<p><b><u>Digital &amp; Interactive Media</u></b></p> <ul style="list-style-type: none"> <li>- Online</li> <li>- Mobile</li> </ul>
	<p><b><u>Consumer Products &amp; Experiences</u></b></p> <ul style="list-style-type: none"> <li>- Live events</li> <li>- Themepark</li> <li>- Home shopping</li> <li>- ABS-CBN store</li> <li>- Licensing &amp; merchandising</li> </ul>

The following analysis presents results of operations of the Company's business segments for the year ended December 31, 2018:

Segment	Operating Revenue		Net Income	
	2018	2017	2018	2017
Media Networks & Studio Entertainment	₱28,828	₱29,471	₱2,531	₱3,564
Cable, Satellite & Broadband	8,923	9,118	(340)	123
Digital & Interactive Media	1,327	1,220	(181)	(441)
Consumer Products & Experiences	1,053	889	(102)	(82)

## E. 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 54.25% for the year 2018. ABS-CBN programs continuously filled out the Top 10 highest rating programs in 2018, which was led by the top rating program and long running telenovela "Ang Probinsyano" with an average national TV rating of 41.2%. "Pilipinas Got Talent", "Your Face Sounds Familiar Kids", "Bagani", "La Luna Sangre", "Ngayon at Kailanman" and "Maalaala 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 29.8 and 3.2, respectively.

Revenue from international business decreased by ₱283 million or 4.6% year-on-year. The decrease in international business was attributable to Global's cessation of its money remittance and cargo business which reduced its revenues by ₱159 million. Global's cable subscription revenues decreased by ₱88 million or 7% year-on-year.

Film & Music's revenues declined by ₱4 million or 0.3% year-on-year. Despite having weaker movie results in the first half of 2018, the Company was able to release the Philippine's highest grossing locally produced box office movie, "The Hows of Us" generating ₱788 million in domestic and international gross receipts.

ABS-CBN TVPlus contributed significant increase in revenues for the entire year with 2.5 million boxes sold, a 26.3% increase or 529 thousand additional boxes sold in comparison to 2017.

#### **F. Cable, Satellite & Broadband**

Sky Cable's revenue decreased by ₱195 million or 2.1% year-on-year. The decline in Sky Cable's performance was triggered by the decrease in cable subscriber count by 69 thousand. In total, subscriber count of Sky increased by 489 thousand, significantly attributable to direct-to-home subscribers.

#### **G. 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 move of the "millennials". This thrust in digital content production in various platforms such as, Push, ABS-CBN Lifestyle, Choose Philippines, Iwant TV, ABS-CBN Exclusives and Entertainment, 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.

Total revenues generated from digital platforms amounted to ₱1,327 million in 2018, higher by 8.8% compared to the same period last year.

#### **H. Consumer Products & Experience**

Kidzania generated ₱504 million in revenues with a total of 355 thousand visitors in 2018.

ABS-CBN's live events, which brings the ABS-CBN experience closer to its audiences, generated ₱889 million in revenues in 2018.

#### **Capital Expenditures**

Cash capital expenditures and program rights acquisitions amounted to ₱4.9 billion as of December 31, 2018.

#### **Statement of Financial Position Accounts**

As at December 31, 2018, total consolidated assets stood at ₱84.6 billion, 12.6% higher than total assets of ₱75.1 billion as of December 31, 2017.

Shareholders' equity increased to ₱35.7 billion or 5.9% in December 31, 2018 compared to the previous year.

The company's net debt-to-equity ratio was at 0.24x and 0.28x as of December 31, 2018 and December 31, 2017, respectively.

## FOR THE YEAR ENDED DECEMBER 31, 2017

The table below summarizes the results of operations for the years 2017 and 2016.

	2017	2016	Variance	
			Amount	%
<b>Consolidated Revenues</b>	<b>₱40,698</b>	<b>₱41,630</b>	<b>(₱932)</b>	<b>(2.2)</b>
Advertising Revenues	21,098	23,650	(2,552)	(10.8)
Consumer Sales	19,600	17,980	1,620	9.0
<i>Sale of Services</i>	16,643	15,877	766	4.8
<i>Sale of Goods</i>	2,624	1,966	658	33.5
<i>Others</i>	333	137	196	143.1
<b>Costs and Expenses</b>	<b>36,573</b>	<b>36,690</b>	<b>117</b>	<b>0.3%</b>
Production Costs	11,834	12,012	(178)	(1.5)
Cost of Sales and Services	12,822	12,017	805	6.7
General and Administrative Expenses (GAEX)	11,917	12,661	(744)	(5.9)
<b>Financial Costs – net</b>	<b>800</b>	<b>726</b>	<b>74</b>	<b>10.2</b>
<b>Equity in Net Loss of</b>	<b>5</b>	<b>1</b>	<b>4</b>	<b>(400)</b>
<b>Associates and Joint Ventures</b>				
<b>Other Income – net</b>	<b>(615)</b>	<b>(467)</b>	<b>148</b>	<b>31.7</b>
<b>Net Income</b>	<b>₱3,163</b>	<b>₱3,525</b>	<b>(₱362)</b>	<b>(10.3)</b>
<b>EBITDA</b>	<b>₱9,626</b>	<b>₱9,853</b>	<b>(₱229)</b>	<b>(2.3)</b>

### Consolidated Revenues

For the year ended December 31, 2017, ABS-CBN generated consolidated revenues of ₱40.7 billion from advertising and consumer sales, ₱932.0 million or 2.2% lower year-on-year.

Advertising revenues decreased by ₱2.55 billion or 10.8% lower year-on-year attributable to election related advertising placements from the first half of 2016. Excluding election related placements, advertising revenues for 2017 is only down by ₱61 million or 0.3% lower year-on-year. Consumer sales increased by ₱1.62 billion mainly resulting from the sale of ABS-CBN TVPlus and higher revenues from Sky Cable's broadband and direct to home business.

Comparative revenue mix is as follows:

	2017	2016
Advertising revenues	52%	57%
Consumer sales	48%	43%



### **Consolidated Costs and Expenses**

Direct costs and expenses amounted to ₱36.57 billion in 2017, lower by ₱117 million compared 2016.

Production cost decreased by ₱178 million or 1.5%. The movement was due to the decline in program related expenses by ₱227 million as a result of savings in rentals, specifically, technical and production equipment. Another contributor to the decline was licenses and royalties of program rights which declined by ₱140 million. There was however, an increase in depreciation and film rights amortization of ₱264 million as a result of technical equipment and program rights acquisitions.

Cost of sales and services increased by ₱805 million or 6.7% in 2017. The increase is significantly attributable to the sale of ABS-CBN TVPlus. Boxes sold in 2017 reached 2.0 million, which was 53.5% higher or 702 thousand more boxes compared to 2016. As of December 31, 2017, total boxes sold have reached 4.3 million.

GAEX decreased by ₱744 million or 5.9% compared to the previous year. The decline is attributable mainly to employee related expenses which decreased by 9.4%.

### **Net Income and EBITDA**

The Company generated ₱3.2 billion net income, with EBITDA of ₱9.6 billion for the year ended December 31, 2017.

### **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 & Live xperience. This segmentation is the basis upon which the Company measures its business operations.

	<b><u>Media Network &amp; Studio Entertainment</u></b> <ul style="list-style-type: none"><li>- Entertainment</li><li>- News</li><li>- Global</li><li>- Film &amp; Music</li><li>- Radio</li><li>- DTT</li><li>- Sports</li><li>- Cable Networks</li><li>- Publishing</li></ul>
	<b><u>Cable, Satellite &amp; Broadband</u></b> <ul style="list-style-type: none"><li>- Pay TV (Cable &amp; Satellite)</li><li>- Broadband</li></ul>

	<p><b><u>Digital &amp; Interactive Media</u></b></p> <ul style="list-style-type: none"> <li>- Online</li> <li>- Mobile</li> <li>- Over-the-top</li> </ul>
	<p><b><u>Consumer Products &amp; Experiences</u></b></p> <ul style="list-style-type: none"> <li>- Live events</li> <li>- Themepark</li> <li>- Home shopping</li> <li>- ABS-CBN store</li> <li>- Licensing &amp; merchandising</li> </ul>

The following analysis presents results of operations of the Company's business segments for the year ended December 31, 2017:

Segment	Operating Revenue		Net Income	
	2016	2017	2016	2017
Media Network & Studio Entertainment	₱31,315	₱29,471	₱4,108	₱3,564
Cable, Satellite & Broadband	8,761	9,118	70	123
Digital & Interactive Media	671	1,220	(634)	(441)
Consumer Product & Experience	883	889	(19)	(82)

## I. Media Networks & Studio Entertainment

ABS-CBN channels (Channel 2, Sports & Action, Cinemo, Yey, Knowledge Channel and Teleradyo) led in national audience share and ratings. Overall audience share was at 53.2% for the year 2017. ABS-CBN programs continuously filled out the Top 10 highest rating programs in 2017, which was led by the top rating program and long running telenovela "Ang Probinsyano" with an average national TV rating of 38.6%. "Your Face Sounds Familiar Kids", "The Voice Teens", "La Luna Sangre", "Wansapanataym", "Maalaala Mo Kaya", and "Little Big Shots" were also included in the Top 10 programs.

Aside from the top programs mentioned above, ABS-CBN's TV Patrol and Umagang Kay Ganda were among the most watched news and current affairs programs with average national ratings of 33.4 and 5.5, respectively.

Revenue from international business increased by ₱210 million or 3.5% year-on-year. The increase in international business was mainly attributable to Global's subscription revenues, which increased by ₱284 million or 6.7%. Program syndication also increased by 37.5% coming from Africa and Latin America. The overall increase in international business was partially offset by the reorganization of Global's remittance business, which had a decline in revenues by ₱131 million or 143.2%.

Film & Music's revenues declined by 0.6% in 2017. During the year, 17 locally produced quality movies added up to Star Cinema's movie library build-up namely: Vince, Kath & James, Extra Service, My Ex and Whys, Can't Help Falling in Love, Dear Other Self, Can We Still Be Friends, Finally Found Someone, Bloody Crayons, Love You to the

Stars and Back, Loving in Tandem, Last Night, Seven Sundays, Unexpectedly Yours, Ghost Bride, The Revenger Squad and, Ang Panday. Total gross receipts generated from these movies reached over ₱2.45 billion.

ABS-CBN TVPlus contributed significant increase in revenues for the entire year with a total of 2.0 million boxes sold, a 53.5% increase or 702 thousand additional boxes sold in comparison to 2016.

#### **J. Cable, Satellite & Broadband**

Sky Cable's revenue increased by ₱363 million or 4.1% year-on-year. The increase in Sky Cable's performance was triggered by the increase in direct to home subscribers count by 280 thousand. In total, subscriber count of Sky increased by 243 thousand, moving up to 1.4 million subscribers or 21.7% increase by end of 2017.

#### **K. 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 move of the "millennials". This thrust in digital content production in various platforms such as, Push, ABS-CBN Lifestyle, Choose Philippines, Iwant TV, ABS-CBN Exclusives and Entertainment, further drove consumer engagement reflected through increasing monthly active subscribers throughout 2017. Total revenues generated from online platforms amounted to ₱ 660 million in 2017, higher by 95% compared to 2016.

#### **L. Consumer Products & Experience**

Kidzania generated ₱524 million in revenues with a total of 339 thousand visitors in 2017.

O-shopping continuously offer new products and promos to assure quality home TV shopping and online experience. It generated ₱840 million in revenues, 2.1% higher in comparison to 2016.

#### **Capital Expenditures**

Cash capital expenditures and program rights acquisitions amounted to ₱7.9 billion as of December 31, 2017.

#### **Statement of Financial Position Accounts**

As at December 31, 2017, total consolidated assets stood at ₱75.1 billion, 3.3% higher than total assets of ₱72.7 billion as of December 31, 2016.

Shareholders' equity increased to ₱33.7 billion or 6.4% in December 31, 2017 compared to the previous year.

The company's net debt-to-equity ratio was at 0.24x and 0.30x as of December 31, 2017 and December 31, 2016, respectively.

# ABS-CBN CORPORATION

REPUBLIC OF THE PHILIPPINES )  
PASIG CITY ) S.S.

## SECRETARY'S CERTIFICATE

I, **ENRIQUE I. QUIASON**, Filipino, of legal age, the duly elected and incumbent Corporate Secretary of **ABS-CBN CORPORATION** (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines, DO HEREBY CERTIFY, That:

I am familiar with the facts herein certified and duly authorized to certify the same;

None of the Directors and Independent Directors are elected Public Servants;

To the best of the Corporation's knowledge, information and belief, none of the Directors and Independent Directors and/or Officers of the Corporation are appointed and/or employees in any government agency.

**WITNESS THE SIGNATURE** of the undersigned this 27<sup>th</sup> day of August, 2020 at Pasig City.

**ENRIQUE I. QUIASON**  
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 27<sup>th</sup> day of August 2020, affiant exhibiting to me his Community Tax Certificate No. No. 14451130 issued on January 6, 2020 at Pasig City and with SSS No. 03-8352363-1 as competent evidence of identity.

Doc. No. 289;  
Page No. 59;  
Book No. I;  
Series of 2020.

**PAULO S. FAUSTINO**  
NOTARY PUBLIC  
FOR AND IN THE CITY OF PASIG AND SAN JUAN  
AND IN THE MUNICIPALITY OF PATEROS  
UNTIL DECEMBER 31, 2021  
PTR NO. 8442151; 1/9/2020; PASIG CITY  
IBP NO. 102323; 1/3/2020; RSM  
MCLE COMPLIANCE NO. VI-0020512; 4/14/2022  
ROLL NO. 71197/ APPOINTMENT NO. 38 (2020-2021)  
21/F Robinsons-Equitable Tower, 4 ADB Ave. cor. Poveda St.  
1605 Ortigas Center, Pasig City

# COVER SHEET

[illegible]

SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

(Business Address: No. Street City/Town/Province)

Enrique I. Quiason

(Contact Person)

3415-2272

(Company Telephone Number)

1	2
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*Month*

3	1
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Day

(Fiscal Year)

CID- Periquet 2020

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(Form Type)

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*Month*

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Day

(Annual Meeting)

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(Secondary License Type, If Applicable)

CFD
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Dept. Requiring this Doc.

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Amended Articles Number/Section

7,985

Total No. of Stockholders

### Total Amount of Borrowings

\_\_\_\_\_

Domestic

\_\_\_\_\_

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

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Document ID

Cashier

## STAMPS

## STAMPS

Remarks: Please use BLACK ink for scanning purposes.

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ANTONIO JOSE U. PERIQUET**, Filipino, of legal age and a resident of No. 27 Banaba Road, Forbes Park South, Makati City, Philippines, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of ABS-CBN Corporation and have been its independent director since April 2013.
2. I am affiliated with the following companies or organization:

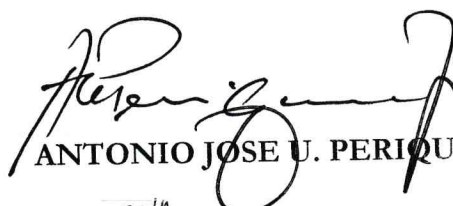
COMPANY/ ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
ABS-CBN Holdings Corporation	Independent Director	2012 to present
Ayala Corporation	Independent Director	2010 to present
Bank of the Philippines Islands (BPI)	Independent Director	2012 to present
BPI Asset Management and Trust Corporation	Chairman	2017 to present
BPI – Capital Corporation	Independent Director	2010 to present
BPI – Family Savings Bank, Inc.	Independent Director	2012 to present
Campden Hill Group, Inc.	Chairman	2012 to present
Campden Hill Advisors, Inc.	Chairman	2012 to present
DMCI Holdings, Inc.	Independent Director	2010 to present
Lyceum of the Philippines University	Trustee	2010 to present
Max's Group of Companies	Independent Director	2014 to present
Pacific Main Holdings, Inc.	Chairman	1999 to present
Philippine Seven Corporation	Independent Director	2010 to present
The Straits Wine Company, Inc.	Director	2010 to present
Semirara Mining Corporation	Independent Director	2019 to present
Sem-Calaca Power Corp.	Director	2020 to present
Southwest Luzon Power Generation Corp.	Director	2020 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of ABS-CBN Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any of the director/officer/substantial shareholder of ABS-CBN Corporation and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.




5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am neither in government service nor affiliated with a government agency or government-owned and controlled corporation.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of ABS-CBN Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this 27<sup>th</sup> day of August, 2020 at Pasig City.

  
ANTONIO JOSE U. PERIQUET

**SUBSCRIBED AND SWORN** to before me this 27<sup>th</sup> day of Aug 2020 at Pasig City  
by the above-named person who exhibited to me his SSS Identification No. 03803 2428-6  
as his competent evidence of identity.

Doc No. 290;  
Page No.: 59;  
Book No.: I;  
Series of 2020.

  
**PAULO S. FAUSTINO**  
NOTARY PUBLIC  
FOR AND IN THE CITY OF PASIG AND SAN JUAN  
AND IN THE MUNICIPALITY OF PATEROS  
UNTIL DECEMBER 31, 2021  
PTR NO. 6442151; 1/9/2020; PASIG CITY  
IBP NO. 102323; 1/3/2020; RSM  
MCLE COMPLIANCE NO. VI-0020512; 4/14/2022  
ROLL NO. 71197/ APPOINTMENT NO. 38 (2020-2021)  
21/F Robinsons-Equitable Tower, 4 ADB Ave. cor. Poveda St.  
1605 Ortigas Center, Pasig City

# COVER SHEET

[illegible]

SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

(Business Address: No. Street City/Town/Province)

Enrique I. Quiason

(Contact Person)

3415-2272

(Company Telephone Number)

1	2
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3	1
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Month Day  
(Fiscal Year)

CID- De Dios 2020

C	I	D		
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CID- De Dios 2020

(Form Type)

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Month Day  
(Annual Meeting)

\_\_\_\_\_

(Secondary License Type, If Applicable)

CFD
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Dept. Requiring this Doc.

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Amended Articles Number/Section

7,985
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Total No. of Stockholders

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Domestic

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

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LCU

LCU

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Document ID

Cashier

Cashier

## STAMPS

## STAMPS

Remarks: Please use BLACK ink for scanning purposes.



## CERTIFICATION OF INDEPENDENT DIRECTOR


I, **EMMANUEL S. DE DIOS**, Filipino, of legal age and a resident of 7 (formerly 60) Yakal Street, Monte Vista Subdivision, Marikina City, Philippines, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of ABS-CBN Corporation and have been its independent director since April 2013.
2. I am affiliated with the following companies or organization (including Government-Owned and Controlled Corporations):

COMPANY/ ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
Pulse Asia Research, Inc. (formerly, Pulse Asia, Inc.)	Director	2008 to present
Human Development Network	President	2012 to present
FEU Public Policy Center	Trustee	2017 to present


3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of ABS-CBN Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any of the director/officer/substantial shareholder of ABS-CBN Corporation and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities and Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of ABS-CBN Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this ~~16<sup>th</sup>~~ <sup>20<sup>th</sup></sup> day of August 2020 at Marikina.

  
**EMMANUEL S. DE DIOS**

SUBSCRIBED AND SWORN to before me this 28<sup>th</sup> day of August 2020 at Pasig City; Affiant exhibited to me his GSIS CRN No. 006-0086-9258-2 as his competent evidence of identity.

Doc. No. 110;  
Page No. 23;  
Book No. 7;  
Series of 2020.

  
**MICHAEL FRANCIS D. CASTRO**  
NOTARY PUBLIC  
FOR AND IN THE CITY OF PASIG AND SAN JUAN  
AND IN THE MUNICIPALITY OF PATEROS  
UNTIL DECEMBER 31, 2021  
PTR NO. 6442419; 1/10/2020; PASIG CITY  
ISP NO. 102322; 1/3/2020; PPLM  
MCLE COMPLIANCE NO. VI-0020404; 4/14/2022  
ROLL NO. 71346/ADM MATTER NO. 34 (2020-2021)  
21/F Robinsons-Equitable Tower, 4 ADB Ave. cor. Poveda St.  
1605 Ortigas Center, Pasig City



# ABS-CBN CORPORATION

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **ABS-CBN Corporation and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with the Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

A handwritten signature in black ink, appearing to read 'Martin L. Lopez'.

**Martin L. Lopez**  
Chairman of the Board

A handwritten signature in black ink, appearing to read 'Carlo L. Katigbak'.

**Carlo L. Katigbak**  
President and Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Ricardo B. Tan'.

**Ricardo B. Tan**  
Group Chief Financial Officer

A handwritten signature in black ink, appearing to read 'Aldrin M. Cerrado'.

**Aldrin M. Cerrado**  
Chief Financial Officer

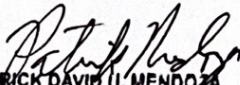
Signed this 19<sup>th</sup> day of August, 2020



SUBSCRIBED AND SWORN to me before this 19<sup>th</sup> day of August, 2020. Affiants exhibiting to me their Passports, as follows:

<u>NAMES</u>	<u>PASSPORT NO.</u>	<u>DATE OF EXPIRY</u>	<u>PLACE OF ISSUE</u>
Martin L. Lopez	P9450479A	06 Nov 2028	DFA, Manila
Carlo L. Katigbak	EC6618200	26 Jan 2021	DFA, Manila
Ricardo B. Tan	P1587882A	11 Jan 2022	DFA, Manila
Aldrin M. Cerrado	P8509674A	27 Aug 2028	DFA, NCR West

Doc. No.: 334  
Page No.: 68  
Book No.: I  
Series of: 2020

  
**PATRICK DAVID U. MENDOZA**  
NOTARIAL COMMISSION NO. 234  
NOTARY PUBLIC FOR THE CITIES OF PASIG & SAN JUAN  
AND THE MUNICIPALITY OF PATEROS  
UNTIL 31 DECEMBER 2020  
1409 EAST TOWER, PHILIPPINE STOCK EXCHANGE CENTER,  
EXCHANGE ROAD, ORTIGAS CENTER, PASIG CITY  
ROLL OF ATTORNEYS NO. 73582  
IBP OR NO. 111376; 21 JANUARY 2020; RSM CHAPTER  
PTR NO. 5242486; 24 JANUARY 2020; PASIG CITY  
ADMITTED TO THE BAR ON 19 JUNE 2019

## AUDITED FINANCIAL STATEMENTS

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A	B	S	-	C	B	N		B	r	o	a	d	c	a	s	t		C	e	n	t	e	r	,		S	g	t	.
E	s	g	u	e	r	r	a		A	v	e	n	u	e		c	o	r	n	e	r		M	o	t	h	e	r	
I	g	n	a	c	i	a		S	t	.	,		Q	u	e	z	o	n		C	i	t	y						

<b>A</b>	<b>A</b>	<b>C</b>	<b>F</b>	<b>S</b>
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C	R	M	D
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N	/	A	
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## COMPANY INFORMATION

**IR@abs-cbn.com**

**(632) 3415 - 2272**

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7,986
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**September 25**

December 31

<b>CONTACT PERSON INFORMATION</b>
-----------------------------------

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

Ricardo B. Tan

**Rick\_Tan@abs-cbn.com**

**(632) 3415-2272**

—

<b>CONTACT PERSON'S ADDRESS</b>	
CONTACT PERSON'S NAME: _____ ADDRESS: _____ CITY: _____ STATE: _____ ZIP: _____ PHONE: _____ FAX: _____ E-MAIL: _____	

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

**2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
ABS-CBN Corporation  
ABS-CBN Broadcast Center  
Sgt. Esguerra Ave. corner Mother Ignacia Street  
Quezon City

### Opinion

We have audited the consolidated financial statements of ABS-CBN Corporation (the "Parent Company") and Subsidiaries (collectively referred to as "the Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Parent Company was 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 legislative franchise lapsed on May 4, 2020. An application for the renewal of the franchise was earlier filed but the House of Representatives through the House Committee on Legislative Franchises denied the franchise application on July 10, 2020. The core operation of the Company depends on the legislative franchise and therefore is a key determinant of the Company's ability to continue as a going concern. Also, as part of its ongoing negotiations with creditor banks, the Company is currently in the process of completing conditions, which include, among others, to provide collateral to the creditor banks. As stated in Note 1, these events, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter in the following section, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

### Revenue Recognition

The Company derives a significant portion of its revenue from advertising, which comprise 53% of the consolidated revenue for the year ended December 31, 2019. This matter is significant to our audit because, in addition to the magnitude of the amount, the airtime revenue process is highly-automated and the amounts recognized depend on the calculated rates using a pricing scheme where billings are based on the actual ratings when the advertisements were aired and, hence, results in variations in airtime billings.

The Company's policy on airtime revenue recognition is disclosed in Note 2 to the consolidated financial statements.

#### *Audit response*

We updated our understanding of the airtime revenue process and tested the relevant controls. We involved our specialist in our evaluation and testing of the information technology general controls of the relevant systems. We tested the airtime rates for selected sample billings by comparing the television ratings used against third-party television ratings reports and recomputed the billed amounts.

### Recoverability of Goodwill and Other Intangible Assets with Indefinite Useful Lives

Under PFRSs, the Company is required to annually test the amount of goodwill and other intangible assets with indefinite useful lives for impairment. As at December 31, 2019, the Company's goodwill and other intangible assets with indefinite useful lives amounted to ₱5.9 billion, which are considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions, specifically revenue growth and gross margins in its cable subscription, international broadcasting and broadband businesses, and discount rates, which were applied to the cash flow forecasts.

The Company's disclosures about goodwill and other intangible assets with indefinite useful lives are included in Notes 3 and 12 to the consolidated financial statements.



#### *Audit response*

We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include revenue growth and gross margins in its cable subscription, International broadcasting and broadband businesses, and discount rates. We compared the key assumptions used, such as the revenue growth rate and gross margins against the historical performance of the cash generating unit (CGU), industry/market outlook, and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Company's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and other intangible assets with indefinite useful lives.

#### Impairment Testing of Property and Equipment and Program Rights

As discussed in Note 1, the Parent Company's application for franchise was denied by the House Committee on Legislative Franchises on July 10, 2020. This is considered as an adjusting subsequent event which confirms the uncertainties existing as of December 31, 2019 and is an impairment indicator that requires an assessment of the recoverability of the Parent Company's non-financial assets, particularly its towers, transmission, television, radio, movie and auxiliary equipment and program rights with carrying amounts of ₱1.8 billion and ₱4.3 billion, respectively, as of December 31, 2019. The determination of recoverable amounts of these assets using discounted cash flows technique and depreciated replacement cost method requires the use of significant judgment, estimates, and assumptions such as gross revenue, gross margin, operating expenses, growth rate and, discount rate, which were applied to the cash flow forecasts, and cost to build similar assets, adjustments to the cost based on internal and external factors, and deductions for physical deterioration and all other relevant forms of obsolescence for the depreciated replacement cost.

The disclosures in relation to the above matters are included in Notes 3, 10 and 12 to the consolidated financial statements.

#### *Audit response*

We involved our internal specialist in evaluating the methodologies and assumptions used in determining the fair values of the towers, transmission, television, radio, movie and auxiliary equipment and program rights. For the discounted cash flows technique, we evaluated the key assumptions used to estimate the discounted cash flows of the CGU, which include the gross revenue, gross margin, operating expenses, growth rate and discount rate, based on our understanding of the Company's business plan and compared these assumptions to the relevant market data, as applicable. For depreciated replacement cost method, we made inquiries with the management's specialist who determined the replacement cost about the methodology and assumptions used in the valuation of the subject assets, including the adjustments made to the cost and its related considerations. On a sample basis, we tested the amounts used by management by comparing these against recent transactions. We evaluated the competence, capabilities, and objectivity of the management's specialists by considering their qualifications, experience and reporting responsibilities.





### Recoverability of Deferred Tax Assets

The analysis of the recoverability of deferred tax assets of material entities within the Company was significant to our audit because the assessment process is complex and judgmental, and is based on assumptions that are affected by expected future market or economic conditions and the expected performance of these entities.

The disclosures in relation to deferred taxes are included in Note 29 to the consolidated financial statements.

### *Audit response*

We reviewed management's assessments of the availability of future taxable income from significant entities within the Company operating at net losses. We reviewed management's five-year financial forecasts on these entities with reference to the entities' current performance and future plans for the business. In addition, we reviewed the assumptions used in the financial forecasts, evaluation of which was performed during the impairment testing for goodwill and other intangible assets with indefinite useful lives. We checked the reconciling items considered in computing the forecasted taxable income with reference to prior years' reconciling items and their expected timing of reversal.

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Catherine E. Lopez.

SYCIP GORRES VELAYO & CO.



Catherine E. Lopez

Partner

CPA Certificate No. 86447

SEC Accreditation No. 0468-AR-4 (Group A),

February 19, 2019, valid until February 18, 2022

Tax Identification No. 102-085-895

BIR Accreditation No. 08-001998-65-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 8125249, January 7, 2020, Makati City

August 19, 2020



**ABS-CBN CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(Amounts in Thousands)**

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 6)	<b>₱12,169,917</b>	₱18,104,686
Short-term investments (Note 6)	<b>6,998,695</b>	1,804,041
Trade and other receivables (Notes 7 and 23)	<b>10,605,433</b>	10,369,080
Inventories (Note 8)	<b>675,607</b>	680,628
Program rights and other intangible assets (Note 12)	<b>1,286,661</b>	1,359,188
Other current assets (Notes 9, 15 and 23)	<b>5,411,370</b>	5,383,138
Total Current Assets	<b>37,147,683</b>	37,700,761
<b>Noncurrent Assets</b>		
Property and equipment (Notes 10, 18 and 31)	<b>27,473,741</b>	27,875,625
Goodwill, program rights and other intangible assets - net of current portion (Note 12)	<b>11,384,697</b>	13,310,366
Financial assets at fair value through other comprehensive income (FVOCI) (Note 13)	<b>263,126</b>	268,304
Investment properties (Notes 11 and 18)	<b>198,692</b>	202,763
Investments in associates and joint ventures (Note 14)	<b>425,864</b>	495,247
Deferred tax assets (Note 29)	<b>1,147,107</b>	3,020,803
Other noncurrent assets (Notes 7, 16 and 23)	<b>1,203,626</b>	1,685,348
Total Noncurrent Assets	<b>42,096,853</b>	46,858,456
<b>TOTAL ASSETS</b>	<b>₱79,244,536</b>	₱84,559,217
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Notes 4, 17, 23 and 30)	<b>₱11,772,924</b>	₱13,546,326
Contract liabilities (Note 9)	<b>1,064,650</b>	981,744
Income tax payable	<b>302,649</b>	208,056
Obligations for program rights (Note 19)	<b>303,440</b>	441,875
Current lease liabilities (Note 31)	<b>302,647</b>	—
Interest-bearing loans and borrowings (Notes 10, 11 and 18)	<b>513,755</b>	414,911
Total Current Liabilities	<b>14,260,065</b>	15,592,912
<b>Noncurrent Liabilities</b>		
Interest-bearing loans and borrowings - net of current portion (Notes 10, 11 and 18)	<b>25,512,844</b>	27,810,584
Obligations for program rights - net of current portion (Note 19)	<b>441,466</b>	541,548
Accrued pension obligation and other employee benefits (Note 30)	<b>6,004,432</b>	4,029,891
Deferred tax liability (Note 29)	<b>458,355</b>	138,271
Noncurrent lease liabilities (Note 31)	<b>780,719</b>	—
Convertible note (Note 20)	<b>238,305</b>	221,217
Other noncurrent liabilities (Note 21)	<b>457,145</b>	500,346
Total Noncurrent Liabilities	<b>33,893,266</b>	33,241,857
Total Liabilities	<b>48,153,331</b>	48,834,769

(Forward)



	December 31	
	2019	2018
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital stock (Note 22):		
Common	<b>₱872,124</b>	₱872,124
Preferred	<b>200,000</b>	200,000
Additional paid-in capital	<b>4,745,399</b>	4,745,399
Treasury shares and Philippine depository receipts convertible to common shares (Note 22)	<b>(1,638,719)</b>	(1,638,719)
Exchange differences on translation of foreign operations	<b>550,689</b>	921,624
Fair value reserves on financial assets at FVOCI (Note 13)	<b>172,920</b>	205,969
Retained earnings (Note 22)	<b>27,114,963</b>	30,291,703
Equity attributable to Equity Holders of the Parent	<b>32,017,376</b>	35,598,100
<b>Noncontrolling Interests</b> (Note 4)	<b>(926,171)</b>	126,348
Total Equity	<b>31,091,206</b>	35,724,448
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱79,244,536</b>	₱84,559,217

*See accompanying Notes to Consolidated Financial Statements.*



**ABS-CBN CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME**

(Amounts in Thousands, Except Per Share Amounts)

	Years Ended December 31		
	2019	2018	2017
<b>REVENUES</b> (Notes 23, 24 and 31)	<b>₱42,834,842</b>	₱40,130,592	₱40,698,244
<b>PRODUCTION COSTS</b> (Notes 10, 12, 23, 25, 30 and 31)	<b>(13,135,798)</b>	(12,345,277)	(11,833,615)
<b>COST OF SERVICES</b> (Notes 8, 10, 12, 15, 23, 26, 30 and 31)	<b>(11,010,926)</b>	(10,785,230)	(10,711,713)
<b>COST OF SALES</b> (Notes 8, 10, 23, 26, 30 and 31)	<b>(2,136,680)</b>	(2,493,359)	(2,109,942)
<b>GROSS PROFIT</b>	<b>16,551,438</b>	14,506,726	16,042,974
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Notes 7, 8, 10, 11, 12, 22, 23, 27, 30 and 31)	<b>(16,113,809)</b>	(12,310,128)	(11,916,759)
<b>FINANCE COSTS</b> (Notes 18, 20 and 28)	<b>(1,547,422)</b>	(1,124,677)	(1,007,916)
<b>INTEREST INCOME</b> (Note 6)	<b>560,421</b>	202,801	166,788
<b>FOREIGN EXCHANGE GAINS (LOSSES) - net</b>	<b>(312,254)</b>	404,031	41,194
<b>EQUITY IN NET LOSSES OF ASSOCIATES AND JOINT VENTURES</b> (Note 14)	<b>(18,721)</b>	(29,706)	(5,052)
<b>OTHER INCOME - net</b> (Notes 15, 21, 28 and 31)	<b>530,469</b>	331,253	614,806
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>(349,878)</b>	1,980,300	3,936,035
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 29)			
Current	676,294	600,791	604,575
Deferred	1,618,975	(528,732)	167,883
	<b>2,295,269</b>	72,059	772,458
<b>NET INCOME (LOSS)</b>	<b>(₱2,645,147)</b>	₱1,908,241	₱3,163,577
<b>Attributable to</b>			
Equity holders of the Parent Company (Note 34)	<b>(₱1,624,858)</b>	₱2,110,251	₱3,333,889
Noncontrolling interests	<b>(1,020,289)</b>	(202,010)	(170,312)
	<b>(₱2,645,147)</b>	₱1,908,241	₱3,163,577
<b>Basic/Diluted Earnings (Loss) per Share Attributable to Equity Holders of the Parent Company</b> (Note 34)	<b>(₱1.979)</b>	₱2.560	₱4.046

See accompanying Notes to Consolidated Financial Statements.



**ABS-CBN CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Amounts in Thousands)

	Years Ended December 31		
	2019	2018	2017
<b>NET INCOME (LOSS)</b>	<b>(₱2,645,147)</b>	<b>₱1,908,241</b>	<b>₱3,163,577</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Other comprehensive income (loss) not to be reclassified to profit and loss in subsequent periods:			
Remeasurement gain (loss) on defined benefit plan - net of tax (Note 30)	(1,103,052)	331,772	(632,998)
Fair value adjustments on financial assets at FVOCI - net of tax (Note 13)	(33,049)	25,561	—
	<b>(1,136,101)</b>	<b>357,333</b>	<b>(632,998)</b>
Other comprehensive income (loss) to be reclassified to profit and loss in subsequent periods:			
Exchange differences on translation of foreign operations	(370,935)	561,808	341,467
Unrealized fair value gain on AFS investments - net of tax (Note 13)	—	—	32,524
	<b>(370,935)</b>	<b>561,808</b>	<b>373,991</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>(1,507,036)</b>	<b>919,141</b>	<b>(259,007)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(₱4,152,183)</b>	<b>₱2,827,382</b>	<b>₱2,904,570</b>
<b>Attributable to:</b>			
Equity holders of the Parent Company	(₱3,099,664)	₱3,124,981	₱3,109,445
Noncontrolling interests	(1,052,519)	(297,599)	(204,875)
	<b>(₱4,152,183)</b>	<b>₱2,827,382</b>	<b>₱2,904,570</b>

*See accompanying Notes to Consolidated Financial Statements.*



**ABS-CBN CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**

**(Amounts in Thousands)**

	Attributable to the Equity Holders of the Parent Company											
	Capital Stock (Note 22)		Additional Paid-in Capital	Treasury Shares and Philippine Depository Receipts	Exchange Differences in Translation of Foreign Operations	Fair Value Reserves on Financial Assets At FVOCI (Note 13)	Remeasure- ment Gain (Loss) on Defined Benefit Plan - Net (Note 30)	Retained Earnings (Note 22)		Total	Noncontrolling Interests (Notes 17 and 20)	Total Equity
	Common	Preferred		Convertible to Common Shares (Note 22)				Appropriated	Unappropriated			
At December 31, 2018	₱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)	–	–	–	–	–	–	–	–	(1,624,858)	(1,624,858)	(1,020,289)	(2,645,147)
Other comprehensive loss	–	–	–	–	(370,935)	(33,049)	(1,070,822)	–	–	(1,474,806)	(32,230)	(1,507,036)
Total comprehensive income (loss)	–	–	–	–	(370,935)	(33,049)	(1,070,822)	–	(1,624,858)	(3,099,664)	(1,052,519)	(4,152,183)
Remeasurement gain on defined benefit plan transferred to retained earnings	–	–	–	–	–	–	1,070,822	–	(1,070,822)	–	–	–
Cash dividends declared	–	–	–	–	–	–	–	–	(481,060)	(481,060)	–	(481,060)
At December 31, 2019	₱872,124	₱200,000	₱4,745,399	(₱1,638,719)	₱550,689	₱172,920	₱–	₱16,200,000	₱10,914,963	₱32,017,376	(₱926,171)	₱31,091,205





	Attributable to the Equity Holders of the Parent Company												
	Capital Stock (Note 22)		Treasury Shares and Philippine Depository Receipts	Convertible to Common Shares (Note 22)	Exchange Differences in Translation of Foreign Operations	Unrealized Gain on Available-for-Sale Investments (Note 13)	Fair Value Reserves on Financial Assets At FVOCI (Note 13)	Remeasurement Gain (Loss) on Defined Benefit Plan - Net (Note 30)	Share-based Payment Plan - Net (Note 22)	Retained Earnings (Note 22)		Noncontrolling Interests (Notes 17 and 20)	Total Equity
	Common	Preferred								Appropriated	Unappropriated		
At January 1, 2018	P872,124	P200,000	P4,745,399	(P1,638,719)	P359,816	P180,408	P-	P-	P-	P16,200,000	P12,360,106	P431,810	P33,710,944
Effect of adoption of PFRS 15, <i>Revenue from Contracts with Customers</i> and PFRS 9, <i>Financial Instruments</i>	-	-	-	-	-	(180,408)	180,408	-	-	-	(11,124)	(7,863)	(18,987)
At January 1, 2018, as restated	872,124	200,000	4,745,399	(1,638,719)	359,816	-	180,408	-	-	16,200,000	12,348,982	423,947	33,691,957
Net income (loss)	-	-	-	-	-	-	-	-	-	-	2,110,251	(202,010)	1,908,241
Other comprehensive income	-	-	-	-	561,808	-	25,561	427,361	-	-	-	(95,589)	919,141
Total comprehensive income (loss)	-	-	-	-	561,808	-	25,561	427,361	-	-	2,110,251	(297,599)	2,827,382
Remeasurement gain on defined benefit plan transferred to retained earnings	-	-	-	-	-	-	-	(427,361)	-	-	427,361	-	-
Cash dividends declared	-	-	-	-	-	-	-	-	-	-	(794,891)	-	(794,891)
At December 31, 2018	P872,124	P200,000	P4,745,399	(P1,638,719)	P921,624	P-	P205,969	P-	P-	P16,200,000	P14,091,703	P126,348	P35,724,448
At December 31, 2016	P872,124	P200,000	P4,740,811	(P1,638,719)	P18,349	P147,884	P-	P-	P4,588	P16,200,000	P10,509,981	P636,685	31,691,703
Net income (loss)	-	-	-	-	-	-	-	-	-	-	3,333,889	(170,312)	3,163,577
Other comprehensive income (loss)	-	-	-	-	341,467	32,524	-	(598,435)	-	-	-	(34,563)	(259,007)
Total comprehensive income (loss)	-	-	-	-	341,467	32,524	-	(598,435)	-	-	3,333,889	(204,875)	2,904,570
Remeasurement loss on defined benefit plan transferred to retained earnings	-	-	-	-	-	-	-	598,435	-	-	(598,435)	-	-
Share-based payment	-	-	4,588	-	-	-	-	-	(4,588)	-	-	-	-
Cash dividends declared	-	-	-	-	-	-	-	-	-	-	(885,329)	-	(885,329)
At December 31, 2017	P872,124	P200,000	P4,745,399	(P1,638,719)	P359,816	P180,408	P-	P-	P-	P16,200,000	P12,360,106	P431,810	P33,710,944

See accompanying Notes to Consolidated Financial Statements.



**ABS-CBN CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in Thousands)

	Years Ended December 31		
	2019	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax	(P349,878)	P1,980,300	P3,936,035
Adjustments to reconcile income before tax to net cash flows:			
Depreciation and amortization (Notes 10 and 11)	3,717,944	3,819,919	3,666,140
Impairment loss	1,960,590	–	–
Amortization of:			
Program rights and other intangibles (Note 12)	1,644,956	1,721,520	1,818,806
Debt issue costs (Note 28)	25,740	32,927	40,390
Deferred charges (Note 26)	1,383	292	6,993
Movements in accrued pension obligation and other employee benefits (Note 30)	1,594,073	(73,913)	(439,759)
Interest expense (Note 28)	1,423,504	1,061,666	931,459
Impairment of property and equipment (Note 10)	1,404,317	9,438	–
Interest income (Notes 6 and 23)	(560,421)	(202,801)	(166,788)
Net unrealized foreign exchange gain	(182,105)	(179,111)	(55,261)
Gain on sale of property and equipment (Notes 10 and 28)	(27,870)	(849)	(6,221)
Equity in net losses of associates and joint ventures (Note 14)	18,721	29,706	5,052
Dividend income	(9,183)	(7,651)	(10,364)
Working capital changes:			
Decrease (increase) in:			
Other current assets	(124,104)	(208,986)	(975,176)
Trade and other receivables	(71,019)	398,356	(662,248)
Inventories	(28,723)	(169,576)	(158,875)
Increase (decrease) in:			
Trade and other payables	(2,538,516)	(956,435)	(683,328)
Obligations for program rights	(234,552)	(651,615)	(197,019)
Contract liabilities	82,906	790,567	–
Other noncurrent liabilities	(44,065)	(11,573)	197,694
Cash generated from operations	7,703,698	7,382,181	7,247,530
Income taxes paid	(651,900)	(656,064)	(618,484)
Net cash provided by operating activities	7,051,798	6,726,117	6,629,046
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Property and equipment (Notes 5 and 10)	(3,725,696)	(5,970,703)	(5,058,385)
Goodwill, program rights and other intangible assets (Notes 12 and 35)	(883,342)	(1,319,100)	(1,944,422)
Decrease (increase) in short-term investments	(5,194,654)	(445,612)	1,707,364
Increase in other noncurrent assets	641,052	406,827	684,846
Interest received	423,067	190,124	174,369
Proceeds from sale of property and equipment	316,968	18,377	221,983
Acquisition of FVOCI (Note 13)	(27,871)	–	–
Acquisition of a business (Note 4)	–	–	(350,000)
Net cash used in investing activities	(8,450,476)	(7,120,087)	(4,564,245)

(Forward)



	Years Ended December 31		
	2019	2018	2017
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term debt	<b>₱4,962,500</b>	₱8,761,795	₱3,346,000
Payments of:			
Long-term debt (Note 18)	<b>(7,174,520)</b>	(943,946)	(3,457,765)
Interest	<b>(1,454,269)</b>	(962,001)	(938,629)
Dividends	<b>(460,487)</b>	(766,831)	(856,938)
Principal portion of lease liabilities	<b>(344,537)</b>	(11,986)	(14,105)
Deposit for future subscription (Note 4)	—	—	1,220,000
Net cash provided by (used in) financing activities (Note 35)	<b>(4,471,313)</b>	6,077,031	(701,437)
<b>EFFECTS OF EXCHANGE RATE CHANGES AND TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>	<b>(64,778)</b>	75,069	18,668
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(5,934,769)</b>	5,758,130	1,382,032
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>18,104,686</b>	12,346,556	10,964,524
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)</b>	<b>₱12,169,917</b>	₱18,104,686	₱12,346,556

*See accompanying Notes to Consolidated Financial Statements.*



**ABS-CBN CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Amounts in Thousands Unless Otherwise Specified)**

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**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 (DTH) 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.

On May 5, 2020, the National Telecommunications Commission (NTC) issued a Cease and Desist Order (CDO) to the Parent Company, prohibiting its continuing broadcast operations effective immediately.

On June 30, 2020, the NTC issued a CDO to the Parent Company to immediately cease and desist from operating its digital TV transmission in Metro Manila using channel 43.

On July 10, 2020, the House Committee on Legislative Franchises (regular and ex-officio members) voted to adopt a Resolution denying the franchise application of the Parent Company. The core operation of the Company depends on the legislative franchise and therefore is a key determinant of the Company’s ability to continue as a going concern. As a consequence of the denial of its franchise application, the Parent Company was forced to cease the operations of some of its businesses and implement a retrenchment program covering the Parent Company and its subsidiaries effective August 31, 2020.

As part of its on-going negotiations with creditor banks, the Company is in the process of completing the conditions, which include, among others, to provide collateral to the creditor banks.

These conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern and, therefore, the Company may not be able to realize its assets and discharge its liabilities in the normal course of business. Management assessed that the Company will be able to maintain its positive cash position and settle its liabilities as they fall due through management’s plans on future actions as discussed in Note 3.

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.



The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on August 19, 2020.

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## 2. Summary of Significant Accounting and Financial Reporting Policies

### Basis of Preparation

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

### Changes in Accounting Policies and Disclosures

The Company applied PFRS 16, *Leases*, and Philippine Interpretation – International Financial Reporting Interpretations Committee (IFRIC) -23, *Uncertainty over Income Tax Treatments*, for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described in the succeeding section.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Company, unless otherwise indicated. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

#### ▪ PFRS 16, *Leases*

PFRS 16 supersedes Philippine Accounting Standards (PAS) 17, *Leases*, Philippine Interpretation IFRIC-4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation – Standard Interpretations Committee (SIC) -15, *Operating Leases-Incentives*, and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the consolidated statement of financial position.

Lessor accounting under PFRS 16 is substantially unchanged from the 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. Therefore, PFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elects to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4.



The Company has lease contracts for various items of office space, warehouses, transmitter locations, and production and other equipment. Before the adoption of PFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of PFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.

*Leases previously accounted for as operating leases*

The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The effect of adoption PFRS 16 as at January 1, 2019 is as follows:

	<u>Increase (decrease)</u>
<b>Asset</b>	
Property and equipment	₱967,868
<b>Liabilities</b>	
Trade and other payables	(₱47,955)
Lease liability	1,015,823
<b>Net impact in total liabilities</b>	<b>₱967,868</b>

The lease liability as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

Operating lease commitments as at December 31, 2018	₱1,091,603
Add: Lease contracts under PFRS 16 not previously accounted as operating lease	415,209
Operating lease commitments as at January 1, 2019, as adjusted	1,506,812
Weighted average incremental borrowing rate of January 1, 2019	7.22%
Discounted operating lease commitments at January 1, 2019	1,314,716
Less: Commitments relating to short term leases	(298,893)
Less: Commitments relating to contracts that do not meet the definition of lease under PFRS 16	(13,589)
Add: Commitments relating to leases previously classified as finance leases	28,415
<b>Lease liabilities recognized as of January 1, 2019</b>	<b>₱1,030,649</b>

The Company also applied the available practical expedients wherein it:

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease



Due to the adoption of PFRS 16, the Company's operating profit in 2019 improved, while its interest expense increased. This is due to the change in the accounting for rent expense related to leases that were classified as operating leases under PAS 17.

The adoption of PFRS 16 did not have an impact on equity in 2019, since the Company elected to measure the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any accrued lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application.

■ Philippine Interpretation IFRIC-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:

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

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

The Company determined, based on its tax compliance review, in consultation with its tax counsel, that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Company.

■ 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.

These amendments had no impact on the Company's consolidated financial statements.



- 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 had no impact on the Company's financial statements as it did not have any plan amendments, curtailments, or settlements during the period.

- 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*.

These amendments had no impact on the Company's consolidated financial statements.

- *Annual Improvements to PFRSs 2015-2017 Cycle*

- 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 had no impact on the Company's consolidated financial statements as there is no transaction where joint control is obtained.

- 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 had no impact on the Company's consolidated financial statements 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.

These amendments had no impact on the Company's consolidated financial statements.



### 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 December 31, 2019 and 2018:

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest	
				2019	2018
<b>Media, Network, and Studio Entertainment</b>					
Global:					
ABS-CBN Global Ltd. (ABS-CBN Global) <sup>(a) (i)</sup>	Cayman Islands	Holding company	United States dollar (USD)	100.0	100.0
ABS-CBN Europe Ltd. (ABS-CBN Europe) <sup>(b)(c) (i)</sup>	United Kingdom	Cable and satellite programming services	Great Britain pound (GBP)	100.0	100.0
ABS-CBN Japan, Inc. (ABS- CBN Japan) <sup>(d) (i) (r)</sup>	Japan	Cable and satellite programming services	Japanese yen (JPY)	100.0	100.0
ABS-CBN Middle East FZ-LLC (ABS-CBN Middle East) <sup>(b) (i)</sup>	Dubai, UAE	Cable and satellite programming services	United Arab Emirates dirham (AED)	100.0	100.0
ABS-CBN Global Hungary Kft. (ABS-CBN Hungary) <sup>(i)</sup>	Budapest, Hungary	Holding company	USD	100.0	100.0
Makati Kft. <sup>(i)</sup>	Budapest, Hungary	Holding company	USD	100.0	—
ABS-CBN International, Inc. (ABS-CBN International) <sup>(i) (a)</sup>	California, USA	Cable and satellite programming services	USD	100.0	100.0
ABS-CBN Australia Pty. Ltd. (ABS-CBN Australia) <sup>(i) (k)</sup>	Victoria, Australia	Cable and satellite programming services	Australian dollar (AUD)	100.0	100.0
ABS-CBN Canada, ULC (ABS-CBN Canada) <sup>(i) (k)</sup>	Canada	Cable and satellite programming services	Canadian dollar (CAD)	100.0	100.0
ABS-CBN Telecom North America, Inc. <sup>(i) (k)</sup>	California, USA	Telecommunications	USD	100.0	100.0
<b>Films and Music:</b>					
ABS-CBN Film Productions, Inc. (ABS-CBN Films)	Philippines	Movie production	Philippine peso	100.0	100.0
Cinescreen, Inc. (Cinescreen) <sup>(f)</sup>	Philippines	Theater operator	Philippine peso	100.0	100.0
<b>Narrowcast and Sports:</b>					
Creative Programs, Inc. (CPI) <sup>(v)</sup>	Philippines	Content development, publishing and programming services	Philippine peso	100.0	100.0
<b>Others:</b>					
ABS-CBN Europe Remittance Inc. <sup>(d) (i) (y)</sup>	United Kingdom	Services - money remittance	GBP	100.0	100.0
E-Money Plus, Inc. <sup>(b)</sup>	Philippines	Services - money remittance	Philippine peso	100.0	100.0
ABS-CBN Global Remittance Inc. <sup>(i) (k) (y)</sup>	California, USA	Services - money remittance	USD	100.0	100.0
ABS-CBN Canada Remittance Inc. <sup>(i) (a) (y)</sup>	Canada	Services - money remittance	CAD	100.0	100.0
ABS-CBN Center for Communication Arts, Inc. <sup>(e)</sup>	Philippines	Educational/training	Philippine peso	100.0	100.0
ABS-CBN Global Cargo Corporation <sup>(f)</sup>	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. <sup>(i) (m)</sup>	Singapore	Services - support	Singapore dollar (SGD)	100.0	100.0
Professional Services for Television & Radio, Inc.	Philippines	Services - production	Philippine peso	100.0	100.0
Grassfed Corporation	Philippines	Services - livestock	Philippine peso	100.0	—
Probabilistic Insights, Inc. <sup>(aa)</sup>	Philippines	Services - support	Philippine peso	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) <sup>(z)</sup>	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



Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest	
				2019	2018
Medianow Strategies, Inc. (Medianow) <sup>(x)</sup>	Philippines	Marketing, sales and advertising	Philippine peso	79.7	79.7
<b>Digital and Interactive Media</b>					
Sapientis Holdings Corporation (Sapientis)	Philippines	Holding company	Philippine peso	100.0	100.0
Columbus Technologies, Inc. (CTI) <sup>(q)</sup>	Philippines	Holding company	Philippine peso	70.0	70.0
ABS-CBN Convergence, Inc. (ABS-C) <sup>(q)</sup>	Philippines	Telecommunication	Philippine peso	69.3	69.3
<b>Cable, Satellite and Broadband</b>					
Sky Vision Corporation (Sky Vision) <sup>(w)</sup> (see Note 4)	Philippines	Holding Company	Philippine peso	75.0	75.0
Sky Cable Corporation (Sky Cable) <sup>(w)</sup> (see Note 4)	Philippines	Cable television services	Philippine peso	59.4	59.4
Bisaya Cable Television Network, Inc. <sup>(h) (i) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Bright Moon Cable Networks, Inc. <sup>(h) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Cavite Cable Corporation <sup>(h) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Cepsil Consultancy and Management Corporation <sup>(h) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Davao Cableworld Network, Inc. <sup>(h) (o) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
HM Cable Networks, Inc. <sup>(h) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
HM CATV, Inc. <sup>(h) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Hotel Interactive Systems, Inc. <sup>(h) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Isla Cable TV, Inc. <sup>(h) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Moonsat Cable Television, Inc. <sup>(h) (o) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Pilipino Cable Corporation (PCC) <sup>(h) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Satellite Cable TV, Inc. <sup>(h) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Sun Cable Holdings, Incorporated (SCHI) <sup>(h) (w)</sup>	Philippines	Holding company	Philippine peso	59.4	59.4
Sun Cable Systems Davao, Inc. <sup>(h) (i) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Sunvision Cable, Inc. <sup>(h) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Tarlac Cable Television Network, Inc. <sup>(h) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Telemondial Holdings, Inc. <sup>(h) (i) (w)</sup>	Philippines	Holding company	Philippine peso	59.4	59.4
JMY Advantage Corporation <sup>(h) (w)</sup>	Philippines	Cable television services	Philippine peso	56.4	56.4
Cebu Cable Television, Inc. <sup>(h) (o) (p) (w)</sup>	Philippines	Cable television services	Philippine peso	57.4	57.4
Suburban Cable Network, Inc. <sup>(h) (w)</sup>	Philippines	Cable television services	Philippine peso	54.9	54.9
Pacific CATV, Inc. (Pacific) <sup>(h) (o) (w)</sup>	Philippines	Cable television services	Philippine peso	58.0	58.0
First Ilocandia CATV, Inc. <sup>(h) (o) (w)</sup>	Philippines	Cable television services	Philippine peso	54.9	54.9
Mactan CATV Network, Inc. <sup>(h) (o) (p) (w)</sup>	Philippines	Cable television services	Philippine peso	56.6	56.6
Discovery Mactan Cable, Inc. <sup>(h) (s) (w)</sup>	Philippines	Cable television services	Philippine peso	41.6	41.6
Home-Lipa Cable, Inc. <sup>(h) (s) (w)</sup>	Philippines	Cable television services	Philippine peso	35.6	35.6
<b>Consumer Products and Experiences</b>					
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) <sup>(u)</sup>	Philippines	Management of locations	Philippine peso	100.0	100.0
Play Innovations, Inc. (PII) <sup>(g)</sup>	Philippines	Theme park	Philippine peso	73.0	73.0
Play Innovations Hungary Kft. (Play Innovations) <sup>(i) (g)</sup>	Budapest, Hungary	Theme park	USD	73.0	73.0

<sup>(a)</sup> With branches in the Philippines and Taiwan

<sup>(b)</sup> Through ABS-CBN Global

<sup>(c)</sup> With branches in Italy and Spain

<sup>(d)</sup> Subsidiary of ABS-CBN Europe

<sup>(e)</sup> Nonstock ownership interest

<sup>(f)</sup> On June 5, 2017, the SEC approved the incorporation of Cinescreen. Cinescreen was established primarily to own, acquire, establish, lease, maintain, operate, manage, control, promote, advertise, undertake and carry on the business of theatres, movie houses and places of public amusement and entertainment.

<sup>(g)</sup> Through ABS-CBN Theme Parks

<sup>(h)</sup> Through Sky Cable

<sup>(i)</sup> Subsidiary of SCHI

<sup>(j)</sup> Considered as foreign subsidiary

<sup>(k)</sup> Subsidiary of ABS-CBN International

<sup>(l)</sup> With a branch in Luxembourg

<sup>(m)</sup> With a regional operating headquarters in the Philippines

<sup>(n)</sup> Through ABS-CBN Hungary

<sup>(o)</sup> Subsidiary of PCC

<sup>(p)</sup> Through Pacific



- (q) *Through Sapiensis*
- (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 July 7, 2017, the SEC approved the incorporation of ABS-CBN Themed Experiences. ABS-CBN Themed Experiences was established primarily to design, build, develop, manage, operate and maintain theme and amusement parks, hotels, restaurants, coffee shops, refreshment parlors and other attractions and facilities.*
- (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 30, 2018, ABS-CBN Europe Remittance Inc., ABS-CBN Global Remittance Inc. and ABS-CBN Canada Remittance Inc. ceased operations.*
- (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.*
- (aa) *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, workshop facilitation and marketing training.*

The Company controls an investee if and only if the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements,
- The Company's voting rights and potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All significant intra-group balances, transactions, income and expenses and profits and losses are eliminated in full during consolidation.

Noncontrolling interests represent the portion of profit or loss and net assets not held by the Parent Company and are presented separately from equity attributable to equity holders of the Parent Company in the consolidated financial statements. This includes the equity interests in Sky Vision, Sky Cable and its subsidiaries, subsidiaries of Sapiensis, ABS-CBN Theme Parks and Medianow.



A change in the ownership interest of a subsidiary, without a loss of control, is considered as an acquisition or disposal of noncontrolling interest and accounted for as an equity transaction. The difference between the amount by which the noncontrolling interest is adjusted and the fair value of the consideration paid or received is recorded directly in equity.

If the Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interest
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance.

#### Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any noncontrolling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in profit or loss. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.



If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair value to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Company accounts for the combination using provisional values. Adjustment to these provisional values as a result of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability, or contingent liability that is recognized from that date and goodwill or any gain recognized shall be adjusted from the acquisition date by the amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

#### Business Combination Involving Entities under Common Control

Where there are business combinations in which all the combining entities within the group are ultimately controlled by the same ultimate parent before and after the business combination and that the control is not transitory ("business combinations under common control"), the Company may account such business combinations under the acquisition method of accounting or pooling of interests method, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the noncontrolling interest, shall be considered.

In cases where the business combination has no substance, the Company shall account for the transaction similar to a pooling of interests. The assets and liabilities of the acquired entities and that of the Company are reflected at their carrying values. The difference in the amount recognized and the fair value of the consideration given, is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity. Further, when a subsidiary is disposed in a common control transaction, the difference in the amount recognized and the fair value of consideration received is also accounted for as an equity transaction.

#### Foreign Currency Translation and Transaction

*Functional and Presentation Currency.* The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. Each entity determines its own functional currency, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity, and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of all the subsidiaries, except foreign subsidiaries, is the Philippine peso. The functional currencies of the foreign subsidiaries are disclosed under the Basis of Consolidation section. As at financial reporting date, the assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Parent Company (the Philippine peso) at the rate of exchange



ruling at financial reporting date and, their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to “Exchange differences on translation of foreign operations” in the OCI and “Exchange differences on translation of foreign operations” account within the equity section of the consolidated statement of financial position. Upon disposal of any of these foreign subsidiaries, the deferred cumulative amount recognized in equity relating to that particular foreign subsidiary will be recognized in the consolidated statement of income. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

*Foreign Currency-denominated Transactions.* Transactions in foreign currencies are initially recorded in the functional currency exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing exchange rate at financial reporting date.

All differences are taken to the consolidated statement of income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### Fair Value Measurement

The Company measures financial instruments at fair value at each financial reporting date.

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities



- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at every financial reporting date.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### Financial Statements Classification

The Company presents assets and liabilities in the consolidated statements of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the financial reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the financial reporting date.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the financial reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the financial reporting date.

All other liabilities are classified as noncurrent.

The Company also modifies classification of prior year amounts to conform to current year's presentation.

#### Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisitions and that are subject to an insignificant risk of change in value.

#### Short-term Investments

Short-term investments represent investments that are readily convertible to known amounts of cash with original maturities of more than three months to one year.

#### Financial Instruments

*Date of Recognition.* Financial instruments are recognized in the consolidated statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established





by regulation or convention in the marketplace are recognized using trade date accounting. Derivatives are recognized on trade date accounting.

*Day 1 Difference.* Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a Day 1 difference) in the consolidated statement of income. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the Day 1 difference amount.

*Initial Recognition and Subsequent Measurement prior to the Adoption of PFRS 9*

*Initial Recognition.* All financial instruments are initially recognized at fair value. The initial measurement of financial instruments includes transaction costs, except for securities at fair value through profit or loss (FVTPL).

The Company classifies its financial assets in the following categories: financial assets at FVTPL, held-to-maturity (HTM) investments, loans and receivables and AFS investments. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities at amortized cost. The classification depends on the purpose for which the instruments were acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this classification at every financial reporting date.

- a. *Financial Assets and Liabilities at FVTPL.* Financial assets and liabilities at FVTPL include financial assets and liabilities held for trading and financial assets and liabilities designated upon initial recognition as at FVTPL. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Derivatives are also classified under financial assets or liabilities at FVTPL, unless they are designated as hedging instruments in an effective hedge.

Financial assets or liabilities may be designated by management at initial recognition as at FVTPL if any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis;
- The assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance are evaluated on a fair value basis in accordance with a documented risk management strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis that it would not be separately recorded.

Financial assets or liabilities at FVTPL are recorded in the consolidated statement of financial position at fair value. Subsequent changes in fair value are recognized directly in the consolidated statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income according to the terms of the contract, or when the right of payment has been established.



- b. *Loans and Receivables.* Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as at FVTPL, designated as AFS financial asset or HTM investments. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method, less any allowance for impairment. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.
- c. *HTM Investments.* HTM investments are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities for which the Company's management has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this category. After initial measurement, HTM investments are measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

Gains and losses are recognized in the consolidated statement of income when the investments are derecognized or impaired, as well as through the amortization process.

- d. *AFS Investments.* AFS investments are those nonderivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. After initial measurement, AFS investments are measured at fair value, with unrealized gains or losses being recognized as OCI until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously reported in OCI is included in the consolidated statement of income. Unquoted equity instruments whose fair value cannot be reliably measured, are measured at cost.
- e. *Other Financial Liabilities.* Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Other financial liabilities are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized, as well as through the amortization process.

Expenditures incurred in connection with availments of long-term debt are deferred and amortized using effective interest method over the term of the loans. Debt issue costs are netted against the related long-term debt allocated correspondingly to the current and noncurrent portion.

*Embedded Derivatives.* An embedded derivative is separated from the host contract and accounted for as derivative if all the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of the derivative; and (c) the hybrid or combined instrument is not measured at FVPL. The Company assesses whether embedded derivatives are required to be separated from host contracts when the



Company first becomes party to the contract. When reported, the fair value changes are reported in consolidated statement of income. Re-assessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

*Derecognition of Financial Assets.* A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of ownership of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of ownership of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

*Impairment of Financial Assets.* The Company assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

- a. *Loans and Receivables.* For loans and receivables carried at amortized cost, the Company first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset, together with the other assets that are not individually significant and, thus, were not individually assessed for impairment, is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is an objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition). Impaired receivables are derecognized when they are assessed as uncollectible.

Likewise, for other receivables, it was also established that accounts outstanding for less than a year should have no provision for impairment but accounts outstanding for over three years should have a 100% provision, which was arrived at after assessing individually significant balances. Provision for individually non-significant balances was made on a portfolio or group basis after performing the regular review of the age and status of the individual accounts and portfolio/group of accounts relative to historical collections, changes in payment terms and other factors that may affect ability to collect payments.



The carrying amount of the asset is reduced either directly or through use of an allowance account and the amount of loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. If in case the receivable has proven to have no realistic prospect of future recovery, any allowance provided for such receivable is written off against the carrying value of the impaired receivable.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in the consolidated statement of income. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

- b. *Assets Carried at Cost.* If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.
- c. *AFS Investments.* In case of equity investments classified as AFS, an objective evidence of impairment includes a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income, is removed from the OCI and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in OCI.

The determination of what is "significant" or "prolonged" requires judgment. The Company treats "significant" as 20% or more of the original cost of investment, and "prolonged" as greater than 12 months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and discount factors for unquoted equities.

#### *Initial Recognition and Subsequent Measurement Upon Adoption of PFRS 9*

##### Financial Assets

*Initial Recognition and Measurement of Financial Assets.* Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through OCI (FVOCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade



receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

*Subsequent Measurement.* For purposes of subsequent measurement, financial assets are classified in four categories: financial assets at amortized cost (debt instruments), financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments), financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments), and financial assets at FVTPL.

a. *Financial Assets at Amortized Cost (Debt Instruments).* This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

This category includes the Company's cash and cash equivalents, short-term investments, trade and other receivables and deposits (included under "Other noncurrent assets" account).

b. *Financial Assets at FVOCI (Debt Instruments).* The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company has no debt instruments at FVOCI as at December 31, 2019 and 2018.



- c. *Financial Assets designated at FVOCI (Equity Instruments).* Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Company elected to classify irrevocably its listed and non-listed equity investments and investments in club shares under this category.

- d. *Financial Assets at FVTPL.* Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of income.

This category includes derivative instruments.

The Company has not designated any financial assets at FVTPL as at December 31, 2019 and 2018.

*Embedded Derivatives.* A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristic and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded with a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

The Company has no embedded derivatives as at December 31, 2019 and 2018.



*Derecognition of Financial Assets.* A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

*Impairment of Financial Assets and Contract Assets.* The Company recognizes an expected credit loss (ECL) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents and short-term investments, the Company applies a general approach in calculating ECLs. The Company recognizes a loss allowance based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its cash and cash equivalents and short-term investments since initial recognition.

For trade and other receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are generally 60 to 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by



the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### Financial Liabilities

*Initial Recognition and Measurement of Financial Liabilities.* Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities are trade and other payables, interest-bearing loans and borrowings, obligations for program rights, convertible note and customers' deposits (included under "Other noncurrent liabilities" account).

*Subsequent Measurement.* The measurement of financial liabilities depends on their classification, as described below:

- a. *Financial Liabilities at FVTPL.* Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied.

The Company has not designated any financial liability as at FVTPL.

- b. *Financial Liabilities at Amortized Cost.* This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included under "Finance costs" account in the consolidated statement of income.

Classified under this category are trade and other payables, interest-bearing loans and borrowings, obligations for program rights, convertible note and customers' deposits (included under "Other noncurrent liabilities" account).

*Derecognition of Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.





Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

#### Classification of Financial Instruments Between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

#### Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the moving average method. Net realizable value of inventories that are for sale is the selling price in the ordinary course of business, less the cost of marketing and distribution. Net realizable value of inventories not held for sale is the current replacement cost.

#### Other Current Assets

*Creditable Withholding Taxes (CWT).* CWT represents the amount withheld by the Company's customers in relation to its revenues. These are recognized upon collection of the related billings and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations.

*Advances to Suppliers.* Advances to suppliers represent advance payments on goods to be received or services to be incurred in connection with the Company's operations and are generally applied to acquisition of inventories and fixed assets and availment of services and others within the next financial year.



*Preproduction Expenses.* Preproduction expenses represent costs incurred prior to the airing of the programs or episodes. These costs include talent fees of artists and production staff and other costs directly attributable to production of programs. These are charged to expense upon airing of the related program or episodes. Costs related to previously taped episodes determined not to be aired are charged to expense.

*Prepayments.* Prepayments are carried at cost and are amortized on a straight-line basis over the period of expected usage, which is equal to or less than 12 months or within the normal operating cycle.

#### Property and Equipment

Property and equipment, except land, are carried at cost (including capitalized interest), excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and any impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Land is stated at cost, which includes initial purchase price and other cost directly attributable in bringing such asset to its working condition, less any impairment in value.

Initial installation costs, including materials, labor and overhead costs are capitalized as part of distribution equipment (included in the "Towers, transmission, television, radio, movie and auxiliary equipment" account) and depreciated over the subscriber relationship or the estimated useful life of the distribution equipment whichever is shorter. The costs of subsequent disconnection and reconnection are charged to profit or loss when incurred.

Unissued spare parts represent major spare parts that can be used only in connection with the distribution equipment. Unissued spare parts are not depreciated but tested for impairment until these become available for use. These are included in the "Other equipment" account.

When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

Effective January 1, 2019, it is the Company's policy to classify right-of-use assets as part of property and equipment. Prior to that date, all of the Company's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the statement of financial position. The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment.



Depreciation and amortization are computed on a straight-line method over the following useful lives of property and equipment:

Asset Type	Number of Years
Land improvements	5 to 10
Right-of-use assets	5 to 9
Buildings and improvements	10 to 40
Towers, transmission, television, radio, movie and auxiliary equipment	5 to 20
Other equipment	3 to 25

The property and equipment's residual values, useful lives and method of depreciation and amortization are reviewed, and adjusted if appropriate, at each financial reporting date.

Construction in-progress represents equipment under installation and building under construction and is stated at cost, which includes cost of construction and other direct costs. Construction in-progress is not depreciated until such time that the relevant assets are completed and become available for operational use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

#### Asset Retirement Obligation

The net present value of legal obligations associated with the retirement of an item of property and equipment that resulted from the acquisition, construction or development and the normal operations of property and equipment is recognized in the period in which it is incurred and a reasonable estimate of the obligation can be made. This is included as part of "Other noncurrent liabilities" account in the consolidated statement of financial position. These obligations are accreted and such accretion is recognized as expense in the consolidated statement of income. The related asset retirement cost is capitalized under "Property and equipment" account in the consolidated statement of financial position and is being depreciated on a straight-line basis.

#### Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as interest expense over the period of credit. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Following initial recognition, intangible assets are carried at cost less any accumulated amortization in the case of intangible assets with finite lives, and any accumulated impairment losses. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life is reviewed at least each financial reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization of intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.



Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if an indication of impairment exists either individually or at the cash-generating unit level. Such intangibles are not amortized. Intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Amortization of program rights is computed on a straight-line method over the following method:

Category	Policy
Specific run with specific terms	For fixed term program and film rights, amortized on a straight-line basis over the license term as indicated in the contract, regardless if program and film right is aired or not.
Multiple runs with specific terms	
Multiple runs with indefinite start date of license term	
Perpetual rights	For perpetuity program and film rights, amortized on a straight-line basis at the beginning of the term as indicated in the contract, regardless if the program and film right is aired or not, and shall run over a period of 15 years from the start of amortization.

Effective January 1, 2019, in view of the change in the expected pattern of economic benefits from the assets, the Company revised the estimated useful life and amortization method of cable channels from indefinite life to remaining useful life of 10 years (see Note 3).

The policies applied on other intangible assets are as follows:

Intangible Asset	Useful Lives	Amortization Method Used	Impairment Testing	Current and Noncurrent Classification
Music Rights	Finite (useful economic benefit) – 50 years	Amortized on a straight-line basis over the economic useful life	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost. Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount.	Based on the estimated year of usage



<b>Intangible Asset</b>	<b>Useful Lives</b>	<b>Amortization Method Used</b>	<b>Impairment Testing</b>	<b>Current and Noncurrent Classification</b>
Movie In-process/Filmed Entertainment	Finite	Amortized on accelerated method (i.e., majority of the cost is amortized upon showing and the remainder is over 15 years)	If the unamortized film cost is higher than the fair value of the film, the asset is written down to its recoverable amount.	Based on the estimated year of usage
Story and Publication	Finite (useful economic benefit) – 10 to 50 years	Amortized on a straight-line basis over the economic useful life	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost. Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount.	Based on the estimated year of usage
Video Rights, and Record Master	Finite – six months	Amortized on a straight-line basis over six months	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost. Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount.	Current
Customer Relationships	Finite – 3 to 25 years	Amortized on a straight-line basis over the estimated customer service life	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost. Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount.	Noncurrent



<b>Intangible Asset</b>	<b>Useful Lives</b>	<b>Amortization Method Used</b>	<b>Impairment Testing</b>	<b>Current and Noncurrent Classification</b>
Cable Channels - CPI	Finite - 10 years	Amortized on a straight-line basis over a period of 10 years	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost. Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount.	Noncurrent
Production and Distribution Business - Middle East	Finite - 25 years	Amortized on a straight-line basis over the period of 25 years	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost. Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount.	Noncurrent
Trademarks	Indefinite	No amortization	Annually and more frequently when an indication of impairment exists. Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount.	Noncurrent
Licenses - Wireless Business	Indefinite	No amortization	Annually and more frequently when an indication of impairment exists. Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount.	Noncurrent



<b>Intangible Asset</b>	<b>Useful Lives</b>	<b>Amortization Method Used</b>	<b>Impairment Testing</b>	<b>Current and Noncurrent Classification</b>
Licenses - Franchise	Finite - 10 years	Amortized on a straight line basis over the period of 10 years	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost. Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount.	Noncurrent
Digital Platforms	Finite - 5 years	Amortized on a straight line basis over the estimated useful life	If the expected benefit period is shorter than the Company's initial estimates, the Company accelerates the amortization of the cost	Noncurrent
IP Block	Indefinite	No amortization	Annually and more frequently when an indication of impairment exists. Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount.	Noncurrent
Business Process Re-engineering	Finite - 7 years	Amortized on a straight line basis over the estimated useful life	If the expected benefit period is shorter than the Company's initial estimates, the Company accelerates the amortization of the cost	Noncurrent

#### Investment Properties

Investment properties, except land, are measured at cost, including transaction costs, less accumulated depreciation and any impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred if the recognition criteria are met, and excludes day-to-day servicing of an investment property. Land is stated at cost, less any impairment in value.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under "Property and equipment" account up to the date of change in use.



Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

#### Investments in Associates

The Company's investments in associates are accounted for under the equity method of accounting. An associate is an entity over which the Company has significant influence or the power to participate in the financial and operating policy decisions of the investee, but has no control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

Under the equity method, investment in associates is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Company's share in net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not tested for impairment. The consolidated statement of income reflects the Company's share on the financial performance of an associate. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share in any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The reporting dates of the associates and the Company are identical and the associates' accounting policies conform to those used by the Company for like transactions and events in similar circumstances. Unrealized intercompany gains and losses arising from the transactions with the associate are eliminated to the extent of the interest in the associate.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

#### Investments in Joint Ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Company's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Company's share in net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. The consolidated statement of income reflects the Company's share of the results of operations of the joint venture. Any change in the OCI of the joint venture is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the joint venture, the Company recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized





gains and losses resulting from transactions between the Company and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Company's share in profit or loss of a joint venture is shown in the face of the consolidated statement of income outside operating profit and represents share in income or loss after tax and noncontrolling interests in the subsidiaries of the joint venture.

The reporting dates of the joint venture and the Company and the joint venture's accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

Upon loss of joint control over the joint venture, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the former joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

When the remaining investment in a joint venture constitutes significant influence, it is accounted for as an investment in an associate. The Company continues to apply the equity method and does not remeasure the retained interest.

#### Tax Credits

Tax credits from government airtime sales availed under Presidential Decree (PD) No. 1362 are recognized in the books upon actual airing of government commercials and advertisements. These are included under "Other noncurrent assets" account in the consolidated statement of financial position.

#### Impairment of Nonfinancial Assets

The Company assesses at each financial reporting date whether there is an indication that property and equipment, investment properties, program rights and other intangible assets with finite lives, investments in associates and joint ventures and tax credits may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value, less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income. After such a reversal, the depreciation and amortization are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.



The following criteria are also applied in assessing impairment of specific nonfinancial assets:

*Intangible Assets with Indefinite Life.* Goodwill, cable channels, trademark, licenses and IP block are reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill, cable channels, trademarks, licenses and IP block by assessing the recoverable amount of the cash-generating units, to which the goodwill, cable channels, trademarks, licenses and IP block relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which the goodwill, cable channels, trademarks, licenses and IP block has been allocated, an impairment loss is recognized in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Company performs its annual impairment test of goodwill, cable channels, trademarks, licenses and IP block as at December 31 of each year.

*Investments in Associates and Joint Ventures.* After application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the Company's net investments in the associates and joint ventures. The Company determines at each financial reporting date whether there is any objective evidence that the investments in associates and joint ventures are impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the recoverable amount of an investment in associate and joint ventures and the carrying value and recognizes the loss as part of "Equity in net earnings (losses) of associates and joint ventures" in the consolidated statement of income.

#### Paid-in Capital

The Company has issued par value capital stock that is classified as equity. Incremental costs directly attributable to the issuance of new capital stock are shown in equity as a deduction, net of tax, from the proceeds.

When the Company issues its par value shares, the proceeds shall be credited to the "Capital stock" account in the consolidated statement of financial position to the extent of the par value, with any excess being reflected as "Additional paid-in capital" in the consolidated statement of financial position.

Where the Company purchases its capital stock and PDRs issued by ABS-CBN Holdings that are convertible to Parent Company common shares (recorded as "Treasury shares and PDRs convertible to common shares" account in the consolidated statement of financial position), the consideration paid, including any directly attributable incremental costs (net of applicable taxes) is deducted from equity attributable to the equity holders of the Parent Company until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the equity holders of the Parent Company.

#### Share-based Payment Transactions

Employees and talents (including directors) of the Company receive remuneration in the form of share-based payment transactions from the Parent Company and from Lopez Holdings Corporation (a commonly-controlled entity), whereby eligible participants render services as consideration for equity instruments (equity-settled transactions). Selected key employees of the Company, also receive remuneration in the form of share-based payment transactions, whereby the Company incurs a liability to pay cash (cash-settled transactions) to the employees in consideration for their services rendered.



*Equity-settled Transactions.* The cost of equity-settled transactions is determined by the fair value of the stock options at the date the option is granted. The fair value is determined using the Black-Scholes-Merton Option Pricing Model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the subjected shares (“market conditions”) and non-vesting conditions, if applicable.

The cost of equity-settled transactions is recognized, together with a corresponding increase in “Share-based payment plan” account in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period).

The cumulative expense recognized for equity-settled transactions at each financial reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of the number of equity instruments that will ultimately vest at that date. The current income or expense charges in “Personnel expenses”, under “General and administrative expenses” account in the consolidated statement of income, represents the movement in cumulative expense recognized as at financial reporting date.

No expense is recognized for awards that do not ultimately vest.

When the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled with payment, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. There is no reversal of cost already charged after vesting of the equity-settled transactions, only transfers between components of equity.

*Cash-settled Transactions.* The cost of liability from the cash-settled transactions for notional shares allocated to selected key employees is measured by reference to the market price of the Parent Company’s share as at financial reporting date. At each financial reporting date between the grant date and settlement, the liability recognized is the fair value of the award at that date multiplied by the expired portion of the vesting period. All changes in the liability are recognized in profit or loss for the period.

#### Retained Earnings

Retained earnings includes profit attributable to the equity holders of the Parent Company and reduced by dividends on capital stock.

Retained earnings may also include effect of changes in accounting policy as may be required by the standard’s transitional provisions.

#### Dividends on Common and Preferred Shares of the Parent Company

Dividends on common and preferred shares are recognized as liability and deducted from equity when approved by the BOD of the Parent Company. Dividends for the year that are approved after the financial reporting date are dealt with as an event after financial reporting date.



### Revenue Recognition

Upon adoption of PFRS 15, revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognized when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

The changes in the policy between the legacy standards and PFRS 15 are set out below.

Revenue Stream	Nature and timing of satisfaction of performance obligation	Nature of change in accounting policy
Advertising revenue	Control is transferred at a point in time when advertisement is aired.	Under PFRS 15, revenue is still recognized at a point in time, when advertisements are aired.  Under PAS 18, no revenue is allocated for bonus spots (free spots provided as incentive). Under PFRS 15, bonus spots are considered as separate performance obligations. Accordingly, transaction price shall be separately allocated to bonus spots based on standalone selling prices and recognized as revenue when these are aired.
Subscription and related services	Control is transferred over time as the TFC.tv, cable and broadband services are provided to the consumer in accordance with the terms of the agreement.  For the related installation service, it is not distinct within the context of the contract, hence, not a separate performance obligation. Control is then transferred over the period the services are provided to the customer.	No changes under PFRS 15. Subscription revenue and related installation fees are still recognized over time (over the subscriber relationship) as the service is provided.
Licensing	Control is transferred <ul style="list-style-type: none"> <li>At a point in time when a right to use the Company's intellectual property when the license is granted or</li> <li>Over time when right to access the Company's intellectual property throughout the license period is granted.</li> </ul>	Under PAS 18, revenue is recognized over the agreed license period when the right to use the content is provided to customers.  Under PFRS 15, revenue is only recognized over time if all the following criteria are met; otherwise, revenue is recognized outright. <ul style="list-style-type: none"> <li>the contract requires, or the customer reasonably expects, that the Company will undertake activities that significantly affect the intellectual property to which the customer has rights</li> </ul>



Revenue Stream	Nature and timing of satisfaction of performance obligation	Nature of change in accounting policy
		<ul style="list-style-type: none"> <li>the rights granted by the license directly expose the customer to any positive or negative effects of the Company's activities</li> <li>those activities do not result in the transfer of a good or a service to the customer as those activities occur.</li> </ul>
Income from film exhibition	Control is transferred when film is shown.	No changes under PFRS 15.
Sale of goods	Customers obtain control when goods are received.	No changes under PFRS 15.
Income from TV / cable / film rights	Control is transferred at the time when the TV/ film/ cable rights are granted.	No changes under PFRS 15.
Admission revenue / Ticket sales	Control is transferred when tickets are used on the day of the event.	Under PAS 18 and PFRS 15, tickets issued are initially recorded as contract liabilities. Revenue is only recognized upon redemption of tickets; tickets not redeemed shall be recognized as revenue upon expiry.
Sponsorship	Control is transferred at a point in time when endorsements are implemented in films/events.	No changes under PFRS 15.

Prior to the adoption of PFRS 15 beginning January 1, 2018, revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

The following specific recognition criteria must also be met before revenue is recognized:

*Advertising revenue.* Revenue is recognized upon airing of the advertisements. The Parent Company uses the cost per individual rating point (CPIRP) pricing scheme. The scheme provides that the advertising spots sold will be computed using a multiplier based on the actual rating point of the spot aired as provided by a third party measurement company.

The Company receives non-cash considerations (such as program materials, merchandise or services) from certain customers in exchange for advertising time. The fair value of such non-cash considerations received from the customers is included in the transaction price and measured upon airing of the advertisement.

The Company applies the requirements of PFRS 13, *Fair Value Measurement* in measuring the fair value of the non-cash considerations. If the fair value cannot be reasonably estimated, the non-cash consideration is measured indirectly by reference to the stand-alone selling price of the advertisements when aired.



Industry rules allow ABS-CBN to sell up to 18 minutes of commercial spots per hour of television programming. These spots are sold mainly through advertising agencies which act as the buying agents of advertisers, and to a lesser extent, directly to advertisers. Agency commissions are recognized at a standard rate of 15%.

Incentives, which include volume discounts for large quantities of telecast order, are recognized upon airing.

Payments received before broadcast (pay before broadcast) represent customer deposits, which are recognized as revenue upon airing of related advertisements. These are included in the consolidated statement of financial position as part of “Contract liabilities”.

Sale of services comprise of the following:

a. Subscription fees are recognized as follows:

*DTH and Internet Protocol Television Subscribers and Cable Operators.* Subscription fees are recognized over the subscription period in accordance with the terms of the subscription agreements.

*Share in DirecTV Subscription Revenue.* Subscription revenue from subscribers of DirecTV who subscribe to the “The Filipino Channel” is recognized over time in accordance with the Deal Memorandum as discussed in Note 31.

*Subscription Revenue from TFC.tv (formerly TFC Now).* Payment from online streaming services of Filipino-oriented content and programming received in advance is deferred (included as “Contract liabilities” in 2019 and 2018 in the consolidated statement of financial position) and recognized as revenue on a straight-line basis over the period during which the service is rendered.

*Cable and Broadband Subscribers.* Subscription and related installation fees are recognized over the subscription period and estimated length of customer relationship, respectively, in accordance with the terms of the subscription agreements. Subscription and related installation fees billed and collected in advance are deferred and shown as part of “Contract liabilities” and recognized as revenue when service is rendered.

Sky Cable offers bundled cable and broadband services and is assessed as two separate performance obligations. The performance obligations to deliver cable television and broadband services on a monthly basis qualify as performance obligations satisfied over time since the customer simultaneously receives and consumes the benefit provided by the Company’s performance.

b. Telecommunications revenue pertains, among others, to postpaid and prepaid service revenues.

Postpaid service arrangements include fixed monthly charges (including excess of consumable fixed monthly service fees) generated from cellular voice, short messaging services, or SMS, and data services which is recognized on a straight-line basis over the customer’s subscription period. Services provided to postpaid subscribers are billed throughout the month according to the billing cycles of subscribers. Services availed by subscribers in addition to these fixed fee arrangements are charged separately at their stand-alone selling prices and recognized as revenue when the additional service is provided or as availed by the subscribers.



Prepaid service revenues arise from the usage of airtime load from channels and prepaid cards provided by the Company. Proceeds from over-the-air reloading channels and prepaid cards are initially recognized part of "Contract liabilities" and realized upon actual usage of the airtime value for voice, SMS, mobile data and other value-added services, prepaid unlimited and bucket-priced SMS and call subscriptions, net of bonus credits from load packages purchased, such as free additional call minutes, SMS, data allocation or airtime load, or upon expiration, whichever comes earlier.

The Company also considers recognizing revenue from the expected breakage or expiry of airtime load in proportion to the pattern of rights exercised by the customer if it expects to be entitled to that breakage amount. If the Company does not expect to be entitled to a breakage amount based on historical experience with the customers, the Company recognizes the expected breakage amount as revenue when the likelihood of the prepaid customer exercising its remaining rights becomes remote.

Interconnection fees and charges arising from the actual usage of airtime value or subscriptions are recorded as incurred.

Revenue from international and national long-distance calls is generally based on rates which vary with distance and type of service (direct dial or operator-assisted, paid or collect, etc.). Revenue from long distance calls is recognized as the service is provided.

- c. Income from film exhibition is recognized on the dates the films are shown.
- d. Short-messaging-system/text-based revenue, sale of news materials and Company-produced programs are recognized upon delivery.
- e. Royalty income is recognized at a point in time upon rendering of service based on the terms of the agreement and is reduced to the extent of the share of the composers or co-publishers of the songs produced for original sound recording. It also includes income from Parent Company's share in fees from endorsements and other external services of its talents equivalent to 10% of gross receipts.
- f. Ancillary rights, which pertain to income from TV rights and cable rights, are recognized either outright or over the license period. The Company recognizes revenue over the license period if all of the following criteria are met; otherwise, revenue is recognized outright:
  - the contract requires, or the customer reasonably expects, that the Company will undertake activities that significantly affect the intellectual property to which the customer has rights
  - the rights granted by the license directly expose the customer to any positive or negative effects of the Company's activities
  - those activities do not result in the transfer of a good or a service to the customer as those activities occur.
- g. Admission revenue and ticket sales are recognized at a point in time when tickets are used or expired.
- h. Other revenues include fees for IPTV reauthorization, restocking, shipping and activation, publishing revenue and remittance revenue. Revenue is recognized at a point in time when these services are rendered.



Sale of goods is recognized when delivery has taken place and control has been completed. These are stated net of sales discounts.

Interest income is recognized on a time proportion basis that reflects the effective yield on the asset.

Dividends are recognized when the shareholders' right to receive payment is established.

#### Other Revenue

Other revenue is recognized when:

- a. Rental income is recognized as income on a straight-line basis over the lease term.
- b. Channel lease revenue is recognized as income on a straight-line basis over the lease term.
- c. Interest income is recognized on a time proportion basis that reflects the effective yield on the asset.
- d. Dividends are recognized when the shareholders' right to receive payment is established.

#### Contract Balances

*Trade Receivables.* A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to the accounting policies of Financial Instruments section.

*Contract Assets.* A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

*Contract Liabilities.* A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due, whichever is earlier. Contract liabilities are recognized as revenue when the Company performs under the contract.

#### Incremental Costs to Obtain a Contract

The Company incurs certain incremental costs to obtain a contract with a customer that would not have been incurred if the contract had not been entered into. Prior to the adoption of PFRS 15, these are recognized as expense when incurred. Upon adoption of PFRS 15, these are recognized as incremental costs of obtaining a contract and are capitalized as an asset if the costs are expected to be recoverable. These costs are amortized on a systematic basis that is consistent with the Company's transfer of the related goods or services to the customer. The Company applies the practical expedient to immediately expense contract costs that are expected to be amortized within one year or less. Sky Cable is precluded from availing the practical expedient because the amortization period of its contract cost asset is more than one year.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.





Capitalized contract costs are subject to an impairment assessment at the end of each reporting period. Impairment losses are recognized in profit or loss.

#### Cost and Expense Recognition

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distribution to equity participant. Cost and expenses other than those with specific policies are recognized in the consolidated statement of income in the year these are incurred.

#### Leases

##### *Upon adoption of PFRS 16*

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*Lease liability.* At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

*Short-term leases.* The Company applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

*Company as Lessor.* Leases where the Company does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating lease. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

##### *Prior to the adoption of PFRS 16*

The determination whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date. The arrangement, is or contains, a lease if the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.



*Company as Lessee.* Leases in which the Company does not acquire substantially all the risks and rewards of the asset are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of income on a straight-line basis over the lease term.

*Company as Lessor.* Leases where the Company does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating lease. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

The determination whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

*Company as Lessee.* Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against the consolidated statement of income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognized as expense in the consolidated statement of income on a straight-line basis over the lease term.

*Company as Lessor.* Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

#### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

#### Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the year, less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalizable



rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during the year shall not exceed the amount of borrowing costs incurred during that year.

Capitalization of borrowing costs commences when the activities necessary to prepare the asset for intended use are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the asset is available for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects, to the extent that they are regarded as an adjustment to interest costs.

All other borrowing costs are expensed as incurred in the year in which they occur.

#### Pension Costs and Other Employee Benefits

The Company's pension plans are funded (Parent Company, Sky Cable and PCC) and unfunded (other subsidiaries) defined benefit pension plans, except for ABS-CBN International, which has a defined contribution pension plan. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method.

*Defined Benefit Pension Plans.* The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit obligation or asset
- Remeasurements of net defined benefit obligation or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as part of costs and expenses in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit obligation or asset is the change during the period in the net defined benefit obligation or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit obligation or asset is recognized under costs and expenses in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit obligation) are recognized immediately in OCI in the period in which they arise and subsequently transferred to retained earnings. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk



associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

*Defined Contribution Pension Plans.* For ABS-CBN International, the defined contribution pension plan is composed of the contribution of ABS-CBN International or employee (or both) to the employee's individual account. These contributions generally are invested on behalf of the employee through American Funds. Employees ultimately receive the balance in their account, which is based on contributions plus or minus investment gains or losses. The value of each account will fluctuate due to changes in the value of investments.

The amount of the Company's contribution to the defined contribution pension plan is recognized as expense in the period incurred.

*Termination Benefit.* Termination benefits are employee benefits provided in exchange for the termination of an employee's employment before the normal retirement date as a result of either an entity's decision or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

*Employee Leave Entitlement.* Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before 12 months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period. Liability for leaves expected to be settled beyond 12 months are recognized as part of the noncurrent portion of other employee benefits liability and measured at the present value of the benefit as at financial reporting date.

## Taxes

*Current Tax.* Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at financial reporting date.

Current tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income.

*Deferred Tax.* Deferred tax is provided, using the liability method, on all temporary differences at financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.



Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT over RCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries and associates. With respect to investments in other subsidiaries and associates, deferred tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred tax assets are measured at each financial reporting date and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at financial reporting date.

Deferred tax relating to items recognized outside profit and loss is recognized in correlation to the underlying transaction either in OCI or directly in equity and not in the consolidated statement of income.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

*VAT.* Revenue, expenses and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

#### Earnings Per Share (EPS) attributable to the Equity Holders of the Parent Company

Basic EPS amounts are calculated by dividing the net income (less preferred shares, if any) attributable to equity holders of the Parent Company for the year over the weighted average number of common shares outstanding (net of treasury shares and PDRs) during the year, with retroactive adjustments for any stock dividends and stock split.

Diluted EPS amounts are computed in the same manner, adjusted for the dilutive effect of any potential common shares. As the Company has no dilutive potential common shares outstanding, basic and diluted EPS are stated at the same amount.



### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

### Events after Financial Reporting Date

Any event after financial reporting date that provides additional information about the Company's financial position at financial reporting date (adjusting events) are reflected in the consolidated financial statements. Events after financial reporting date that are not adjusting events are disclosed in the notes to consolidated financial statements, when material.

### Segment Reporting

For management purposes, the Company's operating businesses are organized and managed separately into four (4) business activities. Such business segments are the bases upon which the Company reports its operating segment information. The Company operates in three (3) geographical areas where it derives its revenue. Financial information on segment reporting is presented in Note 5.

### Future Changes in Accounting Policies

The standards, amendments and interpretations that are issued, but not yet effective as at December 31, 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.



- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

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

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted. The Company is currently assessing the impact of adopting this standard.

*Effective beginning on or after January 1, 2021*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-Current*

The amendments provide a more general approach to the classification of liabilities under PAS 1 based on the contractual arrangements in place at the reporting date. The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

- Amendments to PFRS 3, *Updating a Reference to the Conceptual Framework*. The amendments:
  - updated PFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018;
  - Added an exception to the recognition principle of PFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities; and
  - Clarified existing guidance in PFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022.



- Amendments to IAS 37, *Onerous Contracts - Cost of Fulfilling a Contract*. The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The cost of fulfilling a contract comprises the costs that relate directly to the contract which consist of both:
  - the incremental costs of fulfilling that contract – for example, direct labor and materials; and
  - an allocation of other costs that relate directly to fulfilling contracts — for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

- Annual Improvements to PFRS Standards 2018–2020 Cycle. This cycle of improvements contains amendments to the following standards:
  - PFRS 1, *Subsidiary as a first-time adopter*. The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRSs.
  - PFRS 9, *Fees in the ‘10 per cent’ test for derecognition of financial liabilities*. The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.
  - PFRS 16, *Lease Incentives*. The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
  - PAS 41, *Taxation in fair value measurements*. The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

- 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, 2023, 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 (IASB) 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.

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

The Company's consolidated financial statements prepared under PFRS require management to make judgments and estimates that affect amounts reported in the 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 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.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Judgments, key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are consistent with those applied in the most recent annual financial statements, except for those that relate to going concern assessment and the adoption of PFRS 16.



### 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.

### *Going Concern Assessment*

The Parent Company was 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.

On July 10, 2020, the Resolution by the House Committee on Legislative Franchises (the "Resolution"), was passed, denying the franchise application of the Parent Company.

The Resolution significantly affects the Company's Media, Networks, and Studio Entertainment operations, specifically the Company's free-to-air business in the Philippines.

To mitigate the impact of the denial of the franchise application and of COVID-19:

1. The Company plans to continue to operate in other businesses that do not require a legislative franchise, such as, international licensing and distribution, digital and cable businesses, as well as, continue with the syndication of content through various streaming services
2. The Company takes into consideration the probable shift of consumer behavior in terms of accessing content, as well as, the ever-changing technology available to the public. Likewise, the Company takes into consideration the impact of COVID-19 in other business segments.
3. The Company has adopted and continues to implement cost control measures, reducing general and administrative expenses (GAEX) or overhead, rationalizing capital expenditures, and streamlining its manpower requirements as discussed below. Given the reduced operations, the Company is reviewing its current business models, structures, processes and systems, for a more agile, efficient and effective organization.
4. The Company will focus on businesses that will generate growth in revenues and is reducing investments in non-core activities. The Company has recently announced the closure of KidZania Manila due to the conditions brought by the COVID-19 pandemic.

In terms of material contracts and/or financial obligations that will be affected by the non-renewal of its broadcast franchise, the Parent Company is currently in discussions with its creditor banks with respect to its long-term debts. The Parent Company is not aware of other material contracts and has not received any claims or demands, the payment obligations of which will be adversely affected by the Resolution.

The Parent Company and its creditor banks are of the position that with the proper security in place, the Parent Company's obligations to its creditor banks will be satisfied in accordance with the existing terms of, including payment schedules, under the relevant loan agreements.

The Parent Company is likewise confident that any payments or financial obligations that may arise under its customary or usual business agreements are manageable and will not have a material adverse impact on the Company at this time. The Company is committed to honor all existing obligations for goods delivered and services rendered by its third party suppliers and/or to negotiate new terms for these obligations, should it be necessary.



The Company continues to explore and intends to pursue all available remedies and courses of action, and will comply with relevant legal, regulatory and contractual requirements, to be able to sustain its current and future business operations, which do not necessarily involve broadcast only.

The denial of the franchise application of the Parent Company does not affect the primary purpose of the Company to exist and operate as a corporation and does not affect the rights of its shareholders.

All of these unfavorable events, beyond the control of the Company, have adversely affected its ability to operate without incurring further losses. Even as the Company takes all possible measures to protect and preserve its operations, and is continuously exploring alternative ways to be able to sustain its business as discussed above, the Company is constrained to implement a retrenchment program effective at the close of business hours of August 31, 2020.

After considering the events on the Resolution and the responses of the Company to address these uncertainties, management assessed that the Company will be able to maintain its positive cash position and settle its liabilities as they fall due within 12 months from the end of the reporting period. Accordingly, the consolidated financial statements are prepared on a going concern basis.

Prior to recognizing the impairment losses and other expenses in the Company's financial statements in 2019 amounting to ₱5.60 billion, the Company generated ₱2.95 billion net income for the period.

#### *Recognition of Revenue Prior to January 1, 2018*

The Company assesses its revenue arrangements from its telecommunications business against specific criteria to determine if it is acting as principal or agent. The following criteria indicate whether the Company is acting as a principal or an agent:

- the Company has the primary responsibility for providing services to the customer;
- the Company has latitude in establishing price, either directly or indirectly, for example by providing additional services;
- the Company bears the customer's credit risk for the amount receivable from the customer; and,
- the Company has inventory risk before or after the customer order, during shipping or on return.

The Company has concluded that it is acting as a principal in its revenue arrangements. Revenue is stated at gross amount including the share of the other telecommunications carriers.

#### *Recognition of Revenue from Contracts with Customers Effective January 1, 2018*

- a. *Identifying Performance Obligations.* The Company identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Company's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract. lease

Revenues earned from multiple element arrangements are split into separately identifiable performance obligations based on their relative stand-alone selling price to reflect the substance of the transaction.

In relation to the subscription business, Sky Cable offers bundled cable and broadband services and is assessed as two separate performance obligations. The performance obligations to deliver cable television and broadband services on a monthly basis qualify as performance



obligations satisfied over time since the customer simultaneously receives and consumes the benefit provided by the Company's performance.

*b. Principal versus Agent Consideration.* The Company enters into contracts with its customers. The Company determined that it controls the goods and services before they are transferred to customers, and it has the ability to direct their use. The following factors indicate that the Company controls the goods and services before they are being transferred to customers. Therefore, the Company determined that it is a principal in these contracts.

- The Company is primarily responsible for fulfilling the promise to provide the specified goods and services.
- The Company has inventory risk on the goods and services before these are transferred to the customer.
- The Company has discretion in establishing the prices for the other party's goods or services and, therefore, the benefit that the Company can receive from those goods or services is not limited. It is incumbent upon the Company to establish the price of its services to be offered to its customers.
- The Company's consideration in these contracts is the entire consideration billed to the service provider.

Based on the foregoing, the Company is considered the principal in its contracts with its customers. It has the primary obligation to provide the services to them.

*c. Revenue Recognition.* The Company recognizes revenue over time or at a point in time depending on its evaluation of when the customer obtains control of the promised goods or services.

The subscription revenue from cable and broadband service, because transfer of control is assessed to be over the contract period, is recognized monthly as the Company provides the service. The related installation service is not distinct from the cable and broadband service, revenue is recognized over the period the cable and broadband services are provided to the customer.

For licensing, judgment is exercised in determining whether the Company can recognize revenue outright or over the license period. The Company recognizes revenue over the license period if all of the following criteria are met; otherwise, revenue is recognized outright:

- the contract requires, or the customer reasonably expects, that the Company will undertake activities that significantly affect the intellectual property to which the customer has rights
- the rights granted by the license directly expose the customer to any positive or negative effects of the Company's activities
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

Revenues from other revenue streams are recognized at a point in time when control over goods or services is transferred (see Note 2).

*Determination of Functional Currency.* The Parent Company and all other subsidiaries, 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, 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 – Company as Lessee (Prior to January 1, 2019)*

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 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) as of December 31, 2018.

The carrying amount of property and equipment under finance lease amounted to P311 million as at December 31, 2018 (see Notes 10 and 31).

*Leases – Company as Lessee (Effective January 1, 2019)*

*Determination of lease term of contracts with renewal and termination options.* The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Company included the renewal period as part of the lease term for leases of office spaces and warehouses with shorter non-cancellable period (i.e., three to five years). The Company typically exercises its option to renew for these leases because there will be a significant negative effect on operations if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.



### 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 ECL Prior to January 1, 2018.* 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 ECL After January 1, 2018*

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 ECL amounted to ₱600 million, ₱339 million and ₱498 million in 2019, 2018 and 2017, respectively (see Notes 7 and 27). Trade and other receivables, net of allowance for ECL, amounted to ₱10.6 billion and ₱10.4 billion as at December 31, 2019 and 2018, respectively. Allowance for ECL amounted to ₱2.5 billion and ₱2.0 billion as at December 31, 2019 and 2018, respectively (see Note 7).

*Estimated Useful Lives of Property and Equipment, Investment Properties and Intangible Assets.* The useful life of each item of the Company's property and equipment, investment properties and intangible assets with finite life is estimated based on the period over which the asset is expected to be available for use. Estimation for property and equipment and investment properties is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets while for intangible assets with finite life, estimated life is based on the life of agreement covering such intangibles or based on expected future benefits. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of these assets. However, it is possible that future financial performance could be materially affected by changes in the estimates brought about by changes in the aforementioned factors. The amounts and timing of recording the depreciation and amortization for any year, with regard to the property and equipment, investment properties and intangible assets would be affected by changes in these factors and circumstances. A reduction in the estimated useful life of any of the property and equipment, investment properties or intangible assets would increase the recorded expenses and decrease noncurrent assets.

There were no changes in the estimated useful lives of property and equipment, other intangible assets and investment properties in 2019 and 2018 except for the change in useful life of the Company's cable channel from indefinite to remaining useful life of 10 years to reflect the expected pattern of economic benefits from the assets based on management's assessment. This was accounted for prospectively as a change in accounting estimate, thereby increasing the amortization expense of the Company by ₱92 million in 2019 and approximately ₱368 million for future periods.

The carrying values of property and equipment, investment properties and intangible assets with finite life are as follows (see Notes 10, 11 and 12):

	2019	2018
Property and equipment	<b>₱17,310,851</b>	₱18,846,494
Program rights	<b>4,421,023</b>	4,773,920
Movie in-process and filmed entertainment	<b>1,072,891</b>	1,056,361
Customer relationships	<b>563,636</b>	619,475
Cable channels	<b>367,974</b>	—
Story and publication, video rights, and record master	<b>121,353</b>	124,599



	2019	2018
Production and distribution business - Middle East	<b>₱47,743</b>	₱50,702
Investment properties	<b>27,048</b>	29,747
Digital platforms	<b>1,153</b>	13,696
License - franchise	–	25,188
Music rights	–	806

*Amortization of Program Rights.* The Company reviews its program rights inventory and plans for its usage across different platforms to maximize its benefits. The Company amortizes program rights based on usage or specific term.

Program rights amounted to ₱4.4 billion and ₱4.8 billion as at December 31, 2019 and 2018, respectively (see Note 12).

*Impairment of Nonfinancial Assets.* The Company assesses impairment on nonfinancial assets (enumerated in the following table) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant under-performance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

The Company determined the consequences of the Resolution passed by the House Committee on Legislative Franchises denying the franchise application of the Parent Company and the lapse of the franchise of ABS-CBN Convergence, as impairment indicators on its nonfinancial assets, including, among others, the Parent Company's towers, transmission, television, radio, movie and auxiliary equipment and program rights.

The carrying values of nonfinancial assets as at December 31, 2019 and 2018 are as follows (see Notes 9, 10, 11, 12, 14 and 15):

	2019	2018
Property and equipment	<b>₱27,473,741</b>	₱27,875,625
Program rights	<b>4,421,023</b>	4,773,920
Movie in-process and filmed entertainment	<b>1,072,891</b>	1,056,361
Preproduction expenses	<b>631,826</b>	579,086
Customer relationships	<b>563,636</b>	619,475
Tax credits - net of allowance for impairment	<b>535,488</b>	785,943
Investments in associates and joint venture	<b>425,864</b>	495,247
Cable channels	<b>367,974</b>	–
Investment properties	<b>198,692</b>	202,763
Story and publication, video rights, and record master	<b>121,353</b>	124,599
Production and distribution business - Middle East	<b>47,743</b>	50,702
Digital platforms	<b>1,153</b>	13,696
License – franchise	–	25,188
Music rights	–	806





In 2019, the Company recognized impairment losses amounting to ₱1.7 billion, relating to its property and equipment, movie in-progress and filmed entertainment and tax credits (see Notes 10, 12 and 16).

The Company did not note any impairment indicators in 2018.

Recoverability testing requires an estimation of the fair value of the cash-generating units to which certain non-financial assets are allocated. Certain non-financial assets have been allocated to one cash-generating unit which is also the operating entity. 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 and digital platform, advertising and syndication 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 Company covering a five-year period.

The impairment on non-financial assets is determined by comparing: (a) the carrying amount of the cash-generating unit; and (b) the present value of the annual projected cash flows for five years and the present value of the terminal value computed under the discounted cash flow method.

The recoverable amount of certain assets was determined using the depreciated replacement cost approach by reference to the cost to build similar assets, with adjustments to the cost based on internal and external factors, and deductions for physical deterioration and all other relevant forms of obsolescence for the depreciated replacement cost.

The key assumptions used in the impairment test of non-financial assets to which the recoverable amount is most sensitive to are as follows:

a. Gross Revenue

On the average, gross revenue of the Parent Company over the next five years were projected to grow in line with the economy or with nominal Gross Domestic Product. This assumes that the market share of the Parent Company in their respective industries will be flat on the assumption that the industries also grow at par with the economy. Historically, advertising spending growth had a direct correlation with economic growth. A 3.3% perpetuity growth rate was assumed at the end of the five-year forecast period.

b. Operating Expenses

On the average, operating expenses were projected to increase at a single-digit growth rate and at a slower pace than revenue.

c. Gross Margins

Increased efficiencies over the next five years are expected to result in margin improvements.

d. Discount Rate

The discount rate used to arrive at the present value of future cash flows was the Parent Company's Weighted Average Cost of Capital (WACC). WACC was based on the appropriate weights of debt and equity, which were multiplied with the assumed costs of debt and equity.

The discount rates applied to the cash flow projections range from 8.09% in 2019.

*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. Until December 31, 2018, the Company has identified that cable channels of CPI, trademarks, licenses and IP block have indefinite lives. Effective



January 1, 2019, in view of the change in the expected pattern of economic benefits from the assets, the Company revised the estimated useful life and amortization method of cable channels from indefinite life to 10 years.

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.

The impairment on goodwill, cable channels, trademarks, licenses and IP block is determined by comparing: (a) the carrying amount of the cash-generating unit; and (b) the present value of the annual projected cash flows for five years and the present value of the terminal value computed under the discounted cash flow method.

The key assumptions used in the impairment test of goodwill, cable channels, trademarks and licenses are as follows:

a. Gross Revenue

On the average, gross revenue of the subsidiaries over the next five years were projected to grow in line with the economy or with nominal Gross Domestic Product. This assumes that the market share of the subsidiaries in their respective industries will be flat on the assumption that the industries also grow at par with the economy. Historically, advertising spending growth had a direct correlation with economic growth. A 1-4% perpetuity growth rate was assumed at the end of the five-year forecast period.

b. Operating Expenses

On the average, operating expenses were projected to increase at a single-digit growth rate and at a slower pace than revenue.

c. Gross Margins

Increased efficiencies over the next five years are expected to result in margin improvements.

d. Discount Rate

The discount rate used to arrive at the present value of future cash flows was the Company's Weighted Average Cost of Capital (WACC). WACC was based on the appropriate weights of debt and equity, which were multiplied with the assumed costs of debt and equity. The discount rates applied to the cash flow projections range from 7.25% to 8.09% in 2019 and from 7.25% to 10.90% in 2018.

Similar to the impact on nonfinancial assets of the lapse of the ABS-CBN Convergence's legislative franchise, the Company recognized impairment losses on its goodwill and license – wireless business amounting to ₱577 million and ₱965 million, respectively (see Note 12).

The carrying values of goodwill and intangible assets with indefinite useful lives as at December 31, 2019 and 2018 are as follows (see Note 12):

	2019	2018
Goodwill	<b>₱4,742,164</b>	₱5,328,818
Trademarks	<b>1,111,784</b>	1,111,784
IP block	<b>37,804</b>	37,804
License - wireless business	—	965,049
Cable channels - CPI	—	459,968



*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. The assumptions as of December 31, 2019 have considered the impact of the denial of application of the Parent Company's legislative franchise (see Note 37).

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 ₱7.1 billion and ₱5.6 billion as at December 31, 2019 and 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.

As at December 31, 2019 and 2018, the Company recognized gross deferred tax assets amounting to ₱1,147 million and ₱3,021 million, respectively. From this amount, ₱1,076 million and ₱1,214 million as at December 31, 2019 and 2018, respectively, relates to significant subsidiaries that incurred net losses and/or are in a capital deficiency position or in 2019, have denied franchise applications. Management has determined that there is sufficient taxable profit against which these recognized deferred tax assets will be realized. The Company did not recognize deferred tax assets from certain subsidiaries amounting to ₱2,651 million and ₱867 million as at December 31, 2019 and 2018, respectively, as management believes that sufficient future taxable profit will not be available to allow these deferred tax assets to be utilized (see Note 29).

*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).

*Leases - Estimating the Incremental Borrowing Rate (Effective January 1, 2019).* The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as



for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating) (see Note 31).

#### 4. Significant Acquisitions, Re-organization and Material Noncontrolling Interests

##### Significant Acquisitions and Re-organization

- a. Sky Cable's Acquisition of Inter-Island Information System, Inc.'s Internet and Value-added Services Business and Assets

On March 6, 2017, Sky Cable entered into an Asset Purchase Agreement (APA) with Inter-Island Information System, Inc. (Tri-Isys) to acquire the internet and value-added services business of Tri-Isys and its assets, equipment, material contracts and subscription contracts to grow Sky Cable's broadband business. The transaction was accounted as an acquisition of a business. The purchase price as provided for in the APA is ₱350 million.

The fair value of the identifiable net assets of Tri-Isys as at date of acquisition is as follows:

	Provisional	Final
Trade receivables	₱4,730	₱4,730
Property and equipment (see Note 10)	24,539	24,539
Intangible assets (see Note 12)	163,406	325,968
Deferred input VAT	8,415	42,000
Other current assets	2,133	—
Customers' deposits	(10,726)	(10,726)
Deferred output VAT	(507)	(507)
Net assets acquired	191,990	386,004
Goodwill arising on acquisition (see Note 16)	158,010	—
Total consideration	₱350,000	₱386,004
Purchase price		₱350,000
Trade receivables		4,730
Customers' deposits		(10,726)
Deferred input VAT		42,000
Total consideration		₱386,004

The purchase price allocation which was determined provisionally in 2017 was finalized in 2018.

The fair value and gross amount of trade and other receivables amounted to ₱5 million. If the combination had taken place at the beginning of 2017, the Company's consolidated net income and revenue would increase by ₱17 million and ₱42 million, respectively, for the year ended December 31, 2017.

- b. 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. As at August 19, 2020, the PDR instruments remain unissued.

c. Merger of ABS-CBN Publishing and CPI

On January 25, 2018, the 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 consolidated financial statements.

Material Noncontrolling Interests

Financial information of subsidiaries that have material noncontrolling interests is provided below.

*Proportion of Equity Interest Held by Noncontrolling Interests*

Company	Place of Incorporation	Percentage	
		2019	2018
Sky Cable Corporation and Subsidiaries	Philippines	<b>40.6%</b>	40.6%
Sapientis Holdings Corporation and Subsidiaries	Philippines	<b>30.7%</b>	30.7%
ABS-CBN Theme Parks and Resorts Holdings, Inc. and Subsidiaries	Philippines	<b>27.0%</b>	27.0%

*Accumulated Earnings (Losses) of Material Noncontrolling Interests*

Company	2019	2018
Sapientis Holdings Corporation and Subsidiaries	<b>(₱2,407,256)</b>	(₱1,593,917)
Sky Cable Corporation and Subsidiaries	<b>1,976,389</b>	1,812,352
ABS-CBN Theme Parks and Resorts Holdings, Inc. and Subsidiaries	<b>(514,261)</b>	(111,353)



*Net Income (Loss) Attributable to Material Noncontrolling Interests*

Company	Years Ended December 31		
	2019	2018	2017
Sapientis Holdings Corporation and Subsidiaries	<b>(P807,197)</b>	(P43,740)	(P205,239)
ABS-CBN Theme Parks and Resorts Holdings, Inc. and Subsidiaries	<b>(275,699)</b>	(12,801)	(12,809)
Sky Cable Corporation and Subsidiaries	<b>62,916</b>	(145,469)	49,098

The summarized financial information of Sky Cable, Sapientis, and ABS-CBN Theme Parks 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*

	2019	2018
Cash and cash equivalents	<b>P3,394,065</b>	P3,899,112
Other current assets	<b>2,118,965</b>	2,237,632
Goodwill	<b>4,491,817</b>	4,491,817
Trademarks	<b>1,111,784</b>	1,111,784
Customer relationships	<b>563,636</b>	606,951
Other noncurrent assets	<b>14,722,098</b>	14,052,149
Current liabilities	<b>(5,507,186)</b>	(6,563,389)
Noncurrent liabilities	<b>(8,689,704)</b>	(7,727,804)

*Summarized Consolidated Statements of Comprehensive Income*

	Years Ended December 31		
	2019	2018	2017
Revenue	<b>P9,661,228</b>	P8,858,023	P9,123,752
Cost of services	<b>(7,671,998)</b>	(7,574,587)	(6,708,772)
General and administrative expenses	<b>(1,680,305)</b>	(1,849,654)	(2,248,350)
Finance costs	<b>(301,158)</b>	(244,683)	(261,504)
Other income - net	<b>268,086</b>	367,034	255,298
Income (loss) before income tax	<b>275,853</b>	(443,867)	160,424
Provision for (benefit from) income tax	<b>103,508</b>	(101,250)	32,226
Net income (loss)	<b>172,345</b>	(342,617)	128,198
Other comprehensive loss	<b>(75,122)</b>	(204,925)	(161,770)
Total comprehensive income (loss)	<b>P97,223</b>	(P547,542)	(P33,572))

*Summarized Consolidated Statements of Cash Flows*

	Years Ended December 31		
	2019	2018	2017
Operating	<b>P2,291,454</b>	P2,487,794	P2,051,343
Investing	<b>(2,542,322)</b>	(2,957,845)	(1,608,928)
Financing	<b>(254,179)</b>	1,651,540	(187,495)
Net increase (decrease) in cash and cash equivalents	<b>(P505,047)</b>	P1,181,489	P254,920



*b. Sapiensis*

*Summarized Consolidated Statements of Financial Position*

	2019	2018
Cash and cash equivalents	<b>₱7,917</b>	₱9,007
Other current assets	<b>990,645</b>	1,215,477
Other noncurrent assets	—	2,235,240
Current liabilities	<b>(5,815,892)</b>	(6,061,689)
Noncurrent liabilities	<b>(3,246,934)</b>	(2,839,716)

*Summarized Consolidated Statements of Comprehensive Income*

	Years Ended December 31		
	2019	2018	2017
Revenue	<b>₱—</b>	₱312,027	₱562,845
Cost of services	<b>(2,261)</b>	(137,170)	(289,370)
General and administrative expenses	<b>(2,257,959)</b>	(167,323)	(817,091)
Noncash expenses	<b>(76,080)</b>	(107,665)	(91,428)
Finance costs	<b>(2,091)</b>	(2,566)	(261)
Other income - net	<b>(562)</b>	2,709	11,103
Loss before income tax	<b>(2,338,953)</b>	(99,988)	(624,202)
Provision for (benefit from) income tax	<b>281,362</b>	(1,786)	(722)
Net loss	<b>(2,620,315)</b>	(98,202)	(623,480)
Other comprehensive income (loss)	<b>(2,268)</b>	(20,148)	6,587
Total comprehensive loss	<b>(₱2,622,583)</b>	(₱118,350)	(₱616,893)

*Summarized Consolidated Statements of Cash Flows*

	Years Ended December 31		
	2019	2018	2017
Operating	<b>(₱482,063)</b>	(₱2,842,160)	₱5,510
Investing	<b>(18,046)</b>	(1,701,057)	(45,268)
Financing	<b>499,019</b>	4,459,588	—
Net decrease in cash and cash equivalents	<b>(₱1,090)</b>	(₱83,629)	(₱39,758)

*c. ABS-CBN Theme Parks*

*Summarized Consolidated Statements of Financial Position*

	2019	2018
Cash and cash equivalents	<b>₱17,826</b>	₱27,396
Other current assets	<b>76,197</b>	217,565
Other noncurrent assets	—	852,114
Current liabilities	<b>(1,253,465)</b>	(1,235,390)
Noncurrent liabilities	<b>(17,532)</b>	(23,353)



*Summarized Consolidated Statements of Comprehensive Income*

	Years Ended December 31		
	2019	2018	2017
Revenue	<b>₱462,197</b>	₱494,613	₱503,968
Cost of services	<b>(68,874)</b>	(68,665)	(70,725)
General and administrative expenses	<b>(1,335,770)</b>	(432,986)	(453,174)
Finance costs	<b>(54,980)</b>	(42,720)	(40,964)
Other income - net	<b>2,541</b>	1,671	10,949
Loss before income tax	<b>(994,886)</b>	(48,087)	(49,946)
Provision for (benefit from) income tax	<b>26,765</b>	(237)	2,617
Net loss	<b>(1,021,651)</b>	(47,850)	(52,563)
Other comprehensive income	<b>6,345</b>	2,072	14,350
Total comprehensive loss	<b>(₱1,015,306),</b>	(₱45,778)	(₱38,213)

*Summarized Consolidated Statements of Cash Flows*

	Years Ended December 31		
	2019	2018	2017
Operating	<b>₱50,026</b>	(₱32,776)	₱29,045
Investing	<b>12,729</b>	(11,367)	(9,768)
Financing	<b>(72,325)</b>	(40,717)	(36,950)
Net decrease in cash and cash equivalents	<b>(₱9,570)</b>	(₱84,860)	(₱17,673)

## 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 Company recognized impairment losses amounting to ₱173 million for Media, Network and Studio Entertainment, ₱1.4 billion for Digital and Interactive Media, and ₱949 million for Consumer Products and Live Experience.

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

	<b>Years Ended December 31</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Consolidated EBITDA	<b>₱9,153,763</b>	₱8,053,108	₱9,625,717
Depreciation and amortization	<b>(3,717,944)</b>	(3,819,919)	(3,666,140)
Impairment loss	<b>(3,364,907)</b>	(9,438)	—
Amortization of intangible assets**	<b>(1,451,179)</b>	(1,351,659)	(1,218,481)
Finance costs*	<b>(1,530,032)</b>	(1,094,593)	(971,849)
Interest income	<b>560,421</b>	202,801	166,788
Provision for income tax	<b>(2,295,269)</b>	(72,059)	(772,458)
Consolidated net income	<b>(₱2,645,147)</b>	₱1,908,241	₱3,163,577

\*Excluding bank service charges

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



## Business Segment Data

The following tables present revenue and income information and certain asset and liability information regarding business segments for each of the three years in the period ended December 31:

	Media, Network and Studio Entertainment			Cable, Satellite and Broadband			Digital and Interactive Media			Consumer Products and Live Experience			Eliminations			Consolidated		
	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017
<b>Revenue</b>																		
External sales	<b>₱30,643,784</b>	₱28,728,169	₱29,297,994	<b>₱9,661,228</b>	₱8,702,522	₱9,123,752	<b>₱1,726,225</b>	₱1,687,131	₱1,399,877	<b>₱2,034,168</b>	₱1,975,515	₱1,725,062	<b>₱-</b>	₱-	₱-	<b>₱44,065,405</b>	₱41,093,337	₱41,546,685
Inter-segment sales	<b>4,442,563</b>	4,072,970	4,540,561	<b>-</b>	155,501	-	<b>-</b>	-	3,874	<b>-</b>	-	30,521	<b>(4,442,563)</b>	(4,228,471)	(4,574,956)	<b>-</b>	-	-
Revenue deductions	<b>(1,093,859)</b>	(820,625)	(706,225)	<b>-</b>	-	-	<b>(403,554)</b>	(178,718)	(107,539)	<b>(62,832)</b>	(44,504)	(46,278)	<b>329,682</b>	81,102	11,601	<b>(1,230,563)</b>	(962,745)	(848,441)
Total revenue	<b>₱33,992,488</b>	₱31,980,514	₱33,132,330	<b>₱9,661,228</b>	₱8,858,023	₱9,123,752	<b>₱1,322,671</b>	₱1,508,413	₱1,296,212	<b>₱1,971,336</b>	₱1,931,011	₱1,709,305	<b>(₱4,112,881)</b>	(₱4,147,369)	(₱4,563,355)	<b>₱42,834,842</b>	₱40,130,592	₱40,698,244
<b>Results</b>																		
Operating results	<b>₱3,628,744</b>	₱2,057,413	₱4,445,401	<b>₱308,925</b>	(₱566,218)	₱166,630	<b>(₱2,650,089)</b>	₱211,013	(₱482,177)	<b>(₱1,755,467)</b>	(₱232,881)	(₱114,183)	<b>₱905,516</b>	₱727,271	₱110,544	<b>₱437,629</b>	₱2,196,598	₱4,126,215
Finance costs	<b>(1,447,567)</b>	(1,036,638)	(933,627)	<b>(301,158)</b>	(244,683)	(261,504)	<b>(2,091)</b>	(2,566)	(261)	<b>(63,033)</b>	(47,721)	(46,310)	<b>266,427</b>	206,931	233,786	<b>(1,547,422)</b>	(1,124,677)	(1,007,916)
Foreign exchange gains (losses) - net	<b>(213,688)</b>	244,694	46,929	<b>(77,680)</b>	118,530	8,024	<b>647</b>	(542)	2,083	<b>1,157</b>	(3,275)	8	<b>(22,690)</b>	44,624	(15,850)	<b>(312,254)</b>	404,031	41,194
Interest income	<b>566,545</b>	182,590	240,664	<b>56,277</b>	38,805	6,306	<b>14</b>	119	1,329	<b>1,811</b>	2,116	2,020	<b>(64,226)</b>	(20,829)	(83,531)	<b>560,421</b>	202,801	166,788
Equity in net losses of associates and joint ventures	<b>(18,721)</b>	(29,706)	(5,052)	<b>-</b>	-	-	<b>-</b>	-	-	<b>-</b>	-	-	<b>-</b>	-	-	<b>(18,721)</b>	(29,706)	(5,052)
Other income - net	<b>1,061,612</b>	1,082,689	777,601	<b>289,489</b>	209,699	240,968	<b>(1,222)</b>	6,480	7,690	<b>90,281</b>	31	10,138	<b>(909,691)</b>	(967,646)	(421,591)	<b>530,469</b>	331,253	614,806
Income tax	<b>(1,883,069)</b>	(175,332)	(738,469)	<b>(103,508)</b>	101,250	(32,226)	<b>(281,362)</b>	1,786	722	<b>(27,330)</b>	237	(2,485)	<b>-</b>	-	-	<b>(2,295,269)</b>	(72,059)	(772,458)
Net income (loss)	<b>₱1,693,856</b>	₱2,325,710	₱3,833,447	<b>₱172,345</b>	(₱342,617)	₱128,198	<b>(₱2,934,103)</b>	₱216,290	(₱470,614)	<b>(₱1,752,581)</b>	(₱281,493)	(₱150,812)	<b>₱175,336</b>	(₱9,649)	(176,642)	<b>(₱2,645,147)</b>	₱1,908,241	₱3,163,577
<b>EBITDA</b>																<b>₱9,153,763</b>	₱8,053,108	₱9,625,717
<b>EBITDA Margin</b>																<b>21%</b>	20%	23%
<b>Assets and Liabilities</b>																		
Operating assets	<b>₱70,832,091</b>	₱71,015,096	₱62,875,687	<b>₱24,475,320</b>	₱23,686,425	₱21,584,134	<b>₱773,187</b>	₱3,322,420	₱3,589,758	<b>₱270,900</b>	₱348,120	₱908,307	<b>(₱18,679,933)</b>	(₱17,328,894)	(₱16,840,696)	<b>₱77,671,565</b>	₱81,043,167	₱72,117,190
Investments in associates and joint ventures	<b>20,930,038</b>	21,311,093	20,488,396	<b>1,562</b>	1,562	1,562	<b>-</b>	-	-	<b>-</b>	-	-	<b>(20,505,736)</b>	(20,817,408)	(19,965,005)	<b>425,864</b>	495,247	524,953
Deferred tax assets	<b>442,812</b>	1,972,430	1,761,641	<b>856,184</b>	935,276	786,797	<b>-</b>	137,303	128,718	<b>30,893</b>	21,343	21,235	<b>(182,782)</b>	(45,549)	(235,449)	<b>1,147,107</b>	3,020,803	2,462,942
Total assets	<b>₱92,204,941</b>	₱94,298,619	₱85,125,724	<b>₱25,333,066</b>	₱24,623,263	₱22,372,493	<b>₱773,187</b>	₱3,459,723	₱3,718,476	<b>₱301,793</b>	₱369,463	₱929,542	<b>(₱39,368,451)</b>	(₱38,191,851)	(₱37,041,150)	<b>₱79,244,536</b>	₱84,559,217	₱75,105,085
Operating liabilities	<b>13,044,251</b>	₱12,611,239	₱13,439,910	<b>₱6,634,394</b>	₱6,780,074	₱6,203,801	<b>₱2,960,415</b>	₱3,088,112	₱758,764	<b>₱614,657</b>	₱588,238	₱769,726	<b>(₱3,733,357)</b>	(₱3,136,258)	(₱303,036)	<b>₱19,520,360</b>	₱19,931,405	₱20,869,165
Contract liabilities	<b>227,214</b>	302,728	-	<b>628,485</b>	83,411	-	<b>-</b>	153,459	-	<b>208,951</b>	-	-	<b>-</b>	-	-	<b>1,064,650</b>	539,598	-
Interest-bearing loans and borrowings	<b>20,260,586</b>	22,597,737	16,698,267	<b>6,067,344</b>	6,140,674	4,209,671	<b>-</b>	-	-	<b>240,000</b>	-	-	<b>(541,331)</b>	(541,331)	(545,000)	<b>26,026,599</b>	28,197,080	20,362,938
Deferred tax liability	<b>320,084</b>	-	-	<b>-</b>	-	-	<b>138,271</b>	138,271	138,271	<b>-</b>	-	-	<b>-</b>	-	-	<b>458,355</b>	138,271	138,271
Lease liabilities	<b>818,910</b>	-	-	<b>239,215</b>	13,589	3,049	<b>11,550</b>	14,826	20,718	<b>47,849</b>	-	-	<b>(34,158)</b>	-	-	<b>1,083,366</b>	28,415	23,767
Total liabilities	<b>₱34,671,045</b>	₱35,511,704	₱30,138,177	<b>₱13,569,438</b>	₱13,017,748	₱10,416,521	<b>₱3,110,236</b>	₱3,394,668	₱917,753	<b>₱1,111,457</b>	₱588,238	₱769,726	<b>(₱4,308,846)</b>	(₱3,677,589)	(₱848,036)	<b>₱48,153,330</b>	₱48,834,769	₱41,394,141
<b>Other Segment Information</b>																		
Capital expenditures:																		
Property and equipment	<b>₱1,430,764</b>	₱2,728,505	₱3,237,700	<b>₱2,489,861</b>	₱3,217,990	₱1,802,798	<b>₱119,176</b>	₱14,260	₱5,045	<b>₱38,149</b>	₱9,948	₱12,842	<b>₱-</b>	₱-	₱-	<b>₱4,077,950</b>	₱5,970,703	₱5,058,385
Intangible assets	<b>1,226,585</b>	1,797,313	2,184,930	<b>82,449</b>	248,991	165,827	<b>2,412</b>	15,822	29,365	<b>-</b>	-	-	<b>-</b>	-	-	<b>1,311,446</b>	2,062,126	2,380,122
Depreciation and amortization	<b>4,636,431</b>	4,805,242	4,703,841	<b>1,771,229</b>	1,747,389	1,597,389	<b>84,816</b>	107,728	91,496	<b>84,897</b>	79,011	78,884	<b>(1,214,473)</b>	(1,197,931)	(986,664)	<b>5,362,900</b>	5,541,439	5,484,946
Noncash expenses other than depreciation and amortization	<b>277,667</b>	61,770	47,755	<b>216,420</b>	302,339	456,128	<b>53,859</b>	7,668	34,131	<b>77,770</b>	-	-	<b>-</b>	-	-	<b>625,716</b>	371,777	538,014



### Geographical Segment Data

The following tables present revenue and expenditure and certain asset information regarding geographical segments for each of the three years in the period ended December 31:

	Philippines			United States			Others			Eliminations			Consolidated		
	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017
<b>Revenue</b>															
External sales	<b>P38,364,701</b>	P35,342,690	P35,622,752	<b>P3,008,852</b>	P4,241,484	P4,228,437	<b>P2,691,852</b>	P1,509,163	P1,695,496	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P44,065,405</b>	P41,093,337	P41,546,685
Inter-segment sales	<b>4,442,563</b>	4,228,471	4,574,956	-	-	-	-	-	-	<b>(4,442,563)</b>	(4,228,471)	(4,574,956)	-	-	-
Revenue deductions	<b>(1,560,245)</b>	(1,043,847)	(860,042)	-	-	-	-	-	-	<b>329,682</b>	81,102	11,601	<b>(1,230,563)</b>	(962,745)	(848,441)
Total revenue	<b>P41,247,019</b>	P38,527,314	P39,337,666	<b>P3,008,852</b>	P4,241,484	P4,228,437	<b>P2,691,852</b>	P1,509,163	P1,695,496	<b>(P4,112,881)</b>	(4,147,369)	(P4,563,355)	<b>P42,834,842</b>	P40,130,592	P40,698,244
<b>Assets</b>															
Operating assets	<b>P84,840,972</b>	P87,581,879	P79,663,191	<b>P2,520,027</b>	P1,882,190	P2,038,282	<b>P8,936,585</b>	P8,806,231	P7,256,413	<b>(P18,679,933)</b>	(P17,328,894)	(P16,840,696)	<b>P77,617,651</b>	P80,997,897	P72,117,190
Contract assets	<b>53,914</b>	45,270	-	-	-	-	-	-	-	-	-	-	<b>53,914</b>	45,270	-
Investments in associates and joint ventures	<b>20,931,600</b>	21,312,655	20,489,958	-	-	-	-	-	-	<b>(20,505,736)</b>	(20,817,408)	(19,965,005)	<b>425,864</b>	495,247	524,953
Deferred tax assets - net	<b>1,225,025</b>	3,031,304	2,604,233	<b>77,198</b>	83,870	218,043	<b>27,666</b>	7,669	(123,885)	<b>(182,782)</b>	(45,549)	(235,449)	<b>1,147,107</b>	3,020,803	2,462,942
Total assets	<b>P107,051,511</b>	P111,971,108	P102,757,382	<b>P2,597,225</b>	P1,966,060	P2,256,325	<b>P8,964,251</b>	P8,813,900	P7,132,528	<b>(P39,368,451)</b>	(P38,191,851)	(P37,041,150)	<b>P79,244,536</b>	P84,559,217	P75,105,085
<b>Liabilities</b>															
Operating liabilities	<b>P19,333,482</b>	P19,757,419	P20,551,111	<b>P559,114</b>	P137,769	P583,465	<b>P3,361,121</b>	P3,172,475	P37,625	<b>(P3,733,357)</b>	(P3,136,258)	(P303,036)	<b>P19,520,361</b>	P19,489,259	P20,869,165
Contract liabilities	<b>1,064,650</b>	362,986	-	-	176,612	-	-	-	-	-	-	-	<b>1,064,650</b>	981,744	-
Interest-bearing loans and borrowings	<b>26,536,966</b>	28,703,540	20,872,388	<b>30,964</b>	32,154	2,436	-	2,717	33,114	<b>(541,331)</b>	(541,331)	(545,000)	<b>26,026,599</b>	28,197,080	20,362,938
Deferred tax liability	<b>458,355</b>	138,271	138,271	-	-	-	-	-	-	-	-	-	<b>458,355</b>	138,271	138,271
Lease liabilities	<b>520,403</b>	28,415	23,767	<b>579,236</b>	-	-	<b>17,885</b>	-	-	<b>(34,158)</b>	-	-	<b>1,083,366</b>	28,415	23,767
Total liabilities	<b>P47,913,856</b>	P48,990,631	P41,585,537	<b>P1,169,314</b>	P346,535	P585,901	<b>P3,379,006</b>	P3,175,192	P70,739	<b>(P4,308,846)</b>	(3,677,589)	(P848,036)	<b>P48,153,331</b>	P48,834,769	P41,394,141
<b>Other Segment Information</b>															
Capital expenditures:															
Property and equipment	<b>P4,033,749</b>	P5,945,910	P4,907,685	<b>P44,201</b>	P24,727	P147,524	<b>P-</b>	P66	P3,176	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P4,077,950</b>	P5,970,703	P5,058,385
Intangible assets	<b>1,311,446</b>	2,062,126	2,380,122	-	-	-	-	-	-	-	-	-	<b>1,311,446</b>	2,062,126	2,380,122



## 6. Cash and Cash Equivalents and Short-term Investments

	2019	2018
Cash on hand and in banks	<b>₱6,033,101</b>	₱11,232,571
Cash equivalents	<b>6,136,816</b>	6,872,115
	<b>₱12,169,917</b>	₱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 ₱6,999 million and ₱1,804 million as at December 31, 2019 and 2018, respectively, and with maturities of more than three months but less than one year are classified as “Short-term investments” in the consolidated statements of financial position.

Interest earned from cash and cash equivalents and short-term investments amounted to ₱560 million, ₱203 million and ₱167 million in 2019, 2018 and 2017, respectively.

## 7. Trade and Other Receivables

	2019	2018
Trade:		
Airtime	<b>₱6,101,594</b>	₱6,132,965
Subscriptions	<b>2,829,697</b>	2,572,585
Others	<b>2,110,569</b>	2,318,899
Due from related parties (see Note 23)	<b>325,478</b>	458,285
Advances to employees and talents (see Note 23)	<b>696,108</b>	361,328
Others	<b>1,060,084</b>	574,972
	<b>13,123,530</b>	12,419,034
Less allowance for ECL	<b>2,518,097</b>	2,049,954
	<b>₱10,605,433</b>	₱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.



Other receivables include interest receivable and receivables related to the sale of Amcara Broadcasting Network, Inc. (Amcara).

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

	2019	2018
Less than 30 days	<b>₱779,834</b>	₱1,210,930
31 to 90 days	<b>33,317</b>	30,219
	<b>₱813,151</b>	₱1,241,149

#### Allowance for ECL

Movements in the allowance for ECL are as follows:

	Trade			Nontrade	Total
	Airtime	Subscriptions	Others		
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)	<b>28,802</b>	<b>201,026</b>	<b>140,824</b>	<b>229,324</b>	<b>599,976</b>
Write-offs and others	<b>(3,440)</b>	<b>(26,374)</b>	<b>(99,731)</b>	<b>(2,288)</b>	<b>(131,833)</b>
<b>Balance at December 31, 2019</b>	<b>₱342,847</b>	<b>₱1,516,872</b>	<b>₱361,842</b>	<b>₱296,536</b>	<b>₱2,518,097</b>

## 8. Inventories

	2019	2018
At cost:		
Merchandise inventories	<b>₱594,979</b>	₱524,868
Office supplies	<b>4,950</b>	4,777
At net realizable value:		
Merchandise inventories	<b>27,722</b>	51,753
Materials, supplies and spare parts	<b>47,956</b>	99,230
	<b>₱675,607</b>	₱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 ₱2,115 million, ₱2,382 million and ₱1,959 million in 2019, 2018 and 2017, respectively, is recorded as part of "Inventory costs" under the "Cost of sales" account in the consolidated statements of income (see Note 26). Total inventory costs recognized under "Cost of sales and services" amounted to ₱2,293 million, ₱2,554 million and ₱2,124 million in 2019, 2018 and 2017, respectively (see Note 26).

The cost of inventories carried at net realizable value amounted to ₱287 million and ₱330 million as at December 31, 2019 and 2018, respectively. Inventory losses amounted to ₱57 million, ₱58 million and ₱27 million in 2019, 2018 and 2017, respectively (see Note 27).



## 9. Contract Cost Assets and Contract Liabilities

	2019	2018
Contract cost assets (see Note 15)	<b>₱53,914</b>	₱45,270
Contract liabilities	<b>1,064,650</b>	981,744

### 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.

The amortization related to incremental costs to obtain contracts recorded in “Advertising and promotion” under “General and administrative expense” account in the consolidated statement of income amounted to ₱47 million and ₱74 million in 2019 and 2018, respectively (see Note 27).

No impairment loss was recognized in 2019 and 2018.

### 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 opening contract liabilities, total revenue recognized amounted to ₱461 million and ₱620 million in 2019 and 2018, respectively. Contract liabilities are usually recognized as revenues within one year from receipt.

## 10. Property and Equipment

December 31, 2019								
	Land and Land Improvements	Buildings and Improvements	Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Other Equipment	Construction in Progress	Right-of-use assets		Total
						Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Buildings and Improvements	
<b>Cost</b>								
Balance at beginning of year	₱2,231,209	₱12,861,957	₱24,866,855	₱13,439,510	₱6,843,518	₱—	₱—	₱60,243,049
Adoption of PFRS 16	—	—	—	(589,997)	—	622,788	935,077	967,868
Additions	—	21,536	1,313,440	412,083	1,933,637	309,078	88,176	4,077,950
Disposals/retirements	(3,822)	(40,260)	(416,384)	(597,882)	(87,196)	(75,810)	—	(1,221,354)
Reclassifications	413	190,091	19,764	231,894	(442,162)	—	—	—
Translation adjustments	(3,485)	(14,841)	(15,434)	(18,569)	225	—	—	(52,104)
Balance at end of year	2,224,315	13,018,483	25,768,241	12,877,039	8,248,022	856,056	1,023,253	64,015,409
<b>Accumulated Depreciation and Amortization</b>								
Balance at beginning of year	43,424	7,759,026	16,395,378	8,169,596	—	—	—	32,367,424
Adoption of PFRS 16	—	—	—	(178,635)	—	178,635	—	—
Depreciation and amortization (see Notes 25, 26 and 27)	2,165	403,605	1,960,593	986,117	—	36,137	327,588	3,716,205
Disposals/retirements	(3,822)	(34,590)	(333,710)	(548,561)	—	(11,573)	—	(932,256)

(Forward)



December 31, 2019								
			Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Other Equipment	Construction in Progress	Right-of-use assets		
	Land and Land Improvements	Buildings and Improvements	Radio, Movie, and Auxiliary Equipment			Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Buildings and Improvements	Total
Impairment (see Note 27)	₱–	₱586,180	₱324,625	₱143,231	₱268,622	₱35,874	₱45,786	₱1,404,318
Translation adjustments	(41)	(5,195)	7,697	(13,900)	–	–	(2,584)	(14,023)
Balance at end of year	41,726	8,709,026	18,354,583	8,557,848	268,622	239,073	370,790	36,541,668
Net Book Value	₱2,182,589	₱4,309,457	₱7,413,658	₱4,319,191	₱7,979,400	₱616,983	₱652,463	₱27,473,741

December 31, 2018								
				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 P492 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 August 19, 2020, 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 P25,009 million and P21,088 million as at December 31, 2019 and 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 P1,642 million and P1,470 million as at December 31, 2019 and 2018, respectively. Borrowing costs capitalized in 2019 and 2018 amounted to P200 million. Borrowing cost capitalization rates in 2019 are 5.335% and 6.735% while for 2018 is 5.335%.

The Company determined the consequences of the Resolution passed by the House Committee on Legislative Franchises denying the franchise application of the Parent Company and the lapse of the franchise of ABS-CBN Convergence, as impairment indicators on the its nonfinancial assets. In 2019, the Company recognized impairment losses amounting to P1.4 billion, relating to its property and equipment.



## 11. Investment Properties

December 31, 2019			
	Land	Building	Total
<b>Cost:</b>			
Balance at beginning of year	₱173,016	₱45,618	₱218,634
Translation adjustments	(1,372)	(1,657)	(3,029)
Balance at end of year	171,644	43,961	215,605
<b>Accumulated depreciation:</b>			
Balance at beginning of year	—	15,871	15,871
Depreciation (see Note 27)	—	1,739	1,739
Translation adjustments	—	(697)	(697)
Balance at end of year	—	16,913	16,913
<b>Net book value</b>	<b>₱171,644</b>	<b>₱27,048</b>	<b>₱198,692</b>

December 31, 2018			
	Land	Building	Total
<b>Cost:</b>			
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
<b>Accumulated depreciation:</b>			
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
<b>Net book value</b>	<b>₱173,016</b>	<b>₱29,747</b>	<b>₱202,763</b>

The Parent Company owns a parcel of land for capital appreciation purposes costing ₱136 million as at December 31, 2019 and 2018. The fair value of the land, based on the latest appraisal report dated February 14 and 20, 2020, 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 ₱57 million and ₱61 million as at December 31, 2019 and 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 December 31, 2019 and 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 ₱120 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 ₱3 million in 2019 and ₱2 million in 2018 and 2017. Direct operating expenses, which consist mainly of depreciation, amounted to ₱2 million in 2019, 2018 and 2017.



## 12. Goodwill, Program Rights and Other Intangible Assets

	Goodwill	Program Rights	Music Rights	Movie In-Process and Filmed Entertainment	Story and Publication, Video Rights, 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	₱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	—	931,413	—	291,584	3,588	—	—	—	—	—	82,449	2,412	1,311,446
Amortization (see Notes 25, 26 and 27)	—	(1,284,310)	(806)	(186,137)	(6,834)	—	(4,649)	(55,839)	(91,994)	(6,596)	—	(7,791)	(1,644,956)
Impairment (see Note 27)	(577,037)	—	—	(88,917)	—	—	(984,955)	—	—	—	—	(7,164)	(1,658,073)
Translation adjustments	(9,617)	—	—	—	—	—	(633)	—	—	3,637	—	—	(6,613)
Balance as at December 31, 2019	4,742,164	4,421,023	—	1,072,891	121,353	1,111,784	—	563,636	367,974	47,743	183,833	38,957	12,671,358
Less current portion	—	1,134,251	—	147,892	4,518	—	—	—	—	—	—	—	1,286,661
Noncurrent portion	₱4,742,164	₱3,286,772	₱—	₱924,999	₱116,835	₱1,111,784	₱—	₱563,636	₱367,974	₱47,743	₱183,833	₱38,957	₱11,384,697
Balance as at January 1, 2018	₱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
Effect of business combination (as adjusted - see Note 4)	(158,010)	—	—	—	—	—	—	154,249	—	—	—	8,313	4,552
Additions	—	1,518,112	—	412,087	6,412	—	—	—	—	—	101,384	15,829	2,053,824
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	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:

	2019	2018
Sky Cable	<b>₱4,491,817</b>	₱4,491,817
ABS-CBN International*	<b>250,347</b>	259,964
CTI and ABS-C	—	567,836
Sapientis	—	9,201
	<b>₱4,742,164</b>	<b>₱5,328,818</b>

*\*Includes translation adjustments*

The Company derecognized the goodwill related to CTI, ABS-C and Sapientis due to the lapse of the franchise of ABS-C on March 17, 2020. This was considered as an adjusting subsequent event (see Note 37).

### Program Rights and Other Intangible Assets

Program rights include the acquired rights of the Company to air foreign and local films or programs for a certain period of time. As at December 31, 2019, the remaining useful life of program rights range from one to 25 years. Licenses with finite life include franchise of KidZania brand in the Philippines, acquired in 2012, by PII. As at December 31, 2019, the remaining useful life of the license is approximately three years.

The customer relationships acquired in a business combination relate to the core subscribers of the following:

- Sky Cable postpaid, prepaid and platinum, broadband and other subscribers at conversion date who have sustained their relationship with Sky Cable for more than a year
- Destiny Cable, Incorporated (DCI), Solid Broadband Corporation and UNI Cable TV, Inc. cable postpaid, prepaid and broadband subscribers
- Tri-Isys postpaid internet subscribers

The cable channels include Lifestyle Channel, Cinema One, and Myx Channel acquired by CPI from Sky Vision. Until 2018, based on the Company's analysis of all the relevant factors, there is no foreseeable limit to the period over which this business is expected to generate net cash inflows for the Company and therefore, these were assessed to have an indefinite life. The carrying amount is net of previously recognized amortization amounting to ₱115 million. In 2019, the Company reassessed the useful life of the cable channel based on industry trends and changed it from indefinite to remaining useful life of 10 years to reflect the expected pattern of economic benefits from the assets. This was accounted prospectively as a change in accounting estimate, thereby increasing the amortization expense of the Company by ₱92 million in 2019 and approximately ₱368 million for the future periods.

Production and distribution business for Middle East operations represent payments arising from the sponsorship agreement between Arab Digital Distribution (ADD) and ABS-CBN Middle East. This agreement grants the Company the right to operate in the Middle East with ADD as sponsor for a period of 25 years. As at December 31, 2019, the remaining useful life of this intangible asset is approximately seven years.



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

	<b>Trademarks</b>	<b>Licenses</b>	<b>IP Block</b>	<b>Total</b>
Balance as at December 31, 2018	<b>₱1,111,784</b>	<b>₱965,049</b>	<b>₱37,804</b>	<b>₱2,114,637</b>
Impairment (see Note 27)	–	<b>(965,049)</b>	–	<b>(965,049)</b>
Balance as at December 31, 2019	<b>₱1,111,784</b>	<b>₱–</b>	<b>₱37,804</b>	<b>₱1,149,588</b>

	<b>Trademarks</b>	<b>Licenses</b>	<b>Cable Channels - CPI</b>	<b>IP Block</b>	<b>Total</b>
Balance as at January 1, 2018	₱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	₱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 DCI 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.

In 2019, the Company recognized impairment losses amounting to ₱956 million, relating to its telecommunication license. This is as a result of the lapse of the legislative franchise of ABS-C on March 17, 2020 which was considered as an adjusting subsequent event (see Note 37).

### 13. Financial Assets at Fair Value through Other Comprehensive Income

	<b>2019</b>	<b>2018</b>
Quoted equity securities	<b>₱187,424</b>	₱194,324
Non-listed ordinary common and quoted club shares	<b>75,702</b>	73,980
	<b>₱263,126</b>	<b>₱268,304</b>

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 ₱9.2 million, ₱7.6 million and ₱10.4 million in 2019, 2018 and 2017, respectively.

Movements in this account follow:

	<b>2019</b>	<b>2018</b>
Balance at beginning of year	<b>₱268,304</b>	₱242,743
Additional investment	<b>27,871</b>	–
Unrealized fair value gain (loss)	<b>(33,049)</b>	25,561
Balance at end of year	<b>₱263,126</b>	<b>₱268,304</b>



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

Entity	Principal Activities	Percentage of Ownership	
		2019	2018
Associates:			
Star Cinema Productions, Inc. (Star Cinema)	Services	45.0	45.0
The Flagship, Inc. (Flagship)	Services	40.0	40.0
Amcara	Services	—	49.0
Joint ventures:			
A C J O Shopping Corporation (A C J O)	Home shopping	50.0	50.0
Daum Kakao Philippines Corporation (Daum Kakao)	Services	50.0	50.0
ALA Sports Promotions International, Inc. (ALA Sports)	Boxing promotions	44.0	44.0

Details and movement in the account are as follows:

	2019	2018
Acquisition costs –		
Balance at beginning of year	₱1,064,552	₱1,064,552
Sale of investment in associate	(29,503)	—
Balance at end of year	1,035,049	1,064,552
Accumulated equity in net losses –		
Balance at beginning of year	(566,570)	(536,864)
Equity in net loss during the year	(18,721)	(29,706)
Sale of investment in associate	(11,097)	—
Balance at end of year	(596,388)	(566,570)
Accumulated impairment loss –		
Balance at beginning of year	(2,735)	(2,735)
Impairment of investment in associate	(10,062)	—
Balance at end of year	(12,797)	(566,570)
	₱425,864	₱495,247
Investments in:		
Joint ventures	₱322,686	₱341,407
Associates	103,178	153,840
	₱425,864	₱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 December 31, 2019 and 2018.

a. Investments in Joint Ventures

i. A C J 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. As of August 19, 2020 Daum Kakao has returned capital of ₱364 million to the joint venturers.

Combined financial information of the joint ventures follows:

	2019	2018
Current assets	<b>₱879,875</b>	₱896,427
Noncurrent assets	<b>145,287</b>	150,402
Current liabilities	<b>(364,860)</b>	(347,422)
Noncurrent liabilities	<b>(1,445)</b>	(1,225)
Net equity	<b>₱658,857</b>	₱698,182



	Years Ended December 31		
	2019	2018	2017
Revenue	<b>₱499,259</b>	₱438,243	₱850,184
Costs and expenses	<b>(538,584)</b>	(498,694)	(861,496)
Net loss	<b>(₱39,325)</b>	(₱60,451)	(₱11,312)
Equity in net losses of joint ventures	<b>(₱18,721)</b>	(₱29,531)	(₱5,015)

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

	2019			
	A C J O	ALA Sports	Daum Kakao	Total
Net assets of joint ventures	<b>₱196,146</b>	<b>₱66,787</b>	<b>₱395,924</b>	<b>₱658,857</b>
Interest of the Parent Company in the net assets of the joint ventures	50%	44%	50%	
	<b>98,073</b>	<b>29,386</b>	<b>197,962</b>	<b>325,421</b>
Accumulated impairment loss	—	—	(2,735)	(2,735)
Carrying amount of investments in joint ventures	<b>₱98,073</b>	<b>₱29,386</b>	<b>₱195,227</b>	<b>₱322,686</b>

	2018			
	A C J O	ALA Sports	Daum Kakao	Total
Net assets of joint ventures	<b>₱219,364</b>	<b>₱82,478</b>	<b>₱396,340</b>	<b>₱698,182</b>
Interest of the Parent Company in the net assets of the joint ventures	50%	44%	50%	
	<b>109,682</b>	<b>36,290</b>	<b>198,170</b>	<b>344,142</b>
Accumulated impairment loss	—	—	(2,735)	(2,735)
Carrying amount of investments in joint ventures	<b>₱109,682</b>	<b>₱36,290</b>	<b>₱195,435</b>	<b>₱341,407</b>

b. Investments in Associates

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. In 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, has been reduced to zero due to accumulated equity in net losses. The net cumulative unrecognized net losses amounted to ₱17 million as at December 31, 2019 and 2018.

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

Combined financial information of associates follows:

	2019	2018
Current assets	<b>₱101,085</b>	₱119,892
Noncurrent assets	<b>26,886</b>	230,288
Current liabilities	<b>(62,378)</b>	(259,382)
Net equity	<b>₱65,593</b>	₱90,798



	Years Ended December 31		
	2019	2018	2017
Revenue	<b>₱—</b>	₱33,252	₱33,290
Costs and expenses	—	(33,609)	(33,365)
Net loss	<b>₱—</b>	(₱357)	(₱75)
Equity in net losses of associates	<b>₱—</b>	(₱175)	(₱37)

As at December 31, 2019, the carrying amount of investments in associate equals the carrying amount of investment in Flagship. Below is the reconciliation of the summarized financial information of the associates to the carrying amount of the Parent Company's investment therein for 2018:

	2018
Net assets of associate – Amcara	₱82,857
Interest of the Parent Company in the net assets of the associate	49%
Carrying amount of investment in Amcara	40,600
Carrying amount of investment in Flagship	103,178
Investment in other associates	10,062
Carrying amount of investments in associates	<b>₱153,840</b>

#### 15. Other Current Assets

	2019	2018
Creditable withholding and prepaid taxes	<b>₱3,034,779</b>	₱2,866,597
Advances to suppliers	<b>1,171,433</b>	934,794
Preproduction expenses	<b>631,826</b>	579,086
Prepayments:		
Licenses	<b>367,907</b>	509,267
Subscription	<b>83,694</b>	82,640
Rent	<b>25,330</b>	51,144
Insurance	<b>10,846</b>	35,594
Transponder services	<b>6,428</b>	16,181
Contract cost assets (see Note 9)	<b>53,914</b>	45,270
Other prepayments	<b>25,213</b>	262,565
	<b>₱5,411,370</b>	₱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

	2019	2018
Tax credits - net of allowance for impairment	<b>₱535,488</b>	₱785,943
Deposits and bonds	<b>453,974</b>	486,581
Others (see Note 23)	<b>214,164</b>	412,824
	<b>₱1,203,626</b>	₱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 ₱379 million and ₱216 million as at December 31, 2019 and 2018, respectively.

## 17. Trade and Other Payables

	2019	2018
Trade	<b>₱1,548,451</b>	₱1,970,119
Accrued expenses:		
Production costs and other expenses	<b>4,117,258</b>	4,244,952
Salaries and other employee benefits (see Note 30)	<b>2,349,867</b>	3,131,495
Taxes	<b>970,595</b>	1,139,393
Interest	<b>281,622</b>	309,525
Customer deposits	<b>659,322</b>	804,435
Deposit for future subscription (see Notes 4 and 22)	<b>1,351,614</b>	1,287,014
Dividend payable	<b>304,192</b>	286,024
Due to related parties (see Note 23)	<b>22,997</b>	33,470
Others	<b>167,006</b>	339,899
	<b>₱11,772,924</b>	₱13,546,326

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

Borrower	2019			2018		
	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion	Total
Parent Company	₱198,520	₱20,031,102	₱20,229,622	₱91,547	₱22,231,317	₱22,322,864
Play Innovations, Inc.	240,000	—	240,000	240,000	—	240,000
Sky Cable	72,464	5,453,548	5,526,012	76,715	5,536,218	5,612,933
ABS-CBN International	2,771	28,194	30,965	2,717	32,155	34,872
ABS-C (see Note 31)	—	—	—	3,932	10,894	14,826
	₱513,755	₱25,512,844	₱26,026,599	₱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:

	2019			2018		
	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion	Total
Term loans:						
Loan agreements	₱198,520	₱20,031,102	₱20,229,622	₱91,547	₱16,256,624	₱16,348,171
Bonds payable	—	—	—	—	5,974,693	5,974,693
	₱198,520	₱20,031,102	₱20,229,622	₱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 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. This was prepaid in November 2019 resulting to a loss of ₱2.5 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.
- (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.

The 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.

The loans also require the Parent Company to have an active governmental license to operate (as defined in the loan agreements). To address the impact of the denial of the franchise application (as further discussed in Note 1), the Company is currently in the process of completing conditions which include, among others, to provide collateral to the creditor banks. As of August 19, 2020, the Parent Company has paid ₱4 billion of its outstanding loans.

As at December 31, 2019 and 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 ₱98 million and ₱75 million as at December 31, 2019 and 2018, respectively.

Amortization of debt issue costs amounted to ₱12 million, ₱14 million and ₱17 million for the years ended December 31, 2019, 2018 and 2017, 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.

On August 13, 2019, the Parent Company exercised its early redemption option on the ₱6 billion retail bonds. As a result, the Parent Company incurred ₱78 million in prepayment cost and accelerated deferred financing costs lodged under "Finance costs" in the consolidated statements of income.

As at 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 ₱25 million as at December 31, 2018.

Amortization of debt issue costs amounted to ₱7 million in 2019 and ₱11 million in 2018 and ₱10 million in 2017 (see Note 28).

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

	December 31, 2019			December 31, 2018		
	Loan Agreements	Bonds Payable	Total	Loan Agreements	Bonds Payable	Total
Principal	₱20,327,500	₱—	₱20,327,500	₱16,422,999	₱6,000,000	₱22,422,999
Less unamortized transaction costs	97,878	—	97,878	74,828	25,307	100,135
	20,229,622	—	20,229,622	16,348,171	5,974,693	22,322,864
Less current portion	198,520	—	198,520	91,547	—	91,547
Noncurrent portion	₱20,031,102	₱—	₱20,031,102	₱16,256,624	₱5,974,693	₱22,231,317

Debt issue costs as at December 31, 2019 are amortized over the term of the loans using the effective interest method as follows:

Year	Amount
2020	₱13,283
2021	13,829
2022 and onwards	70,766
	₱97,878

Amortization of debt issue costs for the years ended December 31, 2019, 2018 and 2017 amounted to ₱21 million ₱25 million and ₱27 million, respectively (see Note 28).



Repayments of loans based on nominal values are scheduled as follows:

Year	Amount
2020	₱211,816
2021	233,921
2022 and onwards	19,881,763
	<b>₱20,327,500</b>

#### Sky Cable

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

	December 31, 2019			December 31, 2018		
	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion	Total
Term loans:						
Unsubordinated loan	₱63,495	₱4,492,210	₱4,555,705	₱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)	—	—	—	3,481	10,108	13,589
	<b>₱72,464</b>	<b>₱5,453,548</b>	<b>₱5,526,012</b>	<b>₱76,715</b>	<b>₱5,536,218</b>	<b>₱5,612,933</b>

#### *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 December 31, 2019 and 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 loan, amounted to ₱27 million and ₱28 million as at December 31, 2019 and 2018, respectively. Using the effective interest method, unamortized debt issue costs as at December 31, 2019 will be amortized as follows:

Year	Amount
2020	₱6,207
2021	5,398
2022	5,139
2023 and onwards	10,616
	<u>₱27,360</u>

Amortization of debt issue costs amounted to ₱7 million, ₱8 million and ₱12 million in 2019, 2018 and 2017, respectively (see Note 28).

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

Year	Amount
2020	₱77,350
2021	77,350
2022 and onwards	5,398,672
	<u>₱5,553,372</u>

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.

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

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
2020	₱2,771
2021	2,935
2022	3,108
2023	3,291
2024 and onwards	18,860
	<b>₱30,965</b>

As at December 31, 2019 and 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 December 31, 2019 and 2018, bearing an annual fixed interest rate of 6% and 7%, respectively. The loans are free from liens and mortgages. As of December 31, 2019 and 2018, Play Innovations, Inc. is in compliance with the provisions of the loans.

#### ABS-C

In 2016, ABS-C entered into a finance lease covering transportation equipment. The carrying value of the lease obligation amounted to ₱15 million as of December 31, 2018 (see Note 31).

### **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 four 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 December 31 is as follows:

	2019			2018		
	Gross Value	Unamortized Discount	Carrying Value	Gross Value	Unamortized Discount	Carrying Value
Within one year	<b>₱319,908</b>	<b>₱16,468</b>	<b>₱303,440</b>	₱464,482	₱22,607	₱441,875
More than one year to four years	<b>460,426</b>	<b>18,960</b>	<b>441,466</b>	576,976	35,428	541,548
	<b>₱780,334</b>	<b>₱35,428</b>	<b>₱744,906</b>	₱1,041,458	₱58,035	₱983,423



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## 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 ₱238 million and ₱221 million as at December 31, 2019 and 2018, respectively.

Accretion of the convertible note recognized as part of interest expense in the consolidated statements of income amounted to ₱17 million, ₱16 million and ₱16 million in 2019, 2018, and 2017, respectively (see Note 28).





## 21. Other Noncurrent Liabilities

	2019	2018
Customers' deposits	<b>₱377,283</b>	₱353,758
Deferred credits	<b>14,574</b>	20,406
Others	<b>65,288</b>	126,182
	<b>₱457,145</b>	<b>₱500,346</b>

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 December 31, 2019 and 2018 are as follows:

	Number of Shares	Amount
	<i>(Amounts in Thousands, Except Number of Shares)</i>	
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 7,986 and 5,263 as at December 31, 2019 and 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 December 31, 2019 and 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).

On February 28, 2018, the Company accepted the total ABSP subscription from participants of 11,391,500 common shares. As of December 31, 2019, remaining ABSP subscription from participants is at 10,700,177 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 December 31, 2019, there are 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 (losses) of subsidiaries, associates and joint ventures amounting to (₱280) million and ₱2,505 million as at December 31, 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 in 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 or an aggregate amount of ₱477 million 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 or an aggregate amount of ₱4 million 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 or an aggregate amount of ₱4 million on the Parent Company's preferred shares with a record date set for March 8, 2018 and payable on March 22, 2018.

On February 22, 2017, the BOD approved the declaration of cash dividend of ₱1.04 per common share or an aggregate amount of ₱881 million to all common stockholders of record as at March 8, 2017 payable on March 22, 2017. On the same date, the BOD also approved the declaration and payment of 2% per annum cash dividend or an aggregate amount of ₱4 million on the Parent Company's preferred shares with a record date set for March 8, 2017 and payable on March 22, 2017.

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 December 31, 2019 and 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.

The Company's BOD has the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations. The BOD approves material related party transactions prior to entering into said



transactions should it be determined that all related party transactions within the 12-month period meet the aggregate threshold for material related party transactions which is ten percent of the Company's total assets based on its latest audit financial statements. Related party transactions that involves exclusive contracts regardless of amounts or provided by a related party servicing 30% or more of its business with the Company shall be reviewed and approved by a board-level Risk Management Committee.

#### 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:

		Years Ended December 31		
	Nature	2019	2018	2017
<b>Associate and Joint Venture</b>				
Airtime revenue from A C J O	Airtime fees	<b>₱32,504</b>	₱32,400	₱17,902
Expenses and charges paid for by the Parent Company which are reimbursed by A C J O and Amcara	Rent and utilities	<b>17,977</b>	37,501	17,707
Revenue of Parent Company and subsidiaries from other related parties	Rent and utilities, print revenue and other services	<b>14,508</b>	—	—
Blocktime fees paid to Amcara	Blocktime fees	—	36,514	27,641
<b>Entities under Common Control</b>				
Expenses paid by the Company to Goldlink Securities and Investigative Services, Inc. (Goldlink) and other related parties	Service fees and utilities expenses	<b>127,914</b>	112,851	92,391
Revenue of subsidiaries from other related parties	Service fees	<b>32,549</b>	30,476	—
Expenses and charges paid for by the Parent Company which are reimbursed by the concerned related parties	Rent and utilities	<b>10,780</b>	24,526	10,142

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 consolidated statements of financial position, are as follows:

	Relationship*	Terms	Conditions	2019	2018
<b>Due from (see Note 7)</b>					
INAEC	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>₱97,720</b>	₱44,894
ALA Sports	Joint Venture	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>74,217</b>	59,473
A C J O	Joint Venture	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>48,387</b>	4,906
ABS-CBN Lingkod Kapamilya**	Corporate social responsibility sector of ABS-CBN	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>31,265</b>	51,640
ABS-CBN Bayan Foundation	Corporate social responsibility sector of ABS-CBN	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>22,291</b>	12,434

(Forward)



	Relationship*	Terms	Conditions	2019	2018
Star Cinema	Associate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>8,298</b>	8,289
First Philippine Holdings Corporation (FPHC)	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>6,484</b>	5,936
Goldlink	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>5,672</b>	3,532
Rockwell Land Corporation (Rockwell Land)	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>5,615</b>	5,427
ABS-CBN Holdings Corporation	Stockholder	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>4,107</b>	3,429
Knowledge Channel Foundation, Inc.	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>2,929</b>	2,929
First Gas Power Corp.	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>1,540</b>	1,540
Daum Kakao	Joint venture	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>1,238</b>	235
Lopez, Inc.	Parent	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>1,118</b>	16
Amcara***	Associate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	—	134,672
Others	Affiliates	30 days upon receipt; noninterest-bearing	Unsecured, no impairment	<b>14,597</b>	118,933
<b>Total</b>				<b>₱325,478</b>	<b>₱458,285</b>

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

\*\* The Company has common officers and directors with ABS-CBN Lingkod Kapamilya.

\*\*\* On January 24, 2019, the Company sold its 49% ownership in Amcara. Due from Amcara as of December 31, 2019 is presented under "Trade and Other Receivables" account in the consolidated statement of financial position.

	Relationship*	Terms	Conditions	2019	2018
<b>Due to (see Note 17)</b>					
Beyond Cable Holdings, Inc.	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured	<b>₱16,690</b>	₱16,690
Lopez Holdings	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured	<b>6,186</b>	6,021
Others	Affiliates	30 days upon receipt of billings; noninterest-bearing	Unsecured	<b>121</b>	10,759
<b>Total</b>				<b>₱22,997</b>	<b>₱33,470</b>

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

- The Parent Company owns the program rights being aired in UHF Channel 23 of Amcara. The Parent Company has an existing blocktime agreement with Amcara for its provincial operations.
- Due from Amcara as of December 31, 2018 pertains substantially to the outstanding receivable for funds transferred by ABS-CBN to Amcara in 2012 to fund the purchase of an intangible asset.
- Advances to employees and talents amounted to ₱696 million and ₱361 million as at December 31, 2019 and 2018, respectively (see Note 7).
- The Parent Company has advances to ALA Sports amounting to ₱74 million and ₱59 million as at December 31, 2019 and 2018, respectively.
- Other transactions with related parties include cash advances for working capital requirements.

The Company's Board of Directors reviews and approves material transactions with related parties, ensuring that these transactions are in the best interest of the Corporation, after considering all the relevant facts and circumstances available.



### 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 years ended December 31, 2019, 2018 and 2017, the Company has not made any provision for ECL 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

	<b>Years Ended December 31</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Compensation (see Notes 25, 26 and 27)	<b>₱1,468,394</b>	₱1,114,381	₱1,087,614
Pension benefits (see Note 30)	<b>75,289</b>	50,479	52,986
Termination benefits	<b>63,077</b>	104,773	55,644
Vacation leaves and sick leaves	<b>113,322</b>	47,437	28,647
	<b>₱1,720,082</b>	₱1,317,070	₱1,224,891

## **24. Revenues**

Set out below is the disaggregation of the Company's revenues:

	<b>Years Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Advertising revenue	<b>₱22,942,377</b>	₱20,382,133
Subscription revenue	<b>13,698,311</b>	13,024,107
Sale of goods	<b>2,692,424</b>	3,182,476
Income from film exhibition	<b>1,402,693</b>	1,317,851
Sponsorship revenue	<b>436,637</b>	532,238
Royalty income	<b>358,329</b>	329,466
Admission revenue / ticket sales	<b>162,737</b>	179,783
Installation service revenue	<b>101,296</b>	227,962
Service fee revenue	<b>39,698</b>	181,100
Telecommunications revenue	<b>—</b>	251,915
Ancillary rights and other revenues	<b>790,925</b>	361,203
Total revenue from contracts with customers	<b>42,625,427</b>	39,970,234
Channel lease and other rental income	<b>209,415</b>	160,358
Total revenues	<b>₱42,834,842</b>	₱40,130,592



## 25. Production Costs

	Years Ended December 31		
	2019	2018	2017
Personnel expenses and talent fees (see Notes 23 and 30)	<b>₱6,677,671</b>	₱6,376,545	₱6,219,856
Facilities-related expenses (see Notes 23 and 31)	<b>1,956,882</b>	1,461,503	1,682,196
Amortization of program rights (see Note 12)	<b>1,088,968</b>	1,039,053	898,780
Depreciation and amortization (see Note 10)	<b>1,024,410</b>	1,066,067	1,080,458
Travel and transportation	<b>987,308</b>	1,028,568	837,379
License and royalty	<b>469,977</b>	558,762	353,356
Set requirements	<b>358,851</b>	280,193	176,520
Catering and food expenses	<b>230,288</b>	218,222	185,117
Other program expenses (see Note 23)	<b>341,443</b>	316,364	399,953
	<b>₱13,135,798</b>	₱12,345,277	₱11,833,615

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:

	Years Ended December 31		
	2019	2018	2017
Facilities-related expenses (see Notes 23 and 31)	<b>₱3,373,365</b>	₱3,111,145	₱3,280,228
Personnel expenses (see Notes 23 and 30)	<b>1,791,139</b>	1,558,068	1,560,519
Depreciation and amortization (see Note 10)	<b>1,787,828</b>	1,863,753	1,738,750
Programming costs	<b>1,735,839</b>	1,956,509	1,919,071
Bandwidth costs	<b>722,975</b>	740,114	634,309
Transportation and travel	<b>265,527</b>	275,120	228,124
Amortization of program rights (see Note 12)	<b>195,342</b>	219,863	256,279
Inventory costs (see Note 8)	<b>173,589</b>	112,698	107,737
Amortization of other intangible assets (see Note 12)	<b>98,248</b>	38,178	25,606
Stationery and office supplies	<b>94,969</b>	113,104	65,010
Taxes and licenses	<b>88,265</b>	84,988	65,079
Freight and delivery	<b>66,013</b>	77,769	81,295
License fees and royalties	<b>46,753</b>	48,791	44,888
Catering and food expenses	<b>30,421</b>	34,139	36,304

(Forward)





	Years Ended December 31		
	2019	2018	2017
Set requirements	<b>₱16,066</b>	₱18,808	₱28,423
Amortization of deferred charges (see Note 15)	<b>1,383</b>	292	6,993
Installation costs	<b>439</b>	249	619
Interconnection costs	—	125,478	277,763
Transaction costs	—	12,566	41,088
Others (see Note 23)	<b>522,765</b>	393,598	313,628
	<b>₱11,010,926</b>	₱10,785,230	₱10,711,713

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:

	Years Ended December 31		
	2019	2018	2017
Inventory costs (see Note 8)	<b>₱2,119,203</b>	₱2,441,075	₱2,016,341
Personnel expenses (see Notes 23 and 30)	—	21,919	38,020
Printing and reproduction	—	9,088	24,007
Handling and processing costs	—	7,557	13,204
Transportation and travel	—	3,144	2,723
Freight and delivery	—	—	2,716
Facilities-related expenses (see Notes 23 and 31)	—	—	2,443
Others	<b>17,477</b>	10,576	10,488
	<b>₱2,136,680</b>	₱2,493,359	₱2,109,942

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

## 27. General and Administrative Expenses

	Years Ended December 31		
	2019	2018	2017
Personnel expenses (see Notes 22, 23 and 30)	<b>₱6,371,136</b>	₱6,098,636	₱5,861,141
Provision for impairment losses (see Notes 10, 12, 14, 15, and 16)	<b>3,331,266</b>	—	—
Facilities-related expenses (see Notes 23 and 31)	<b>1,125,417</b>	1,185,976	1,025,094
Depreciation and amortization (see Notes 10 and 11)	<b>905,706</b>	890,099	846,932
Contracted services	<b>890,342</b>	829,456	878,372
Transportation and travel	<b>658,532</b>	684,284	651,276
Taxes and licenses	<b>553,561</b>	458,315	417,839

(Forward)



	Years Ended December 31		
	2019	2018	2017
Advertising and promotion (see Note 9)	532,812	779,884	1,035,597
Research and survey	426,419	477,611	264,752
Provision for ECL (see Note 7)	599,976	338,850	497,624
Donations and contributions	202,627	90,363	53,346
Entertainment, amusement and recreation	108,414	87,551	94,646
Amortization of other intangible assets (see Note 12)	68,621	49,585	37,816
Inventory losses (see Note 8)	56,951	58,414	27,391
Others	282,029	281,104	224,933
	<b>₱16,113,809</b>	<b>₱12,310,128</b>	<b>₱11,916,759</b>

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

## 28. Other Income and Expenses

### Finance Costs

	Years Ended December 31		
	2019	2018	2017
Interest expense (see Notes 18, 20 and 31)	₱1,423,504	₱1,061,666	₱931,459
Loss on early redemption of term loan and bonds payable (see Note 18)	80,788	—	—
Amortization of debt issue costs (see Note 18)	25,740	32,927	40,390
Bank service charges	17,390	30,084	36,067
	<b>₱1,547,422</b>	<b>₱1,124,677</b>	<b>₱1,007,916</b>

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

	Years Ended December 31		
	2019	2018	2017
Long-term debt (see Note 18)	₱1,224,850	₱925,674	₱829,341
Bonds payable (see Note 18)	111,134	117,615	86,314
Lease liabilities (see Note 31)	70,432	—	—
Convertible note (see Note 20)	17,088	15,837	15,531
Obligations under finance lease (see Note 18)	—	2,540	273
	<b>₱1,423,504</b>	<b>₱1,061,666</b>	<b>₱931,459</b>



Other Income

	Years Ended December 31		
	2019	2018	2017
Leasing operations (see Note 31)	<b>₱166,851</b>	₱137,653	₱122,946
Gain on sale of property and equipment	<b>27,870</b>	849	6,221
Dividend income	<b>9,183</b>	7,651	10,364
Management fees	—	—	16,737
Others - net (see Notes 20 and 21)	<b>326,565</b>	185,100	458,538
	<b>₱530,469</b>	<b>₱331,253</b>	<b>₱614,806</b>

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:

	2019	2018
Deferred tax assets - net:		
Allowance for ECL	<b>₱684,295</b>	₱572,636
NOLCO	<b>226,202</b>	740,776
License	<b>(149,828)</b>	(149,828)
Accrued expenses	<b>143,319</b>	116,271
Contract liabilities	<b>136,316</b>	—
Accrued pension obligation and other employee benefits	<b>96,629</b>	1,199,364
Excess of the purchase price over the fair value of net assets acquired	<b>(88,499)</b>	284,221
MCIT	<b>83,362</b>	324,713
Allowance for inventory obsolescence	<b>18,359</b>	13,579
Net unrealized foreign exchange gain	<b>(10,785)</b>	(48,930)
Customers' deposits	<b>9,003</b>	160,503
Unearned revenue	<b>7,853</b>	117,331
Lease liabilities	<b>2,294</b>	—
Allowance for impairment loss on property and equipment	<b>1,531</b>	1,531
Capitalized interest, duties, and taxes	—	(222,240)
Imputed discount	—	(84,536)
Others	<b>(12,944)</b>	(4,588)
	<b>₱1,147,107</b>	<b>₱3,020,803</b>
Deferred tax liability -		
Capitalized interest, duties, and taxes	<b>₱230,045</b>	₱—
Excess of the fair value over the book value of net assets acquired	<b>138,271</b>	138,271
Imputed discount	<b>84,536</b>	—
Lease liabilities - net	<b>5,503</b>	—
	<b>₱458,355</b>	<b>₱138,271</b>



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

	2019	2018
Accrued pension obligation and others	<b>₱6,382,114</b>	₱393,296
Allowance for ECL	<b>903,601</b>	698,945
NOLCO	<b>684,033</b>	1,482,952
MCIT	<b>213,867</b>	3,172
Allowance for impairment loss on property and equipment	<b>83,846</b>	83,846
Allowance for decline in value of inventories	<b>66,616</b>	92,145
Contract liabilities	<b>339,808</b>	—
Unearned revenue	<b>377,891</b>	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 ₱1,312 million and ₱897 million have expired in 2019 and 2018, respectively. NOLCO amounting to ₱877 million and ₱49 million were claimed as deduction against taxable income in 2019 and 2018, respectively.

MCIT amounting to ₱9 million have expired and were written off in 2019. MCIT amounting to ₱58 million were claimed as deduction against taxable income in 2019.

MCIT amounting to ₱302 million can be claimed as tax credit against future RCIT as follows:

Year Paid	Expiry Dates	Amount
2017	December 31, 2020	<b>₱63,764</b>
2018	December 31, 2021	<b>207,345</b>
2019	December 31, 2022	<b>26,120</b>
		<b>₱297,229</b>

NOLCO of certain subsidiaries amounting to ₱1,476 million can be claimed as deductions from future taxable income as follows:

Year Incurred	Expiry Dates	Amount
2017	December 31, 2020	<b>₱224,112</b>
2018	December 31, 2021	<b>450,553</b>
2019	December 31, 2022	<b>763,375</b>
		<b>₱1,438,040</b>

As at December 31, 2019 and 2018, deferred tax liability on undistributed earnings of ABS-CBN Global, holding company of the Parent Company's foreign subsidiaries, amounting to ₱2,060 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:

	<b>Years Ended December 31</b>		
	<b>2019</b>	2018	2017
Statutory tax rate	<b>30%</b>	30%	30%
Additions to (reduction in) income taxes resulting from the tax effects of:			
Interest income subjected to final tax	<b>(48)</b>	3	1
Nondeductible interest expense	<b>(1)</b>	1	8
Change in unrecognized deferred tax assets and others	<b>(637)</b>	(30)	(18)
Effective tax rates	<b>(656%)</b>	4%	20%

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.

On January 28, 2016, the PEZA approved the application of ABS-CBN Studios, Inc. for registration as an IT Export Enterprise for IT-enabled film and television content production at Barangay Sto. Cristo and Kaybanban, San Jose del Monte City, Bulacan which is an IT park to be known as “Horizon IT Park”.

On January 22, 2018, the PEZA approved the application of Rosetta Holdings Corporation for registration as an Ecozone Developer to establish, develop, administer, manage and operate the Horizon IT Park.

#### 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 and ₱6 million for the years ended December 31, 2019 and 2018, respectively.

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### 30. Pension and Other Employee Benefits

Accrued pension obligation and other employee benefits consist of:

	<b>2019</b>	2018
Pension obligation	<b>₱5,085,284</b>	₱3,925,615
Other employee benefits	<b>2,054,986</b>	1,674,467
	<b>₱7,140,270</b>	₱5,600,082



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

	2019	2018
Current (see Note 17)	<b>₱1,135,838</b>	₱1,570,191
Noncurrent	<b>6,004,432</b>	4,029,891
	<b>₱7,140,270</b>	₱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:

Net Pension Expense

	Years Ended December 31		
	2019	2018	2017
Current service cost	<b>₱570,511</b>	₱620,532	₱642,280
Net interest cost	<b>253,384</b>	244,497	154,386
Past service cost (income)	—	(13,975)	22,124
Curtailment	—	5,315	—
Settlement loss	—	12,458	—
Net pension expense	<b>₱823,895</b>	₱868,827	₱818,790

Accrued Pension Obligation

	2019	2018
Present value of obligation	<b>₱6,989,191</b>	₱5,841,573
Fair value of plan assets	<b>(1,903,907)</b>	(1,915,958)
Accrued pension obligation	<b>₱5,085,284</b>	₱3,925,615



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

	2019	2018
Defined benefit obligation at beginning of year	<b>₱5,841,573</b>	₱6,899,614
Current service cost	<b>570,511</b>	620,532
Interest cost	<b>401,386</b>	383,624
Actuarial losses (gains) arising from:		
Change in financial assumptions	<b>765,848</b>	(1,472,906)
Change in demographic assumptions	<b>(597,036)</b>	(85,703)
Experience adjustments	<b>354,190</b>	85,261
Benefits paid	<b>(347,281)</b>	(592,647)
Past service income	—	(13,975)
Settlement loss	—	12,458
Curtailment	—	5,315
Defined benefit obligation at end of year	<b>₱6,989,191</b>	₱5,841,573

Changes in the fair value of plan assets of the Parent Company and Sky Cable are as follows:

	2019	2018
Fair value of plan assets at beginning of year	<b>₱1,915,958</b>	₱2,583,555
Interest income included in net interest cost	<b>148,002</b>	139,127
Actual contributions	—	196,000
Return on plan assets excluding amount included in net interest cost	<b>(160,053)</b>	(995,309)
Losses on return on plan assets	—	(7,415)
Fair value of plan assets at end of year	<b>₱1,903,907</b>	₱1,915,958

Income tax effect of re-measurement gains and losses on defined benefit plan presented in OCI amounted to (₱203 million), ₱139 million and ₱273 million in 2019, 2018 and 2017 respectively.

The Parent Company and Sky Cable expect to contribute ₱934 million and ₱460 million, respectively, to the retirement fund in 2020.

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

	2019	2018
Investment in fixed/floating rate treasury note	<b>₱141,154</b>	₱193,512
Investment in government securities and bonds	<b>591,275</b>	429,175
Investment in stocks	<b>1,163,910</b>	1,268,364
Others	<b>7,568</b>	24,907
	<b>₱1,903,907</b>	₱1,915,958

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

	December 31	January 1	
	2019	2019	2018
Discount rate	<b>4.70%-5.39%</b>	5.71%-7.47%	5.70%-5.81%
Future salary rate increases	<b>4.0%-6.0%</b>	3.0%-7.0%	3.0%-11.0%



### 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 66% and 34% as at December 31, 2019, respectively, and 71% and 29% as at December 31, 2018, respectively. The Parent Company contributed nil and ₱196 million in 2019 and 2018, respectively.

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 December 31, 2019 and 2018 are as follows:

	2019	2018
Fixed Income:		
Short-term	<b>₱21,567</b>	₱102,203
Medium and long-term:		
Government securities	<b>416,139</b>	252,550
Corporate bonds	<b>153,201</b>	153,631
Peso bond mutual funds	—	11,654
Preferred shares	<b>2,693</b>	3,641
Equities:		
Investment in shares of stock and other securities of related parties	<b>825,169</b>	961,081
Common shares and unit investment trust fund (UITF)	<b>333,718</b>	293,998
	<b>₱1,752,487</b>	₱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 3.5% to 3.75% 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 3.5% to 8.0% 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 ₱153 million and ₱154 million as at December 31, 2019 and 2018, respectively, with terms ranging from 7 years to 15 years. Yield to maturity rate ranges from 4% to 8% in 2019 and 2018, respectively.

Investment in peso bond mutual fund has a total cost and fair value of nil as of December 31, 2019 and ₱12 million as of December 31, 2018.

In 2019 and 2018, investment in preferred stock refers to 4,700 shares and 5,700 shares with a total cost of ₱3 million and ₱4 million and loss of ₱70 thousand and ₱170 thousand, respectively. The fair value of preferred stock is ₱3 million and ₱4 million as at December 31, 2019 and 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.

December 31, 2019				
	Number of Shares	Cost	Fair Value	Unrealized Gain (Loss)
ABS-CBN Holdings PDRs	34,903,218	₱1,515,864	₱537,510	(₱978,354)
ABS-CBN Common	501,320	24,052	7,921	(16,131)
Lopez Holdings	65,996,580	227,173	244,847	17,674
Rockwell Land	17,103,433	34,476	34,891	415
	<b>118,504,551</b>	<b>₱1,801,565</b>	<b>₱825,169</b>	<b>(₱976,396)</b>

December 31, 2018				
	Number of Shares	Cost	Fair Value	Unrealized Gain (Loss)
ABS-CBN Holdings 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)
	<b>118,504,551</b>	<b>₱1,801,570</b>	<b>₱961,081</b>	<b>(₱840,489)</b>

As at December 31, 2019 and 2018, the value of each ABS-CBN PDRs held by the retirement fund is at ₱15.40 and ₱18.70, respectively.

Total loss from investments in shares of stock and other securities of related parties amounted to ₱976 million and ₱840 million in 2019 and 2018, respectively.

*Investments in Common Shares and UITF.* Common shares pertain to 16,093,379 shares and 29,493,504 shares listed in the PSE in 2019 and 2018, respectively, with fair value of ₱278 million and ₱294 million as at December 31, 2019 and 2018, respectively. Total gain (loss) from these investments amounted to (₱21 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 December 31, 2019 and 2018 are as follows:

	2019	2018
Short-term fixed income	<b>₱4,876</b>	₱12,436
Investment in medium and long-term fixed income:		
Government securities	<b>119,586</b>	97,175
Corporate bonds and debt securities	<b>21,935</b>	19,508
Unit investment trust fund	<b>1,904</b>	4,830
Investment in shares of stock of First Gen Corporation (First Gen)	<b>1,119</b>	1,030
Preferred shares	<b>2,000</b>	2,221
	<b>₱151,420</b>	₱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 3.3% and 3.6% as at December 31, 2019 and 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 2.90% to 6.88% and 2.90% to 7.90% as at December 31, 2019 and 2018, respectively. These securities are fully guaranteed by the government of the Republic of the Philippines. Total losses from investments in government securities amounted to ₱3 million and ₱1 million for the years ended December 31, 2019 and 2018, respectively.

*Investment in Corporate Bonds.* These pertain to ₱22 million unsecured bonds with terms ranging from 5 to 10 years as at December 31, 2019 and 2018. Yield to maturity rate ranges from 4.6% to 7.5% with losses of ₱22 thousand and ₱42 thousand in 2019 and 2018, respectively.

*Investment in Debt Securities.* This refers to a ₱1 million unsecured subordinated note with a term of 5 years and yield to maturity of 6.7% as at December 31, 2019 and 2018, respectively. Accrued interest receivable amounted to ₱53 thousand as at December 31, 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 and ₱1 million as at December 31, 2019 and 2018. Total gain from these investments amounted to ₱75 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 consist of accumulated employee sick and vacation leave entitlement.

Net Benefit Expense

	Years Ended December 31		
	2019	2018	2017
Current service cost	<b>₱157,455</b>	₱188,441	₱152,531
Interest cost	<b>208,631</b>	88,525	98,791
Net actuarial loss (gain)	<b>119,870</b>	(83,264)	(406,616)
Net benefit expense (income)	<b>₱485,956</b>	₱193,702	(₱155,294)

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

	2019	2018
Defined benefit obligation at beginning of year	<b>₱1,674,467</b>	₱1,828,560
Current service cost	<b>157,455</b>	188,441
Interest cost	<b>119,870</b>	88,525
Actuarial loss (gain)	<b>208,631</b>	(83,264)
Benefits paid	<b>(105,437)</b>	(347,795)
Defined benefit obligation at end of year	<b>₱2,054,986</b>	₱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:

	2019	2018
	Increase (Decrease) in Defined Benefit Obligation	Increase (Decrease) in Defined Benefit Obligation
Discount rate:		
Increase by 1%	<b>(₱345,879)</b>	(₱358,247)
Decrease by 1%	<b>645,574</b>	492,165
Future salary increases:		
Increase by 1%	<b>₱385,247</b>	₱533,976
Decrease by 1%	<b>(599,003)</b>	(401,945)

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

Year	December 31, 2019	December 31, 2018
One year	<b>2,151,653</b>	₱481,740
More than one year but less than five years	<b>1,920,348</b>	2,638,071
More than five years but less than ten years	<b>3,109,374</b>	3,848,768
Beyond ten years	<b>14,253,386</b>	16,991,187

The average duration of the defined benefit obligation at the end of the period ranges from 12 to 27 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 of 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 ₱506 million, ₱721 million and ₱733 million in 2019, 2018 and 2017, respectively.

#### 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:

<u>Year</u>	<u>Amount*</u>
Within one year	₱1,083,751
After one year but not more than five years	1,082,750

*\*Includes variable fees based on the number of active subscribers as at December 31, 2019.*

#### 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 network sharing agreement with Globe expired on November 30, 2018 and was no longer renewed. The Company recognized interconnection cost amounting to ₱119 million and ₱202 million in 2018 and 2017, respectively (see Note 26).

#### Lease Commitments

*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:

	2019	2018
Within one year	<b>₱38,624</b>	₱65,763
After one year but not more than five years	<b>2,623</b>	72,923
	<b>₱41,247</b>	₱138,686

*As Lessee.* The Parent Company and subsidiaries lease office facilities, space, equipment and IRU granted by various telecommunication companies. These lease agreements include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

The rollforward analysis of right-of-use asset in 2019 follows:

<b>Cost</b>	
At January 1, as previously reported	₱589,997
Effect of adoption of standard	967,868
At January 1, as adjusted	1,557,865
Additions	397,254
Disposals	(75,810)
At December 31	1,879,309
<b>Accumulated Depreciation</b>	
At January 1	178,635
Effect of adoption of standard	—
At January 1, as adjusted	178,635
Depreciation	363,725
Disposals	(11,573)
Impairment loss	81,660
Translation adjustments	(2,584)
At December 31	609,863
<b>Net Book Value</b>	<b>₱1,269,446</b>

The following are the amounts recognized in the Company's consolidated statement of income in 2019:

Depreciation expense of right-of-use asset	₱363,725
Interest expense on lease liability	70,432
Expenses relating to short-term leases (included under "Facilities-related expense" in cost of services)	193,415
Expenses relating to short-term leases (included under "Facilities-related expense" in general and administrative expenses)	59,683
<b>Total amount recognized in the statement of comprehensive income</b>	<b>₱687,255</b>



The rollforward analysis of lease liability in 2019 follows:

As at January 1, 2019	₱14,826
Effect of adoption of PFRS 16	1,015,823
At January 1, 2019, as adjusted	1,030,649
Additions	397,254
Interest expense	70,432
Interest paid	(71,096)
Payments	(344,537)
Translation adjustment	664
Total	1,083,366
Less current portion	302,647
	₱780,719

*Prior to adoption of PFRS 16*

#### 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:

	2018
Within one year	₱173,138
After one year but not more than five years	697,605
After five years but not more than ten years	220,860
	₱1,091,603

#### 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:

	2018
Within one year	₱9,777
After one year but not more than five years	24,307
Total minimum lease payments	34,084
Less amounts representing finance charges	5,669
Present value of minimum lease payments	28,415
Less current portion	7,413
Noncurrent portion	₱21,002

### **32. Financial Risk Management Objectives and Policies**

The Company's principal financial instruments comprise cash and cash equivalents, short-term investments, investments in equity securities and club shares and interest-bearing loans and borrowings. The main purpose of these financial instruments is to raise funds for the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.



It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The BOD reviews and agrees on the policies for managing each of these risks and they are summarized below.

#### Cash Flow Interest Rate Risk

The Company's exposure to the risk for changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates.

To manage this mix in a cost-efficient manner, it is the Company's policy to enter into interest rate swaps whenever the need arises. Without the existence of any swaps, the Company's loan with fixed rate of interest is at about 96% of the total loans at the end of 2017. As at December 31, 2019 and 2018, there are no freestanding derivative contracts.

The following table sets out the carrying amount, by maturity, of the Company's consolidated financial instruments that are exposed to interest rate risk:

	Within One Year	One to Two Years	Two to Three Years	Three to Four Years	Four to Five Years	More than Five Years	Transaction Costs and Discount	Total
2017								
Interest-bearing loans and borrowings - Floating rate	₱10,441	₱756,580	₱2,732	₱2,894	₱24,902	₱-	(₱1,546)	₱796,003

Interest on financial instruments classified as floating rate is repriced at intervals of three months. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Company that are not included in the above tables are noninterest-bearing and are therefore not subject to interest rate risk.

#### Foreign Currency Risk

It is the Company's policy to enter into cross currency swaps whenever the need arises to manage foreign currency risk and eliminate the variability of cash flows due to changes in the fair value of the foreign-currency denominated debt with maturity of more than one year.

As at December 31, 2019 and 2018, there are no freestanding derivative contracts and the Company's long-term loan obligations are generally in Philippine currency.

The Company, however, has transactional currency exposures. Such exposure arises when the transaction is denominated in currencies other than the functional currency of the operating unit or the counterparty.



The following tables show the Company's significant foreign currency-denominated financial assets and liabilities and their Philippine peso equivalents as at December 31, 2019 and 2018:

	Original Currency														
	USD	EUR	JPY	CAD	GBP	AUD	AED	Swiss Franc (CHF)	Norway Kroner (NOK)	Denmark Kroner (DKK)	Sweden Kroner (SEK)	Saudi Arabia Riyal (SAR)	Taiwan Dollar (TWD)	Israeli New Shekel (ILS)	Peso Equivalent
December 31, 2019															
Financial assets:															
Cash and cash equivalents	109,160	8,137	39,176	1,682	4,296	1,215	1,355	370	270	1,313	75	3	–	58	6,448,872
Trade and other receivables	28,156	160	27,266	2,307	7,148	764	944	5	10	19	–	538	178	13	2,058,807
	137,316	8,297	66,442	3,989	11,444	1,979	2,299	375	280	1,332	75	541	178	71	8,507,679
Financial liabilities:															
Trade and other payables	14,241	11	6,247	651	115	114	94	–	–	–	–	733	–	–	772,677
Obligations for program rights	2,743	–	–	–	–	–	–	–	–	–	–	–	–	–	138,912
	16,984	11	6,247	651	115	114	94	–	–	–	–	733	–	–	911,589
Net foreign currency-denominated financial assets (liabilities)	120,332	8,286	60,195	3,338	11,329	1,865	2,205	375	280	1,332	75	(192)	178	71	7,596,090
December 31, 2018															
Financial assets:															
Cash and cash equivalents	83,630	7,862	57,056	39,190	4,300	1,010	1,478	370	260	1,314	75	5	–	58	6,784,598
Trade and other receivables	42,223	180	43,505	3,699	7,037	617	1,508	–	–	–	–	–	428	–	2,908,294
	125,853	8,042	100,561	42,889	11,337	1,627	2,986	370	260	1,314	75	5	428	58	9,692,892
Financial liabilities:															
Trade and other payables	15,811	31	6,410	682	2,384	96	318	–	–	–	–	155	36	–	1,031,751
Obligations for program rights	2,120	–	–	–	–	–	–	–	–	–	–	–	–	–	111,470
	17,931	31	6,410	682	2,384	96	318	–	–	–	–	155	36	–	1,143,221
Net foreign currency-denominated financial assets (liabilities)	107,922	8,011	94,151	42,207	8,953	1,531	2,668	370	260	1,314	75	(150)	392	58	8,549,671





In translating the foreign currency-denominated monetary assets and liabilities into Philippine peso amounts, the Company used the following exchange rates:

Currency	2019	2018
USD	50.64	52.58
EUR	56.51	60.09
JPY	0.46	0.48
CAD	38.73	38.50
GBP	66.30	66.67
AUD	35.31	36.96
AED	13.82	14.29
CHF	51.95	55.05
NOK	5.72	6.03
DKK	7.57	8.05
SEK	5.41	5.85
SAR	13.52	14.00
TWD	1.69	1.72
ILS	14.64	13.94

The following tables demonstrate the sensitivity of the Company's income before income tax to a reasonably possible change in foreign exchange rates, with all other variables held constant. There is no impact on the Company's equity other than those already affecting the net income.

	2019		2018	
	Increase (Decrease) in ₱ to Foreign Currency Exchange Rate	Effect on Income Before Income Tax	Increase (Decrease) in ₱ to Foreign Currency Exchange Rate	Effect on Income Before Income Tax
USD	0.3%	13,956	0.8%	2,477
	-0.7%	(26,975)	-0.4%	(1,134)
EUR	0.3%	1,153	1.0%	3,316
	-0.9%	(2,998)	-1.0%	(3,271)
JPY	0.8%	582	1.5%	593
	-1.1%	(738)	-0.9%	(365)
CAD	0.6%	1,591	0.8%	14,296
	-0.6%	(1,461)	-1.0%	(19,312)
GBP	0.8%	4,263	1.2%	113
	-0.9%	(4,511)	-1.3%	(124)
AUD	0.6%	421	1.0%	591
	-1.0%	(681)	-1.4%	(876)
AED	0.4%	(202)	0.8%	(142)
	-0.7%	352	-0.4%	74
CHF	0.8%	65	1.2%	99
	-1.1%	(83)	-0.9%	(74)
NOK	0.7%	11	1.4%	22
	-1.1%	(18)	-1.5%	(23)
DKK	0.3%	34	1.0%	104
	-0.9%	(88)	-1.0%	(105)
SEK	0.5%	—	1.3%	1
	-1.2%	(1)	-1.6%	(2)
SAR	0.4%	40	0.8%	78
	-0.7%	(68)	-0.4%	(41)
TWD	0.4%	1	0.8%	6
	-0.6%	(2)	-0.7%	(5)
ILS	0.8%	8	0.9%	76
	-0.4%	(4)	-1.1%	(99)



The change in currency rate is based on the Company's best estimate of expected change considering historical trends and experiences. Positive change in currency rate reflects a weaker peso against foreign currency.

The Company computes for the percentages of changes in exchange rates for the foreign currency-denominated accounts by comparing the year-end closing rates or existing foreign currency exchange rates with the forward foreign currency exchange rates two months before and after financial reporting date. The Company assumes the trend for the six months period to be its exposure on foreign currency fluctuations.

#### Credit Risk

The Company is exposed to credit risk from its operational and financing activities. On the Company's credit risk arising from operating activities, the Company only extends credit with recognized and accredited third parties. The Company implements a pay before broadcast policy to new customers. In addition, receivable balances are monitored on an ongoing basis. Such determination takes into consideration the age of the receivable and the current solvency of the individual accounts.

The Company holds deposits in connection with its subscription contracts amounting to ₱377 million and ₱354 million as at December 31, 2019 and 2018, respectively (see Note 21). There is no requirement for collateral over the Company's other trade receivables since the Company trades only with recognized and accredited counterparties, thus, maximum exposure to credit risk is equal to the carrying value of the financial instruments.

With regard to the Company's financing activities, as a general rule, the Company transacts these activities with counterparties that have a long credit history in the market and outstanding relationship with the Company. The policy of the Company is to have the BOD accredit these banks and/or financial institutions before any of these financing activities take place.

With respect to credit risk arising from the financial assets of the Company, exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

*Credit Risk Exposures.* The table below shows the maximum exposure to on- and off-balance sheet credit risk exposures of the Company, without considering the effects of collateral, credit enhancements and other credit risk mitigation techniques as at December 31:

	2019	2018
Financial assets at amortized cost:		
Cash and cash equivalents (excluding cash on hand)	<b>₱12,114,563</b>	₱18,057,913
Short-term investments	<b>6,998,695</b>	1,804,041
Trade and other receivables - net	<b>10,605,433</b>	10,369,080
Deposits	<b>324,959</b>	297,525
Financial asset at FVOCI	<b>263,126</b>	268,304
	<b>₱30,306,776</b>	₱30,796,863



*Credit Quality per Class of Financial Asset.* The credit quality of financial assets is being managed by the Company using internal credit ratings. The following tables show the credit quality by class of financial assets based on the Company's credit rating system as at December 31, 2019 and 2018:

December 31, 2019						
	Neither Past Due nor Impaired			Past Due but		
	High	Moderate	Low	not Impaired	Impaired	Total
Financial assets at amortized cost:						
Cash and cash equivalents:						
Cash in banks	₱5,977,747	₱—	₱—	₱—	₱—	₱5,977,747
Cash equivalents	6,136,816	—	—	—	—	6,136,816
Short-term investments	6,998,695	—	—	—	—	6,998,695
Trade receivables:						
Airtime	3,338,685	1,137,305	74,328	1,208,429	342,847	6,101,594
Subscriptions	410,742	181,810	125,088	595,185	1,516,872	2,829,697
Others	489,378	55,205	38,542	1,165,602	361,842	2,110,569
Nontrade receivables	196,853	173,204	369,069	720,530	296,536	1,756,192
Due from related parties	—	—	—	325,478	—	325,478
Deposits	324,959	—	—	—	—	324,959
Financial assets at FVOCI	263,126	—	—	—	—	263,126
	₱24,137,001	₱1,547,524	₱607,027	₱4,015,224	₱2,518,097	₱32,824,873

December 31, 2018						
	Neither Past Due nor Impaired			Past Due but		
	High	Moderate	Low	not Impaired	Impaired	Total
Financial assets at amortized cost:						
Cash and cash equivalents:						
Cash in banks	₱11,185,798	₱—	₱—	₱—	₱—	₱11,185,798
Cash equivalents	6,872,115	—	—	—	—	6,872,115
Short-term investments	1,804,041	—	—	—	—	1,804,041
Trade receivables:						
Airtime	3,395,544	1,120,953	33,148	1,265,835	317,485	6,132,965
Subscriptions	355,292	7,318	139,801	727,954	1,342,220	2,572,585
Others	991,362	76,646	5,179	924,963	320,749	2,318,899
Nontrade receivables	183,250	108,832	143,757	430,961	69,500	936,300
Due from related parties	—	—	—	458,285	—	458,285
Deposits	297,525	—	—	—	—	297,525
Financial assets at FVOCI	268,304	—	—	—	—	268,304
	₱25,353,231	₱1,313,749	₱321,885	₱3,807,998	₱2,049,954	₱32,846,817

The credit quality of the financial assets was determined as follows:

- **High Credit Quality**

This includes deposits or placements to counterparties with good credit rating or bank standing. For receivables, this covers, as at financial reporting date, accounts of good paying customers, with good credit standing and with no history of account treatment for a defined period. This also includes claims from Elite subscribers, advance payers, airtime and channel lease with advance payment arrangements, related parties with offsetting arrangement and existing employees.

- **Moderate Credit Quality**

For receivables, this covers accounts of standard paying customers, those whose payments are within the credit term, and new customers for which sufficient credit history has not been established. This also includes claims from Superior subscribers, airtime and channel lease and related parties without offsetting arrangement.



▪ Low Credit Quality

For receivables, this covers accounts of slow paying customers and those whose payments are received upon demand at financial reporting date. This also includes claims from Special subscribers.

Trade Receivables

These represent amounts collectible from advertising agencies, advertisers or trade customers arising from the sale of airtime, subscription, services and/or goods in the ordinary course of business.

*Airtime.* This account refers to revenue generated from the sale of time or time block within the on-air broadcast hours on television and radio.

*Subscriptions.* This account refers to revenue generated from regular subscriber's fees for either: (1) access to programs aired through DTH and cable television systems, or (2) direct sale of publications to subscribers.

*Others.* This account refers to other revenue generated from the sale of goods and services.

Nontrade Receivables

These represent claims, arising from sources other than the sale of airtime, subscriptions, services and goods in the ordinary course of business, that are reasonably expected to be realized in cash.

The following tables show the aging analysis of past due but not impaired receivables per class that the Company held as at December 31, 2019 and 2018. A financial asset is past due when a counterparty has failed to make a payment when contractually due.

December 31, 2019						
	Neither Past Due nor Impaired	Past Due but not Impaired		Impaired	Allowance	Total
		Less than 30	30 Days and Over			
Trade receivables:						
Airtime	₱4,550,318	₱661,346	₱547,083	₱342,847	(₱342,847)	₱5,758,747
Subscriptions	717,640	253,666	341,519	1,516,872	(1,516,872)	1,312,825
Others	583,125	619,039	546,563	361,842	(361,842)	1,748,727
Nontrade receivables	739,126	196,444	524,086	296,536	(296,536)	1,459,656
Due from related parties	—	—	325,478	—	—	325,478
	₱6,590,209	₱1,730,495	₱2,284,729	₱2,518,097	(₱2,518,097)	₱10,605,433

December 31, 2018						
	Neither Past Due nor Impaired	Past Due but not Impaired		Impaired	Allowance	Total
		Less than 30	30 Days and Over			
Trade receivables:						
Airtime	₱4,549,645	₱570,997	₱694,838	₱317,485	(₱317,485)	₱5,815,480
Subscriptions	502,411	73,782	654,172	1,342,220	(1,342,220)	1,230,365
Others	1,073,187	187,913	737,050	320,749	(320,749)	1,998,150
Nontrade receivables	435,839	128,024	302,937	69,500	(69,500)	866,800
Due from related parties	—	—	458,285	—	—	458,285
	₱6,561,082	₱960,716	₱2,847,282	₱2,049,954	(₱2,049,954)	₱10,369,080

Liquidity Risk

The Company seeks to manage its funds through cash planning on a weekly basis. This undertaking specifically considers the maturity of both the financial investments and financial assets and projected operational disbursements. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. As a general rule, cash balance should be equal to ₱3.5 billion at any given time to compensate for 2 months of operational exigencies amidst occasional fluctuation of cash inflows.



It is the Company's objective to maintain a balance between continuity of funding and flexibility through the use of bank credit and investment facilities. As such, the Company continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities such as the ₱6 billion bond issuance in 2014 and refinancing of loans from 2016 to 2019. Currently, the debt maturity profile of the Company ranges from 0.20 to 10 years. Also, the Company places funds in the money market only when there are surpluses from the Company's requirements. Placements are strictly made based on cash planning assumptions and as much as possible, covers only a short period of time.

The tables below summarize the maturity profile of the Company's financial assets and liabilities based on contractual undiscounted payments.

December 31, 2019						
	Within One Year	One to Two Years	Two to Three Years	Three to Four Years	More than Four Years	Total
Cash and cash equivalents	₱12,169,917	₱-	₱-	₱-	₱-	₱12,169,917
Short-term investment	6,998,695	-	-	-	-	6,998,695
Trade receivables:						
Airtime	5,758,747	-	-	-	-	5,758,747
Subscription	1,312,825	-	-	-	-	1,312,825
Others	1,748,727	-	-	-	-	1,748,727
Nontrade receivables	1,459,656	-	-	-	-	1,459,656
Due from related parties	325,478	-	-	-	-	325,478
	29,774,045	-	-	-	-	29,774,045
Trade and other payables*	9,823,899	-	-	-	-	9,823,899
Obligations for program rights	319,908	280,426	180,000	-	-	780,334
Lease liabilities	360,201	299,696	206,383	143,268	202,805	1,212,353
Interest-bearing loans and borrowings	1,986,699	2,637,384	1,664,191	1,824,560	27,039,545	35,152,379
Customers' deposits	-	1,721	48,079	71,636	85,571	207,007
	12,490,707	3,219,227	2,098,653	2,039,464	27,327,921	47,175,972
Net	₱17,283,338	(₱3,219,227)	(₱2,098,653)	(71,636)	(₱27,327,921)	(₱17,401,927)

\*Excluding customers' deposits, accrued taxes and other payables to government agencies.

December 31, 2018						
	Within One Year	One to Two Years	Two to Three Years	Three to Four Years	More than Four Years	Total
Cash and cash equivalents	₱18,104,686	₱-	₱-	₱-	₱-	₱18,104,686
Short-term investment	1,804,041	-	-	-	-	1,804,041
Trade receivables:						
Airtime	5,815,480	-	-	-	-	5,815,480
Subscription	1,037,887	-	-	-	-	1,037,887
Others	1,998,150	-	-	-	-	1,998,150
Nontrade receivables	866,800	-	-	-	-	866,800
Due from related parties	458,285	-	-	-	-	458,285
	30,085,329	-	-	-	-	30,085,329
Trade and other payables*	11,071,207	-	-	-	-	11,071,207
Obligations for program rights	792,570	62,222	62,222	62,222	62,222	1,041,458
Interest-bearing loans and borrowings	1,527,993	1,389,349	8,055,109	1,019,686	22,522,168	34,514,305
Customers' deposits	-	2,189	61,154	91,116	108,841	263,300
	13,391,770	1,453,760	8,178,485	1,173,024	22,693,231	46,890,270
Net	₱16,693,559	(₱1,453,760)	(₱8,178,485)	(₱1,173,024)	(₱22,693,231)	(₱16,804,941)

\*Excluding customers' deposits, accrued taxes and other payables to government agencies.

### 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. No changes were made in capital management objectives, policies or processes for the years ended December 31, 2019 and 2018.



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.

As evidenced by the quarterly financial certificates that the Company issued to its lenders, all financial ratios are within the required limits all throughout 2019 and 2018 as follows:

<b>2019 Financial Ratios</b>	<b>Required</b>	<b>1st Quarter</b>	<b>2nd Quarter</b>	<b>3rd Quarter</b>	<b>4th Quarter</b>
<b>Loan Agreement</b>					
Debt to equity	Less than or equal to 2.50	1.36	1.47	1.30	1.55
Debt service coverage ratio	Greater than or equal to 1.20	10.67	10.56	7.09	10.49
<b>2018 Financial Ratios</b>					
<b>Loan Agreement</b>					
Debt to equity	Less than or equal to 2.50	1.47	1.45	1.44	1.37
Debt service coverage ratio	Greater than or equal to 1.10	11.30	11.48	12.97	10.54

The following table shows the financial ratios that Sky Cable is required to maintain in accordance with the Fixed Rate Corporate Notes Facility Agreement for the loans:

<b>Financial ratios</b>	<b>Required</b>
Total liabilities to equity	Maintain at all times not exceeding 2:1
Debt service coverage ratio	Maintain at least 1.5 times

### 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 December 31, 2019 and 2018. There are no material unrecognized financial assets and liabilities as at December 31, 2019 and 2018.

	<b>December 31, 2019</b>				
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial Assets</b>					
Financial assets at amortized cost:					
Deposits (included under "Other noncurrent assets" account in the consolidated statements of financial position)	<b>₱324,959</b>	<b>₱315,598</b>	<b>₱-</b>	<b>₱-</b>	<b>₱315,598</b>
Financial assets at FVOCI	<b>263,126</b>	<b>263,126</b>	<b>187,424</b>	<b>-</b>	<b>75,702</b>
	<b>₱588,085</b>	<b>₱578,724</b>	<b>₱187,424</b>	<b>₱-</b>	<b>₱391,300</b>
<b>Financial Liabilities</b>					
Other financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	<b>₱26,026,599</b>	<b>₱28,214,833</b>	<b>₱-</b>	<b>₱-</b>	<b>₱28,214,833</b>
Obligations for program rights	<b>744,906</b>	<b>780,334</b>	<b>-</b>	<b>780,334</b>	<b>-</b>
Convertible note	<b>238,305</b>	<b>258,365</b>	<b>-</b>	<b>-</b>	<b>258,365</b>
Customers' deposits (included as part of "Other noncurrent liabilities")	<b>377,283</b>	<b>346,438</b>	<b>-</b>	<b>-</b>	<b>346,438</b>
	<b>₱27,387,093</b>	<b>₱29,599,970</b>	<b>₱-</b>	<b>₱780,334</b>	<b>₱28,819,636</b>



December 31, 2018					
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
<b>Financial Assets</b>					
Financial assets at amortized cost:					
Deposits (included under "Other noncurrent assets" account in the consolidated statements of financial position)	P297,525	P278,087	P—	P—	P278,087
Financial assets at FVOCI	268,304	268,304	194,324	—	73,940
	P565,829	P546,391	P194,324	P—	P352,027
<b>Financial Liabilities</b>					
Other financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	P28,225,495	P28,347,441	P—	P—	P28,347,441
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
	P29,783,893	P29,809,834	P—	P871,681	P28,938,153

### Fair Value of Financial Instruments

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.

*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 from 3.1% to 4.4% in 2019 and 0.4% to 3.7% in 2018.

*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 plus 1% credit spread, respectively.

*Customers' Deposits.* The fair values were calculated by discounting the expected future cash flows using the applicable BVAL rates ranging from 3.11% to 5.23% in 2019 and prevailing BVAL rates plus applicable credit spread ranging 2.8% to 4.7% in 2018.



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

Offsetting of Financial Assets and Financial Liabilities

There is no offsetting of financial assets and financial liabilities as at December 31, 2019 and 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:

	Years Ended December 31		
	2019	2018	2017
Net income (loss) attributable to equity holders of the Parent Company	(P1,624,858)	P2,110,251	P3,333,889
Dividends on preferred shares	(4,000)	(4,000)	(4,000)
(a) Net income (loss) attributable to common equity holders of the Parent Company	(P1,628,858)	P2,106,251	P3,329,889
(b) Weighted average number of shares outstanding:			
At beginning and end of year	822,972,436	822,972,436	822,972,436
Basic/diluted EPS (a/b)	(P1.979)	P2.560	P4.046

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

	Years Ended December 31		
	2019	2018	2017
Noncash investing activities:			
Acquisitions of program rights on account	P428,104	P734,724	P435,700

Changes in liabilities arising from financing activities:

	January 1, 2019	Cash flows	Noncash changes	December 31, 2019
Term loans	P28,197,080	(P2,212,020)	P41,539	P26,026,599
Lease liabilities	1,030,649	(415,633)	468,350	1,083,366
Interest payable (Note 17)	309,525	(1,383,173)	1,355,270	281,622
Dividends payable (Note 17)	286,024	(460,487)	478,655	304,192
Deposits for future subscription (Note 17)	1,287,014	–	64,600	1,351,614
Total liabilities from financing activities	P31,110,292	(P4,471,313)	P2,408,414	P29,047,393





	January 1, 2018	Cash flows	Noncash changes	December 31, 2018
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 24, 2020, 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 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 24, 2020, 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.



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### 37. Events After Reporting Period

- a. In a move to contain the Corona Virus Disease 2019 (COVID-19) outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region for thirty (30) days effective March 15, 2020 until April 14, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines due to COVID-19 for a period of six (6) months and imposed an Enhanced Community Quarantine throughout Luzon until May 15, 2020, unless earlier lifted or extended. The community quarantine was thereafter extended and continue to be in place as of August 19, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Company considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Company cannot determine at this time the impact to its financial position, performance and cash flows. The Company will continue to monitor the situation.

- b. On February 10, 2020, the Solicitor General filed a Quo Warranto Petition against the Parent Company before the Supreme Court of the Philippines. On June 23, 2020, the Supreme Court dismissed the Quo Warranto Petition.
- c. On March 17, 2020, the legislative franchise of ABS-C to construct, establish, install, operate and maintain for commercial purposes and in the public interest, radio paging and records messaging systems lapsed.
- d. On May 4, 2020, the legislative franchise of the Parent Company to construct, operate and maintain, for commercial purposes and in the public interest, television and radio broadcasting stations lapsed.
- e. On May 4, 2020, the legislative franchise of Sky Cable to construct, establish, install, operate and maintain for commercial purposes and in the public interest, community antennae television systems lapsed.
- f. On May 5, 2020, the NTC issued a CDO on the Parent Company's broadcast operations. On June 30, 2020, the NTC issued a CDO to the Parent Company to cease its digital TV transmission in Metro Manila using channel 43 and the direct-to-home business of Sky Cable.
- g. On July 8, 2020, the Company announced the closure of ACJO effective December 31, 2020.
- h. On July 10, 2020, the House Committee on Legislative Franchises voted to adopt a resolution denying the franchise application of the Parent Company. This is considered as an adjusting subsequent event.
- i. On July 15, 2020, the Company announced that it will implement a retrenchment program covering ABS-CBN and its subsidiaries effective end of business day on August 31, 2020.
- j. On July 22, 2020, the Company announced the closure of PII popularly known as "Kidzania Manila" effective August 31, 2020.



## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders  
ABS-CBN Corporation  
ABS-CBN Broadcast Center  
Sgt. Esguerra Ave. corner Mother Ignacia Street  
Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of ABS-CBN Corporation and its subsidiaries (the Company) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated August 19, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules A to H listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for the purpose of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Catherine E. Lopez  
Partner  
CPA Certificate No. 86447  
SEC Accreditation No. 0468-AR-4 (Group A),  
February 19, 2019, valid until February 18, 2022  
Tax Identification No. 102-085-895  
BIR Accreditation No. 08-001998-65-2018,  
February 26, 2018, valid until February 25, 2021  
PTR No. 8125249, January 7, 2020, Makati City

August 19, 2020

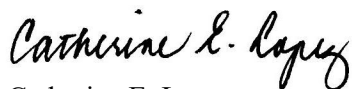


## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Board of Directors and Stockholders  
ABS-CBN Corporation  
ABS-CBN Broadcast Center  
Sgt. Esguerra Ave. corner Mother Ignacia Street  
Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of ABS-CBN Corporation and its subsidiaries (the Company) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated August 19, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at and for the years ended December 31, 2019 and 2018 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Catherine E. Lopez  
Partner

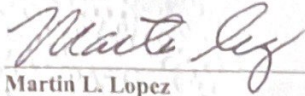
CPA Certificate No. 86447  
SEC Accreditation No. 0468-AR-4 (Group A),  
February 19, 2019, valid until February 18, 2022  
Tax Identification No. 102-085-895  
BIR Accreditation No. 08-001998-65-2018,  
February 26, 2018, valid until February 25, 2021  
PTR No. 8125249, January 7, 2020, Makati City

August 19, 2020



## SIGNATURES

Pursuant to the requirement of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Quezon City on August 19, 2020.



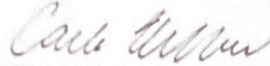
**Martin L. Lopez**  
Chairman of the Board



**Ricardo B. Tan**  
Group Chief Financial Officer



**Enrique I. Quiason**  
Corporate Secretary



**Carlo L. Katigbak**  
President and Chief Executive Officer



**Aldrin M. Cerrado**  
Chief Financial Officer


Signed this 19<sup>th</sup> day of August, 2020



SUBSCRIBED AND SWORN to me before this 14th day of August, 2020. Affiants exhibiting to me their Passports, as follows:

<u>NAMES</u>	<u>PASSPORT NO.</u>	<u>DATE OF EXPIRY</u>	<u>PLACE OF ISSUE</u>
Martin L. Lopez	P9450479A	06 Nov 2028	DFA, Manila
Carlo L. Katigbak	EC6618200	26 Jan 2021	DFA, Manila
Ricardo B. Tan	P1587882A	11 Jan 2022	DFA, Manila
Aldrin M. Cerrado	P8509674A	27 Aug 2028	DFA, NCR West

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Page No. 69  
Book No. 1  
Series of: 2020

  
**PATRICK DAVID V. MENDOLA**  
NOTARIAL COMMISSION NO. 234  
NOTARY PUBLIC FOR THE CITIES OF PASIG & SAN JUAN  
AND THE MUNICIPALITY OF PATEROS  
UNTIL 31 DECEMBER 2020  
1409 EAST TOWER, PHILIPPINE STOCK EXCHANGE CENTER  
EXCHANGE ROAD, ORTIGAS CENTER, PASIG CITY  
ROLL OF ATTORNEYS NO. 73582  
IBP OR NO. 111376; 21 JANUARY 2020; RSM CHAPTER  
PTR NO. 5242486; 24 JANUARY 2020; PASIG CITY  
ADMITTED TO THE BAR ON 19 JUNE 2019



# ABS-CBN CORPORATION

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **ABS-CBN Corporation and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with the Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

A handwritten signature in black ink, appearing to read 'Martin L. Lopez'.

**Martin L. Lopez**  
Chairman of the Board

A handwritten signature in black ink, appearing to read 'Carlo L. Katigbak'.

**Carlo L. Katigbak**  
President and Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Ricardo B. Tan'.

**Ricardo B. Tan**  
Group Chief Financial Officer

A handwritten signature in black ink, appearing to read 'Aldrin M. Cerrado'.

**Aldrin M. Cerrado**  
Chief Financial Officer

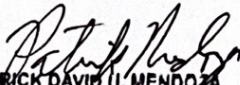
Signed this 19<sup>th</sup> day of August, 2020



SUBSCRIBED AND SWORN to me before this 19<sup>th</sup> day of August, 2020. Affiants exhibiting to me their Passports, as follows:

<u>NAMES</u>	<u>PASSPORT NO.</u>	<u>DATE OF EXPIRY</u>	<u>PLACE OF ISSUE</u>
Martin L. Lopez	P9450479A	06 Nov 2028	DFA, Manila
Carlo L. Katigbak	EC6618200	26 Jan 2021	DFA, Manila
Ricardo B. Tan	P1587882A	11 Jan 2022	DFA, Manila
Aldrin M. Cerrado	P8509674A	27 Aug 2028	DFA, NCR West

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Page No.: 68  
Book No.: I  
Series of: 2020

  
**PATRICK DAVID U. MENDOZA**  
NOTARIAL COMMISSION NO. 234  
NOTARY PUBLIC FOR THE CITIES OF PASIG & SAN JUAN  
AND THE MUNICIPALITY OF PATEROS  
UNTIL 31 DECEMBER 2020  
1409 EAST TOWER, PHILIPPINE STOCK EXCHANGE CENTER,  
EXCHANGE ROAD, ORTIGAS CENTER, PASIG CITY  
ROLL OF ATTORNEYS NO. 73582  
IBP OR NO. 111376; 21 JANUARY 2020; RSM CHAPTER  
PTR NO. 5242486; 24 JANUARY 2020; PASIG CITY  
ADMITTED TO THE BAR ON 19 JUNE 2019



ABS-CBN CORPORATION and SUBSIDIARIES  
Schedule A. Financial Assets  
December 31, 2019

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at end of reporting period	Income received & accrued
<b>Loans and Receivables :</b>				
<i>(Amounts in Thousands)</i>				
<i>Cash and Cash Equivalents</i>				
Cash on hand and in banks		₱ 6,033,101	₱ 6,033,101	₱ 279,329
Cash equivalents		6,136,816	6,136,816	95,583
Short-term investments		6,998,695	6,998,695	185,509
<b>Subtotal</b>		<b>19,168,612</b>	<b>19,168,612</b>	<b>560,421</b>
<i>Trade and other receivables (excluding advances to suppliers)</i>				
Airtime		6,101,594	6,101,594	-
Subscriptions		2,829,697	2,829,697	-
Others		2,110,569	2,110,569	-
Advances to employees and talents		696,108	696,108	-
Due from related parties (see Note 23)		325,478	325,478	-
Others		1,060,084	1,060,084	-
Allowance for doubtful accounts		(2,518,097)	(2,518,097)	-
<b>Subtotal</b>		<b>10,605,433</b>	<b>10,605,433</b>	<b>-</b>
<i>Deposits</i>		453,974	453,974	-
<i>Financial Assets at Fair Value through Other Comprehensive Income</i>		263,126	263,126	-
<b>Total</b>	-	₱ <b>30,491,145</b>	₱ <b>30,491,145</b>	₱ <b>560,421</b>

**ABS-CBN CORPORATION and SUBSIDIARIES**

**Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)**

**December 31, 2019**

Name and Designation of debtor	Balance at beginning of period	Additions	Deductions		Current	Not current	Balance at end of period
			Amounts collected	Amounts written off			

**NONE**

*Note: Receivables from officers and employees are within the ordinary course of business.*

**ABS-CBN CORPORATION and SUBSIDIARIES**
**Schedule C.1 Amounts Receivable from Related Parties which are eliminated during Consolidation of Financial Statements**
**December 31, 2019**

DEDUCTIONS							
Name and Designation of debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts Written Off	Current	Non Current	Balance at end of Period
<i>(Amounts in Thousands)</i>							
ABS-CBN CORPORATION	₱ 14,365,373	₱ 10,600,552	₱ (9,945,844)	₱ -	₱ 15,020,081	₱ -	₱ 15,020,081
ABS-CBN FILM PRODUCTIONS, INC.	188,686	1,405,641	(1,326,117)	-	268,210	-	268,210
ABS-CBN GLOBAL CARGO CORPORATION	85	-	(1)	-	84	-	84
ABS-CBN GLOBAL LTD.	769,644	722,990	(508,739)	-	983,895	-	983,895
ABS-CBN INTEGRATED AND STRATEGIC PROPERTY HOLDINGS, INC.	620	17,308	(15,770)	-	2,158	-	2,158
ABS-CBN SHARED SERVICE CENTER PTE. LTD. - ROHQ	372,551	457,954	(490,016)	-	340,489	-	340,489
ABS-CBN STUDIOS, INC.	-	42	-	-	42	-	42
ABS-CBN THEME PARKS AND RESORTS HOLDINGS, INC.	15,704	233,790	(227,573)	-	21,921	-	21,921
ABS-CBN THEMED EXPERIENCES, INC.	-	10,796	(10,641)	-	155	-	155
CINESCREEN, INC.	2,017	4,814	(6,831)	-	-	-	-
CREATIVE PROGRAMS, INC.	341,491	1,192,887	(1,050,436)	-	483,942	-	483,942
ICONNECT CONVERGENCE, INC.	198,144	373,853	(362,909)	-	209,088	-	209,088
SAPIENTIS HOLDINGS CORPORATION	209,831	163,033	(156,688)	-	216,176	-	216,176
SARIMANOK NEWS NETWORK, INC.	317,356	997,370	(992,140)	-	322,586	-	322,586
SKY CABLE CORPORATION	1,504	2,228	(2,891)	-	841	-	841
SKY VISION CORPORATION	97,080	-	-	-	97,080	-	97,080
THE BIG DIPPER DIGITAL CONTENT & DESIGN, INC.	202,352	4,829,724	(3,819,570)	-	1,212,506	-	1,212,506
TV FOOD CHEFS, INC.	14,373	23,063	(26,638)	-	10,798	-	10,798
	₱ 17,096,811	₱ 21,036,045	₱ (18,942,804)	₱ -	₱ 19,190,052	₱ -	₱ 19,190,052

**ABS-CBN CORPORATION and SUBSIDIARIES**
**Schedule C.2 Amounts Payable from Related Parties which are eliminated during Consolidation of Financial Statements**
**December 31, 2019**

DEDUCTIONS							
Name and Designation of creditor	Balance at beginning of period	Additions	Amounts Paid	Amounts Written Off	Current	Non Current	Balance at end of Period
<i>(Amounts in Thousands)</i>							
ABS STUDIOS, INC.	₱ (819,772)	₱ (147,599)	₱ 2,466	₱ -	₱ (964,905)	₱ -	₱ (964,905)
ABS-CBN CENTER FOR COMMUNICATION ARTS, INC	(8,793)	-	-	-	(8,793)	-	(8,793)
ABS-CBN CORPORATION	(1,273,321)	(75,391,113)	74,422,619	-	(2,241,815)	-	(2,241,815)
ABS-CBN FILM PRODUCTIONS, INC.	(48,436)	(3,413,781)	3,408,173	-	(54,044)	-	(54,044)
ABS-CBN GLOBAL CARGO CORPORATION	(1,904)	(134)	-	-	(2,038)	-	(2,038)
ABS-CBN GLOBAL LTD.	(149,725)	(779,178)	117,192	-	(811,711)	-	(811,711)
ABS-CBN INTEGRATED AND STRATEGIC PROPERTY HOLDINGS. INC.	(1,461)	(19,856)	4,483	-	(16,834)	-	(16,834)
ABS-CBN SHARED SERVICE CENTER PTE. LTD. - ROHQ	(89)	(297,604)	297,691	-	(2)	-	(2)
ABS-CBN THEME PARKS AND RESORTS HOLDINGS, INC.	(742,873)	(45,290)	184	-	(787,979)	-	(787,979)
ABS-CBN THEMED EXPERIENCES, INC.	(215,465)	(155,679)	109,171	-	(261,973)	-	(261,973)
CAPTAN SERVICES	(38,195)	(1,756)	-	-	(39,951)	-	(39,951)
CINESCREEN, INC.	(20,508)	(115,188)	99,470	-	(36,226)	-	(36,226)
CREATIVE PROGRAMS, INC.	(100,106)	(2,066,701)	1,864,334	-	(302,473)	-	(302,473)
GRASSFED CORPORATION	-	-	-	-	-	-	-
ICONNECT CONVERGENCE, INC.	(132,160)	(797,134)	770,787	-	(158,507)	-	(158,507)
PANAY MARINE, LTD.	(619,645)	(111,168)	-	-	(730,813)	-	(730,813)
PROFESSIONAL SERVICES FOR TELEVISION & RADIO, INC.	(5,016)	-	-	-	(5,016)	-	(5,016)
ROSETTA HOLDINGS CORPORATION	(1,712,016)	(135,307)	2,804	-	(1,844,519)	-	(1,844,519)
SAPIENTIS HOLDINGS CORPORATION	(5,878,577)	(133,377)	195,807	-	(5,816,147)	-	(5,816,147)
SARIMANOK NEWS NETWORK, INC.	(16,634)	(1,236,489)	1,235,770	-	(17,353)	-	(17,353)
SKY CABLE CORPORATION	(1,067,525)	(242,011)	674,230	-	(635,306)	-	(635,306)
SKY VISION CORPORATION	(62,882)	-	-	-	(62,882)	-	(62,882)
THE BIG DIPPER DIGITAL CONTENT & DESIGN, INC.	(246,672)	(4,704,951)	4,930,428	-	(21,195)	-	(21,195)
THE CHOSEN BUN, INC.	-	(37,632)	-	-	(37,632)	-	(37,632)
TV FOOD CHEFS, INC.	(2,597)	(68,976)	68,382	-	(3,191)	-	(3,191)
	₱ (13,164,372)	₱ (89,900,924)	₱ 88,203,991	₱ -	₱ (14,861,305)	₱ -	₱ (14,861,305)

ABS-CBN CORPORATION and SUBSIDIARIES  
Schedule D. Intangible Assets - Other Assets  
December 31, 2019

December 31, 2022

Description	Beginning balance	Additions at cost	Deductions			Ending balance
			Charged to Cost and Expenses	Charged to other accounts (Disposal)	Other changes additions (deductions)	
<i>(Amounts in Thousands)</i>						
Goodwill	₱ 5,328,818	₱ -	₱ (577,037)	₱ -	₱ (9,617)	₱ 4,742,164
Program Rights	4,773,920	931,413	(1,284,310)	-	-	4,421,023
Music Rights	806	-	(806)	-	-	-
Movie In- Process and Filmed Entertainment	1,056,361	291,584	(275,054)	-	-	1,072,891
Story, Video and Publication and Record Master	124,599	3,588	(6,834)	-	-	121,353
Trademarks	1,111,784	-	-	-	-	1,111,784
Licenses	990,237	-	(989,604)	-	(633)	-
Customer Relationships	619,475	-	(55,839)	-	-	563,636
Cable Channels - CPI	459,968	-	(91,994)	-	-	367,974
Production and Distribution Business - Middle East	50,702	-	(6,596)	-	3,637	47,743
Business Process Re-engineering	101,384	82,449	-	-	-	183,833
IP Block	37,804	-	-	-	-	37,804
Digital Platforms	13,696	2,412	(14,955)	-	-	1,153
<b>Total</b>	<b>₱ 14,669,554</b>	<b>₱ 1,311,446</b>	<b>₱ (3,303,029)</b>	<b>₱ -</b>	<b>₱ (6,613)</b>	<b>₱ 12,671,358</b>

*Note: Charge to other accounts and other changes represent effect of business combination*

ABS-CBN CORPORATION and SUBSIDIARIES  
Schedule E. Long-Term Debt  
December 31, 2019

Title of Issue and type of obligation	Amount of authorized indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long term debt" in related balance sheet
<i>(Amounts in Thousands)</i>			
ABS-CBN International	₱ 30,965	₱ 2,771	₱ 28,194
Play Innovations, Inc.	240,000	240,000	-
Sky Cable	5,526,012	72,464	5,453,548
Parent Company	20,229,622	198,520	20,031,102
Term Loans : Loan Agreement	26,026,599	513,755	25,512,844
<b>Total</b>	<b>₱ 26,026,599</b>	<b>₱ 513,755</b>	<b>₱ 25,512,844</b>

*Note: Lifted from Conso FS: Details as to interest rates, amounts or number of periodic installments and maturity dates*

**ABS-CBN CORPORATION and SUBSIDIARIES**  
**Schedule F. Indebtedness to Related Parties**  
**December 31, 2019**

Name of Related Parties	Balance at beginning of period	Balance at end of period
-------------------------	--------------------------------	--------------------------

<b>NOT APPLICABLE</b>
-----------------------

ABS-CBN CORPORATION and SUBSIDIARIES  
Schedule G. Guarantees of Securities of Other Issuers  
December 31, 2019

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
--	---	---	---	---------------------

**NONE**



ABS-CBN CORPORATION and SUBSIDIARIES  
Schedule H. Capital Stock  
December 31, 2019

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common Shares - ₱1.0 Par value	1,300,000,000	861,971,968	-	788,521,042	10,478,422	62,972,504.00
Preferred Shares - ₱0.2 Par value	1,000,000,000	1,000,000,000	-	987,130,246	1,830,550	11,039,204

\* Net of Philippine depository receipts

**ABS-CBN CORPORATION**  
**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**December 31, 2019**

Amounts in Thousands

Unappropriated retained earnings, beginning	₱ 10,191,023
Adjustment:	
Remeasurement loss on defined benefit plan from previous years	2,313,623
Deferred tax assets, beginning	(1,946,084)
Treasury shares	(1,638,719)
Retained earnings, beginning, as adjusted to amount available for dividend declaration, beginning	8,919,843
Add: Net income actually realized during the year	(8,576,571)
Net income during the year closed to retained earnings	
Add (deduct):	
Unrealized foreign exchange gain - net of effects of cash and cash equivalents	(8,141)
Movement of recognized deferred tax assets for the year	1,946,084
Net income actually realized during the year	(6,638,628)
less: dividend declared during the year	(481,061)
<b>Retained earnings available for dividend declaration, end</b>	<b>₱ 1,800,154</b>

ABS-CBN CORPORATION and SUBSIDIARIES  
Financial Ratios  
December 31, 2019

RATIOS	Formula	In Php ('000s)	2019	In Php ('000s)	2018
Current Ratio	Current Assets	37,147,683	2.61	37,700,761	2.42
	Current Liabilities	14,260,065		15,592,912	
Net Debt-to-equity ratio	Interest-bearing loans and borrowings less Cash and Cash equivalent	13,856,682	0.45	10,120,809	0.28
	Total Stockholders' Equity	31,091,205		35,724,448	
Asset-to-equity ratio	Total Assets	79,244,536	2.55	84,559,217	2.37
	Total Stockholders' Equity	31,091,205		35,724,448	
Interest rate coverage ratio	EBIT	619,733	0.44	2,872,092	2.71
	Interest Expense	1,423,504		1,061,666	
Return on Equity	Net Income (Loss)	(2,645,147)	(8.5%)	1,908,241	5.3%
	Total Stockholders' Equity	31,091,205		35,724,448	
Return on Asset	Net Income (Loss)	(2,645,147)	(3.3%)	1,908,241	2.3%
	Total Asset	79,244,536		84,559,217	
Profitability ratios Gross Profit Margin	Gross Profit	16,551,438	38.6%	14,506,726	36.1%
	Net Revenue	42,834,842		40,130,592	
Net Income Margin	Net Income	(2,645,147)	(6.2%)	1,908,241	4.8%
	Net Revenue	42,834,842		40,130,592	

ABS-CBN CORPORATION AND SUBSIDIARIES

IV. MAP OF RELATIONSHIPS OF THE COMPANIES

WITHIN THE GROUP

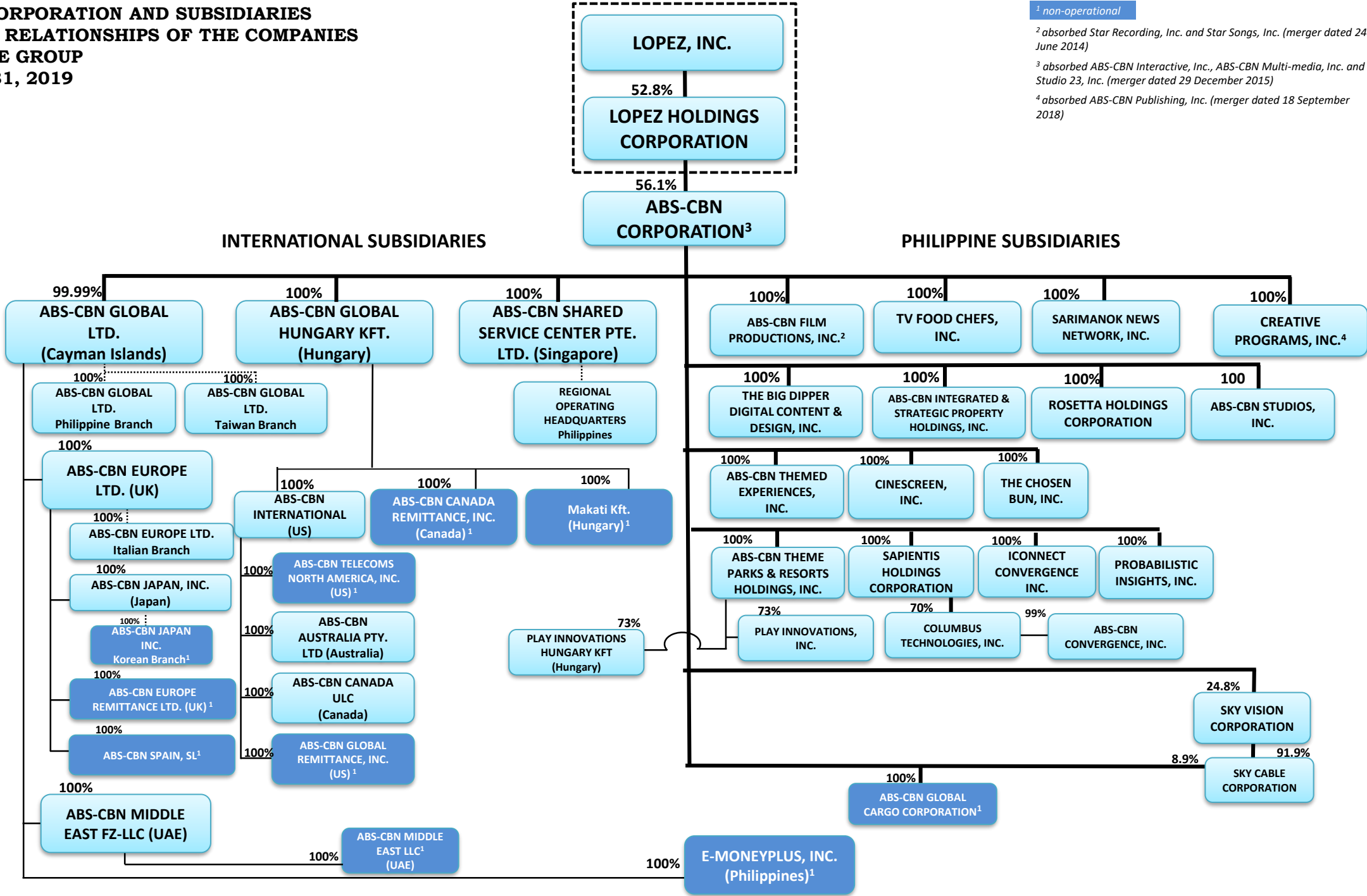
December 31, 2019

<sup>1</sup> non-operational

<sup>2</sup> absorbed Star Recording, Inc. and Star Songs, Inc. (merger dated 24 June 2014)

<sup>3</sup> absorbed ABS-CBN Interactive, Inc., ABS-CBN Multi-media, Inc. and Studio 23, Inc. (merger dated 29 December 2015)

<sup>4</sup> absorbed ABS-CBN Publishing, Inc. (merger dated 18 September 2018)



# COVER SHEET

SEC Registration Number

[illegible]

Company Name

[illegible]

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

[illegible]

Form Type

		1	7	Q
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Department requiring the report

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Secondary License Type, If  
Applicable

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## COMPANY INFORMATION

Company's Email Address

\_\_\_\_\_

Company's Telephone Number/s

**415-2272**

Mobile Number

\_\_\_\_\_

No. of Stockholders

7,986
-------

Annual Meeting  
Month/DaySeptember 24

Fiscal Year  
Month/Day

**June 30**

## CONTACT PERSON INFORMATION

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

Name of Contact Person

**Aldrin M. Cerrado**

Email Address

**Aldrin\_Cerrado@abs-cbn.com**

Telephone Number/s

**415-2272**

Mobile Number

\_\_\_\_\_

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, 2020**
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

<u>Title of Each Class</u>	<u>Number of Shares of Stock Issued</u>
----------------------------	---

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)      **P25.9 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**

1. Management's Discussion and Analysis of Financial Condition and Results of Operations
2. Financial Statements
  - 2.1 Consolidated Statements of Financial Position
  - 2.2 Consolidated Statements of Income
  - 2.3 Consolidated Statements of Comprehensive Income
  - 2.4 Consolidated Statements of Changes in Equity
  - 2.5 Consolidated Statements of Cash Flows
  - 2.6 Notes to Financial Statements
    - 2.6.1 Business Segment and Geographical Segment Results (Note 5)
    - 2.6.2 Rollforward of Property and Equipment (Note 10)

### **PART II - OTHER FINANCIAL INFORMATION**

EXHIBIT 1 – Aging of Accounts Receivables

### **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, 2020 and 2019.

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, 2020.

	1H 2020	1H 2019	Variance	
			Amount	%
<b>Consolidated Revenues</b>	<b>₱13,317</b>	<b>₱20,802</b>	<b>(₱7,485)</b>	<b>(36.0)</b>
Advertising Revenues	5,202	11,286	(6,084)	(53.9)
Consumer Sales	8,115	9,516	(1,401)	(14.2)
<i>Sale of Services</i>	7,693	8,173	(480)	(5.9)
<i>Sale of Goods</i>	4,22	1,343	(921)	(68.6)
<b>Costs and Expenses</b>	<b>16,719</b>	<b>18,872</b>	<b>(2,152)</b>	<b>(11.4)</b>
Production Costs	5,554	6,687	(1,132)	(16.9)
Cost of Sales and Services	4,908	6,242	(1,334)	(21.4)
General and Administrative Expenses (GAEX)	6,257	5,943	315	5.3
<b>Financial Costs – net</b>	<b>471</b>	<b>456</b>	<b>14</b>	<b>3.0</b>
<b>Equity in Net Loss of Associates and Joint Ventures</b>	<b>2</b>	<b>15</b>	<b>(13)</b>	<b>(87.3)</b>
<b>Other Income – net</b>	<b>(90)</b>	<b>(156)</b>	<b>66</b>	<b>(42.4)</b>
<b>Net Income</b>	<b>(₱3,930)</b>	<b>₱1,468</b>	<b>(₱5,398)</b>	<b>(367.7)</b>
<b>EBITDA</b>	<b>(₱816)</b>	<b>₱4,469</b>	<b>(₱5,285)</b>	<b>(118.3)</b>

#### Consolidated Revenues

For the six-month period ended June 30, 2020, ABS-CBN generated consolidated revenues of ₱13.4 billion from advertising and consumer sales, ₱7.5 billion or 36.0% lower year-on-year.

Advertising revenues suffered a sharp decline in the 2<sup>nd</sup> quarter of 2020 following the issuance on May 5, 2020, by the National Telecommunications Commission (NTC) of a Cease and Desist Order (CDO) to the Company, prohibiting its continuing broadcast operations effective immediately.

On June 30, 2020, the NTC issued a CDO to the Company to cease its digital TV transmission in Metro Manila using channel 43.

These events in addition to the COVID-19 pandemic that the country is facing, drove down both the advertising and consumer revenues of the Company.

Comparative revenue mix is as follows:

	1H 2020	1H 2019
Advertising revenues	39%	54%
Consumer sales	61%	49%



**Consolidated Costs and Expenses**

Direct costs and expenses amounted to ₱16.7 billion, or a 11.4% decline year-on-year.

Production cost decreased by ₱1.1 billion or 16.9%. The decline was due to the Company's decision to cease producing new content amidst the COVID-19 pandemic and cooperate with the Philippine Government's enhanced community quarantine efforts.

Cost of sales and services decreased by ₱1.3 billion or 21.4% year-on-year. This is mainly attributable to the consequences of the COVID-19 pandemic on the Company's consumer businesses.

GAEX increased by ₱315 million or 5.3% compared to the previous year. The increase is attributable the Company's Corporate Social Responsibility programs such as "Pantawid ng Pag-ibig", which aims to assist our fellow Filipino families that were affected by the COVID-19 pandemic. Sky Cable also provided for higher provisions for doubtful accounts as regular collections of its receivables resumed on June 15, 2020.

**Net Income and EBITDA**

The Company incurred a ₱3.93 billion net loss for the six-month period ended June 30, 2020. EBITDA decreased to ₱816 million, a 118.3% decline 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.

	<p><b><u>Media Network &amp; Studio Entertainment</u></b></p> <ul style="list-style-type: none"> <li>- Entertainment</li> <li>- News</li> <li>- Global</li> <li>- Film &amp; Music</li> <li>- DTT</li> <li>- Sports</li> <li>- Cable Networks</li> </ul>
	<p><b><u>Cable, Satellite &amp; Broadband</u></b></p> <ul style="list-style-type: none"> <li>- Pay TV (Cable &amp; Satellite)</li> <li>- Broadband</li> </ul>
	<p><b><u>Digital &amp; Interactive Media</u></b></p> <ul style="list-style-type: none"> <li>- Online</li> <li>- Over-the-top</li> </ul>
	<p><b><u>Consumer Products &amp; Experiences</u></b></p> <ul style="list-style-type: none"> <li>- Live events</li> <li>- Themeparks</li> <li>- Home shopping</li> <li>- Licensing &amp; merchandising</li> </ul>

The following analysis presents results of operations of the Company's business segments for the six-month period ended June 30, 2020:

Segment	Operating Revenue		Net Income	
	1H 2019	1H 2020	1H 2019	1H 2020
Media & Studio Entertainment	₱14,997	₱7,387	₱1,825	(₱3,581)
Cable, Satellite & Broadband	4,658	5,143	(71)	115
Digital & Interactive Media	747	685	(279)	(347)
Consumer Product & Experiences	400	102	(7)	(117)

#### A. Media Networks & Studio Entertainment

On May 5, 2020, the National Telecommunications Commission (NTC) issued a Cease and Desist Order to the Parent Company, prohibiting its continuing broadcast operations effective immediately.

Despite Senate Resolution No. 40, the House of Representatives 'committee on legislative franchises' letter, the guidance of the Department of Justice, and the sworn statement of NTC Commissioner Gamaliel Cordoba, the NTC did not grant the Parent Company a provisional authority to operate while its franchise renewal remains pending in Congress.

On June 30, 2020, the NTC issued a CDO to the Parent Company to cease its digital TV transmission in Metro Manila using channel 43.

These events drastically affected the segment's ability to generate free-to-air revenues.

Despite, these challenges, the Company launched the "Kapamilya Channel" on June 13, 2020, which airs the Company's leading entertainment programs such as "FPJ's Ang Probinsyano" and "It's Showtime". The channel is also home to the long-running news program, "TV Patrol". This initiative enables the Company to continuously provide service the Filipino people.

#### B. Cable, Satellite & Broadband

Sky's revenue increased by ₱485 million or 10.4% year-on-year. The increase in Sky's performance was triggered by the increase in broadband and DTH subscribers by 56 and 405 thousand, respectively.

#### C. Digital & Interactive Media

Total revenues generated from digital platforms amounted to ₱685 million, lower by 8% compared to the same period last year. After NTC issued the CDO to the Company, prohibiting free-to-air broadcast operations, daily active users for Iwant platform reached over 1.0 million and daily views of over 1.6 million. This provided the Company an avenue to alleviate the shortfalls driven by the COVID-19 pandemic during the first quarter of 2020.

#### **D. Consumer Products & Experiences**

Kidzania and Studio Experience generated ₱94 million in revenues for the first half of 2020. As a result of the COVID-19 pandemic, the Company decided to cease operations effective August 31, 2020.

#### **Capital Expenditures**

Capital expenditures and program rights acquisitions amounted to ₱1.58 billion as of June 30, 2020.

#### **Statement of Financial Position Accounts**

As at June 30, 2020, total consolidated assets stood at ₱75.0 billion, 5.3% lower than total assets of ₱79.2 billion as of December 31, 2019.

Shareholders' equity declined to ₱27.2 billion or 12.4% in June 30, 2020 compared to the previous year.

The company's net debt-to-equity ratio was at 0.31x and 0.45x as of June 30, 2020 and December 31, 2019, respectively.

## SIGNATURES

### For the SEC 17-Q Second Quarter 2020 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:

A handwritten signature in dark ink, appearing to read "Aldrin M. Cerrado", written over a horizontal line.

**ALDRIN M. CERRADO**

Chief Financial Officer

Date: \_\_\_\_\_

## ABS–CBN Corporation and Subsidiaries

**Unaudited Interim Condensed Consolidated Financial  
Statements June 30, 2020  
and for the Six Months Ended June 30, 2020 and 2019  
(With Comparative Audited Consolidated Statements of  
Financial Position as at December 31, 2019)**

## AUDITED FINANCIAL STATEMENTS

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A	B	S	-	C	B	N		B	r	o	a	d	c	a	s	t		C	e	n	t	e	r	,		S	g	t	.
E	s	g	u	e	r	r	a		A	v	e	n	u	e		c	o	r	n	e	r		M	o	t	h	e	r	
I	g	n	a	c	i	a		S	t	.	,		Q	u	e	z	o	n		C	i	t	y						

<b>A</b>	<b>A</b>	<b>C</b>	<b>F</b>	<b>S</b>
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C	R	M	D
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N	/	A	
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## COMPANY INFORMATION

**IR@abs-cbn.com**

**(632) 3415 - 2272**

\_\_\_\_\_

7,986
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September 24

**June 30**

CONTACT PERSON INFORMATION	
NAME	
PHONE	
EMAIL	
ADDRESS	
CITY	
STATE	
ZIP	
COUNTRY	

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

**Ricardo B. Tan**

**Rick\_Tan@abs-cbn.com**

**(632) 3415-2272**

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[illegible]

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

**NOTE 1:** 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.

**2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

**ABS-CBN CORPORATION AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF**  
**FINANCIAL POSITION**

(Unaudited)

(Amounts in Thousands)

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 6)	₱17,523,495	₱12,169,917
Short-term investments (Note 6)	510,177	6,998,695
Trade and other receivables (Notes 7 and 23)	7,961,765	10,605,433
Inventories (Note 8)	576,354	675,607
Program rights and other intangible assets (Note 12)	1,201,872	1,286,661
Other current assets (Notes 9, 15 and 23)	5,684,799	5,411,370
Total Current Assets	33,458,462	37,147,683
<b>Noncurrent Assets</b>		
Property and equipment (Notes 10, 18 and 31)	26,997,134	27,473,741
Goodwill, program rights and other intangible assets - net of current portion (Note 12)	10,939,997	11,384,697
Financial assets at fair value through other comprehensive income (FVOCI) (Note 13)	238,068	263,126
Investment properties (Notes 11 and 18)	196,845	198,692
Investments in associates and joint ventures (Note 14)	423,970	425,864
Deferred tax assets (Note 29)	1,208,173	1,147,107
Other noncurrent assets (Notes 7, 16 and 23)	1,569,700	1,203,626
Total Noncurrent Assets	41,573,887	42,096,853
<b>TOTAL ASSETS</b>	<b>₱75,032,349</b>	<b>₱79,244,536</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Notes 4, 17, 23 and 30)	₱11,778,956	₱11,772,924
Contract liabilities (Note 9)	905,123	1,064,650
Income tax payable	265,587	302,649
Obligations for program rights (Note 19)	218,874	303,440
Current lease liabilities (Note 31)	244,745	302,647
Interest-bearing loans and borrowings (Notes 10, 11 and 18)	494,143	513,755
Total Current Liabilities	13,907,428	14,260,065
<b>Noncurrent Liabilities</b>		
Interest-bearing loans and borrowings - net of current portion (Notes 10, 11 and 18)	25,342,835	25,512,844
Obligations for program rights - net of current portion (Note 19)	337,528	441,466
Accrued pension obligation and other employee benefits (Note 30)	6,204,854	6,004,432
Deferred tax liability (Note 29)	450,805	458,355
Noncurrent lease liabilities (Note 31)	959,658	780,719
Convertible note (Note 20)	247,086	238,305
Other noncurrent liabilities (Note 21)	353,784	457,145
Total Noncurrent Liabilities	33,896,550	33,893,266
Total Liabilities	47,803,978	48,153,331

(Forward)



	<b>June 30, 2020</b> (Unaudited)	December 31, 2019 (Audited)
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital stock (Note 22):		
Common	<b>₱872,124</b>	₱872,124
Preferred	<b>200,000</b>	200,000
Additional paid-in capital	<b>4,745,399</b>	4,745,399
Treasury shares and Philippine depository receipts convertible to common shares (Note 22)	<b>(1,638,719)</b>	(1,638,719)
Exchange differences on translation of foreign operations	<b>640,250</b>	550,689
Fair value reserves on financial assets at FVOCI (Note 13)	<b>150,356</b>	172,920
Retained earnings (Note 22)	<b>23,194,341</b>	27,114,963
Equity attributable to Equity Holders of the Parent	<b>28,163,751</b>	32,017,376
<b>Noncontrolling Interests</b> (Note 4)	<b>(935,380)</b>	(926,171)
Total Equity	<b>27,228,371</b>	31,091,205
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱75,032,349</b>	₱79,244,536

*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)	
	2020	2019	2020	2019
<b>REVENUES</b> (Notes 23, 24 and 31)	<b>₱4,681,590</b>	₱10,444,032	<b>₱13,317,398</b>	₱20,802,265
<b>PRODUCTION COSTS</b> (Notes 10, 12, 23, 25, 30 and 31)	<b>(2,134,812)</b>	(3,426,891)	<b>(5,554,184)</b>	(6,686,658)
<b>COST OF SERVICES</b> (Notes 8, 10, 12, 15, 23, 26, 30 and 31)	<b>(2,220,617)</b>	(2,404,179)	<b>(4,593,935)</b>	(5,155,476)
<b>COST OF SALES</b> (Notes 8, 10, 23, 26, 30 and 31)	<b>(46,011)</b>	(503,227)	<b>(314,080)</b>	(1,086,498)
<b>GROSS PROFIT</b>	<b>280,150</b>	4,109,735	<b>2,855,199</b>	7,873,633
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Notes 7, 8, 10, 11, 12, 22, 23, 27, 30 and 31)	<b>(3,172,908)</b>	(3,100,608)	<b>(6,257,258)</b>	(5,942,602)
<b>FINANCE COSTS</b> (Notes 18, 20 and 28)	<b>(314,349)</b>	(328,014)	<b>(644,051)</b>	(610,386)
<b>INTEREST INCOME</b> (Note 6)	<b>60,546</b>	126,152	<b>155,254</b>	197,569
<b>FOREIGN EXCHANGE GAINS (LOSSES) – net</b>	<b>(47,973)</b>	(8,369)	<b>18,086</b>	(44,119)
<b>EQUITY IN NET LOSSES OF ASSOCIATES AND JOINT VENTURES</b> (Note 14)	<b>(2,154)</b>	(9,955)	<b>(1,894)</b>	(14,861)
<b>OTHER INCOME - net</b> (Notes 15, 21, 28 and 31)	<b>31,277</b>	52,142	<b>89,883</b>	155,993
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>(3,165,411)</b>	841,083	<b>(3,784,781)</b>	1,615,227
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 29)				
Current	<b>106,334</b>	205,460	<b>245,533</b>	377,590
Deferred	<b>(93,086)</b>	(24,224)	<b>(100,483)</b>	(230,574)
	<b>13,248</b>	181,236	<b>145,050</b>	147,016
<b>NET INCOME (LOSS)</b>	<b>(₱3,178,659)</b>	₱659,847	<b>(₱3,929,831)</b>	₱1,468,211
<b>Attributable to</b>				
Equity holders of the Parent Company (Note 34)	<b>(₱3,157,321)</b>	₱695,797	<b>(₱3,920,622)</b>	₱1,552,150
Noncontrolling interests	<b>(21,338)</b>	(35,950)	<b>(9,209)</b>	(83,939)
	<b>(₱3,178,659)</b>	₱659,847	<b>(₱3,929,831)</b>	₱1,468,211
<b>Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent Company</b> (Note 34)	<b>(₱3.841)</b>	₱0.841	<b>(₱4.769)</b>	₱1.881

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)

	<b>For the Quarter Ended June 30 (Unaudited)</b>		<b>Six Months Ended June 30 (Unaudited)</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
<b>NET INCOME (LOSS)</b>	<b>(P3,178,659)</b>	P659,847	<b>(P3,929,831)</b>	P1,468,211
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Other comprehensive income (loss)s not to be reclassified to profit and loss in subsequent periods:				
Fair value adjustments on financial assets at FVOCI - net of tax (Note 13)	<b>24,483</b>	2,748	<b>(22,564)</b>	2,748
	<b>24,483</b>	2,748	<b>(22,564)</b>	2,748
Other comprehensive income (loss) to be reclassified to profit and loss in subsequent periods:				
Exchange differences on translation of foreign operations	<b>(116,764)</b>	(230,333)	<b>89,561</b>	(99,769)
	<b>(116,764)</b>	(230,333)	<b>89,561</b>	(99,769)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>(92,281)</b>	(227,585)	<b>66,997</b>	(97,021)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(P3,270,940)</b>	P432,262	<b>(P3,862,834)</b>	P1,371,190
<b>Attributable to:</b>				
Equity holders of the Parent Company	<b>(P3,249,602)</b>	P468,212	<b>(P3,853,625)</b>	P1,455,129
Noncontrolling interests	<b>(21,338)</b>	(35,950)	<b>(9,209)</b>	(83,939)
	<b>(P3,270,940)</b>	P432,262	<b>(P3,862,834)</b>	P1,371,190

*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, 2020 AND DECEMBER 31, 2019**

(Unaudited)

**(Amounts in Thousands)**

	Attributable to the Equity Holders of the Parent Company									Noncontrolling	
	Capital Stock (Note 22)		Additional Paid-in Capital	Treasury Shares and Philippine Depository Receipts Convertible to Common Shares (Note 22)	Exchange Differences in Translation of Foreign Operations	Fair Value Reserves on Financial Assets At FVOCI (Note 13)	Retained Earnings (Note 22)		Total	Interests (Notes 17 and 20)	Total Equity
	Common	Preferred					Appropriated	Unappropriated			
At December 31, 2019 (Audited)	<b>P872,124</b>	<b>P200,000</b>	<b>P4,745,399</b>	<b>(P1,638,719)</b>	<b>P550,689</b>	<b>P172,920</b>	<b>P16,200,000</b>	<b>P10,914,963</b>	<b>P32,017,376</b>	<b>(P926,171)</b>	<b>P31,091,205</b>
Net loss	—	—	—	—	—	—	—	(3,920,622)	(3,920,622)	(9,209)	(3,929,831)
Other comprehensive income (loss)	—	—	—	—	89,561	(22,564)	—	—	66,997	—	66,997
Total comprehensive income (loss)	—	—	—	—	89,561	(22,564)	—	(3,920,622)	(3,853,625)	(9,209)	(3,862,834)
At June 30, 2020 (Unaudited)	<b>P872,124</b>	<b>P200,000</b>	<b>P4,745,399</b>	<b>(P1,638,719)</b>	<b>P640,250</b>	<b>P150,356</b>	<b>P16,200,000</b>	<b>P6,994,341</b>	<b>P28,163,751</b>	<b>(P935,380)</b>	<b>P27,228,371</b>
At December 31, 2018 (Audited)	P872,124	P200,000	P4,745,399	(P1,638,719)	P921,624	P205,969	P16,200,000	P14,091,703	P35,598,100	P126,348	P35,724,448
Net income (loss)	—	—	—	—	—	—	—	1,552,150	1,552,150	(83,939)	1,468,211
Other comprehensive income (loss)	—	—	—	—	(99,769)	2,748	—	—	(97,021)	—	(97,021)
Total comprehensive income (loss)	—	—	—	—	(99,769)	2,748	—	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)	P872,124	P200,000	P4,745,399	(P1,638,719)	P821,855	P208,717	P16,200,000	P15,166,792	P36,576,168	P42,409	P36,618,577

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)

	<b>Six Months Ended June 30</b>	
	<b>(Unaudited)</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income tax	<b>(P3,784,781)</b>	P1,615,227
Adjustments to reconcile income before tax to net cash flows:		
Depreciation and amortization (Notes 10 and 11)	<b>1,794,583</b>	1,734,022
Amortization of:		
Program rights and other intangibles (Note 12)	<b>1,269,215</b>	886,018
Debt issue costs (Note 28)	<b>9,760</b>	15,913
Deferred charges (Note 26)	<b>90</b>	292
Interest expense (Note 28)	<b>628,067</b>	585,728
Interest income (Notes 6 and 23)	<b>(155,254)</b>	(197,569)
Movements in accrued pension obligation and other employee benefits (Note 30)	<b>(120,298)</b>	387,858
Net unrealized foreign exchange (gain)	<b>24,732</b>	(11,418)
Gain on sale of property and equipment (Notes 10 and 28)	<b>(3,447)</b>	(612)
Equity in net losses of associates and joint ventures (Note 14)	<b>1,894</b>	14,861
Working capital changes:		
Decrease (increase) in:		
Trade and other receivables	<b>2,720,944</b>	535,496
Other current assets	<b>(255,304)</b>	(587,573)
Inventories	<b>100,144</b>	108,777
Decrease in:		
Trade and other payables	<b>231,220</b>	(43,661)
Obligations for program rights	<b>(188,874)</b>	(325,568)
Contract liabilities	<b>(159,527)</b>	(98,185)
Other noncurrent liabilities	<b>(82,055)</b>	(38,300)
Cash generated from operations	<b>2,031,109</b>	4,581,306
Income taxes paid	<b>(282,595)</b>	(370,460)
Net cash provided by operating activities	<b>1,748,514</b>	4,210,846
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to:		
Property and equipment (Notes 5 and 10)	<b>(1,194,003)</b>	(1,593,202)
Goodwill, program rights and other intangible assets (Notes 12 and 35)	<b>(594,878)</b>	(372,610)
Decrease (increase) in short-term investments	<b>6,488,518</b>	(3,705,582)
Decrease in other noncurrent assets	<b>(561,191)</b>	(30,966)
Interest received	<b>303,127</b>	171,985
Proceeds from sale of property and equipment	<b>111,533</b>	(3,667)
Net cash provided by (used in) investing activities	<b>4,553,106</b>	(5,534,042)

(Forward)

	<b>Six Months Ended June 30</b>	
	<b>(Unaudited)</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of:		
Interest	<b>(P638,722)</b>	(P556,439)
Long-term debt (Note 18)	<b>(199,512)</b>	(128,234)
Lease liabilities (Note 31)	<b>(121,450)</b>	(7,626)
Dividends	–	(462,893)
Proceeds from long-term debt	–	5,000,000
Net cash provided by (used in) financing activities (Note 35)	<b>(959,684)</b>	3,844,808
<b>EFFECTS OF EXCHANGE RATE CHANGES AND TRANSLATION</b>		
<b>ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>	<b>11,642</b>	(5,200)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>5,353,578</b>	2,516,412
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>12,169,917</b>	18,104,686
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)</b>	<b>P17,523,495</b>	P20,621,098

*See accompanying Notes to Interim Condensed Consolidated Financial Statements.*

**ABS-CBN CORPORATION AND SUBSIDIARIES**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL**  
**STATEMENTS**  
**(Amounts in Thousands Unless Otherwise Specified)**

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**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 (DTH) 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.

On May 5, 2020, the National Telecommunications Commission (NTC) issued a Cease and Desist Order to the Parent Company, prohibiting its continuing broadcast operations effective immediately.

On June 30, 2020, the NTC issued a CDO to the Parent Company to cease its digital TV transmission in Metro Manila using channel 43.

An application for renewal of the franchise was earlier filed but in July 10, 2020, the House Committee on Legislative Franchises and Ex-Officio members voted to adopt a Resolution denying the application. As a consequence of the non-renewal of its congressional franchise, the Parent Company was forced to cease the operations of some of its business and implement a retrenchment program covering the Parent Company and its subsidiaries effective August 31, 2020. As part of its on-going negotiations with creditor banks, the Company is in the process of completing conditions, which include, among others, to provide collateral to the creditor banks.

These conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern and, therefore, the Company may not be able to realize its assets and discharge its liabilities in the normal course of business. Management assessed that the Company will be able to maintain its positive cash position and settle its liabilities as they fall due through management’s plans on future actions as discussed in Note 3.

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.

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## 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 interim condensed 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 2019 audited annual consolidated financial statements, comprising the consolidated statements of financial position as at December 31, 2019, 2018 and January 2018, 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, 2019, 2018 and 2017, issued and approved on August 14, 2020 (referred to as the “2019 audited annual consolidated financial statements”).

### Changes in Accounting Policies and Disclosures

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Company, unless otherwise indicated. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

#### ▪ 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 have no impact on the interim condensed financial statements 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.

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

### Basis of Consolidation and Noncontrolling Interests

The interim condensed 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, 2020 and December 31, 2019:

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest	
				2020	2019
<b>Media, Network, and Studio Entertainment</b>					
Global:					
ABS-CBN Global Ltd. (ABS-CBN Global) <sup>(a) (i)</sup>	Cayman Islands	Holding company	United States dollar (USD)	100.0	100.0
ABS-CBN Europe Ltd. (ABS-CBN Europe) <sup>(b)(c) (i)</sup>	United Kingdom	Cable and satellite programming services	Great Britain pound (GBP)	100.0	100.0
ABS-CBN Japan, Inc. (ABS- CBN Japan) <sup>(d) (i) (r)</sup>	Japan	Cable and satellite programming services	Japanese yen (JPY)	100.0	100.0
ABS-CBN Middle East FZ-LLC (ABS-CBN Middle East) <sup>(b) (i)</sup>	Dubai, UAE	Cable and satellite programming services	United Arab Emirates dirham (AED)	100.0	100.0
ABS-CBN Global Hungary Kft. (ABS-CBN Hungary) <sup>(i)</sup>	Budapest, Hungary	Holding company	USD	100.0	100.0
ABS-CBN International, Inc. (ABS-CBN International) <sup>(i) (n)</sup>	California, USA	Cable and satellite programming services	USD	100.0	100.0
ABS-CBN Australia Pty. Ltd. (ABS-CBN Australia) <sup>(i) (k)</sup>	Victoria, Australia	Cable and satellite programming services	Australian dollar (AUD)	100.0	100.0
ABS-CBN Canada, ULC (ABS-CBN Canada) <sup>(i) (k)</sup>	Canada	Cable and satellite programming services	Canadian dollar (CAD)	100.0	100.0
ABS-CBN Telecom North America, Inc. <sup>(i) (k)</sup>	California, USA	Telecommunications	USD	100.0	100.0
<b>Films and Music:</b>					
ABS-CBN Film Productions, Inc. (ABS-CBN Films)	Philippines	Movie production	Philippine peso	100.0	100.0
Cinescreen, Inc. (Cinescreen) <sup>(f)</sup>	Philippines	Theater operator	Philippine peso	100.0	100.0
<b>Narrowcast and Sports:</b>					
Creative Programs, Inc. (CPI) <sup>(v)</sup>	Philippines	Content development, publishing and programming services	Philippine peso	100.0	100.0
<b>Others:</b>					
ABS-CBN Europe Remittance Inc. <sup>(d) (i) (y)</sup>	United Kingdom	Services - money remittance	GBP	100.0	100.0
E-Money Plus, Inc. <sup>(b)</sup>	Philippines	Services - money remittance	Philippine peso	100.0	100.0
ABS-CBN Global Remittance Inc. <sup>(i) (k) (y)</sup>	California, USA	Services - money remittance	USD	100.0	100.0
ABS-CBN Canada Remittance Inc. <sup>(i) (n) (y)</sup>	Canada	Services - money remittance	CAD	100.0	100.0
ABS-CBN Center for Communication Arts, Inc. <sup>(e)</sup>	Philippines	Educational/training	Philippine peso	100.0	100.0
ABS-CBN Global Cargo Corporation <sup>(t)</sup>	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. <sup>(i) (m)</sup>	Singapore	Services - support	Singapore dollar (SGD)	100.0	100.0
Professional Services for Television & Radio, Inc.	Philippines	Services - production	Philippine peso	100.0	100.0
Probabilistic Insights, Inc. <sup>(aa)</sup>	Philippines	Services - support	Philippine peso	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

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest	
				2020	2019
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) <sup>(z)</sup>	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) <sup>(x)</sup>	Philippines	Marketing, sales and advertising	Philippine peso	79.7	79.7
<b>Digital and Interactive Media</b>					
Sapientis Holdings Corporation (Sapientis)	Philippines	Holding company	Philippine peso	100.0	100.0
Columbus Technologies, Inc. (CTI) <sup>(q)</sup>	Philippines	Holding company	Philippine peso	70.0	70.0
ABS-CBN Convergence, Inc. (ABS-C) <sup>(q)</sup>	Philippines	Telecommunication	Philippine peso	69.3	69.3
<b>Cable, Satellite and Broadband</b>					
Sky Vision Corporation (Sky Vision) <sup>(w)</sup> (see Note 4)	Philippines	Holding Company	Philippine peso	75.0	75.0
Sky Cable Corporation (Sky Cable) <sup>(w)</sup> (see Note 4)	Philippines	Cable television services	Philippine peso	59.4	59.4
Bisaya Cable Television Network, Inc. <sup>(h) (i) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Bright Moon Cable Networks, Inc. <sup>(h) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Cavite Cable Corporation <sup>(h) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Cepsil Consultancy and Management Corporation <sup>(h) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Davao Cableworld Network, Inc. <sup>(h) (o) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
HM Cable Networks, Inc. <sup>(h) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
HM CATV, Inc. <sup>(h) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Hotel Interactive Systems, Inc. <sup>(h) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Isla Cable TV, Inc. <sup>(h) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Moonsat Cable Television, Inc. <sup>(h) (o) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Pilipino Cable Corporation (PCC) <sup>(h) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Satellite Cable TV, Inc. <sup>(h) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Sun Cable Holdings, Incorporated (SCH) <sup>(h) (w)</sup>	Philippines	Holding company	Philippine peso	59.4	59.4
Sun Cable Systems Davao, Inc. <sup>(h) (i) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Sunvision Cable, Inc. <sup>(h) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Tarlac Cable Television Network, Inc. <sup>(h) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Telemondial Holdings, Inc. <sup>(h) (i) (w)</sup>	Philippines	Holding company	Philippine peso	59.4	59.4
JMY Advantage Corporation <sup>(h) (w)</sup>	Philippines	Cable television services	Philippine peso	56.4	56.4
Cebu Cable Television, Inc. <sup>(h) (o) (p) (w)</sup>	Philippines	Cable television services	Philippine peso	57.4	57.4
Suburban Cable Network, Inc. <sup>(h) (w)</sup>	Philippines	Cable television services	Philippine peso	54.9	54.9
Pacific CATV, Inc. (Pacific) <sup>(h) (o) (w)</sup>	Philippines	Cable television services	Philippine peso	58.0	58.0
First Ilocandia CATV, Inc. <sup>(h) (o) (w)</sup>	Philippines	Cable television services	Philippine peso	54.9	54.9
Mactan CATV Network, Inc. <sup>(h) (o) (p) (w)</sup>	Philippines	Cable television services	Philippine peso	56.6	56.6
Discovery Mactan Cable, Inc. <sup>(h) (s) (w)</sup>	Philippines	Cable television services	Philippine peso	41.6	41.6
Home-Lipa Cable, Inc. <sup>(h) (s) (w)</sup>	Philippines	Cable television services	Philippine peso	35.6	35.6
<b>Consumer Products and Experiences</b>					
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) <sup>(u)</sup>	Philippines	Management of locations	Philippine peso	100.0	100.0
Play Innovations, Inc. (PII) <sup>(g)</sup>	Philippines	Theme park	Philippine peso	73.0	73.0
Play Innovations Hungary Kft. (Play Innovations) <sup>(j) (g)</sup>	Budapest, Hungary	Theme park	USD	73.0	73.0

<sup>(a)</sup> With branches in the Philippines and Taiwan

<sup>(b)</sup> Through ABS-CBN Global

<sup>(c)</sup> With branches in Italy and Spain

<sup>(d)</sup> Subsidiary of ABS-CBN Europe

<sup>(e)</sup> Nonstock ownership interest

<sup>(f)</sup> On June 5, 2017, the SEC approved the incorporation of Cinescreen. Cinescreen was established primarily to own, acquire, establish, lease, maintain, operate, manage, control, promote, advertise, undertake and carry on the business of theatres, movie houses and places of public amusement and entertainment.

<sup>(g)</sup> Through ABS-CBN Theme Parks

<sup>(h)</sup> 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 July 7, 2017, the SEC approved the incorporation of ABS-CBN Themed Experiences. ABS-CBN Themed Experiences was established primarily to design, build, develop, manage, operate and maintain theme and amusement parks, hotels, restaurants, coffee shops, refreshment parlors and other attractions and facilities.*
- (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 30, 2018, ABS-CBN Europe Remittance Inc., ABS-CBN Global Remittance Inc. and ABS-CBN Canada Remittance Inc. ceased operations.*
- (z) *On March 12, 2019, the SEC approved the incorporation of Chose 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.*
- (aa) *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, workshop facilitation and marketing training.*

### Future Changes in Accounting Policies

The standards, amendments and interpretations that are issued, but not yet effective as at June 30, 2020 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, 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 (IASB) 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.

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### **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.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Judgments, key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are consistent with those applied in the most recent annual financial statements.

#### 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 interim condensed consolidated financial statements.

### ***Going Concern Assessment***

The Parent Company was 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.

On July 10, 2020, the Resolution by the House Committee on Legislative Franchises (the “Resolution”), was passed, denying the franchise application of the Parent Company.

The Resolution significantly affects the Company’s Media, Networks, and Studio Entertainment operations, specifically the Company’s free-to-air business in the Philippines.

To mitigate the impact of the denial of the franchise application and of COVID-19:

1. The Company plans to continue to operate in other businesses that do not require a legislative franchise, such as, international licensing and distribution, digital and cable businesses, as well as, continue with the syndication of content through various streaming services
2. The Company takes into consideration the probable shift of consumer behavior in terms of accessing content, as well as, the ever-changing technology available to the public. Likewise, the Company takes into consideration the impact of COVID-19 in other business segments.
3. The Company has adopted and continues to implement cost control measures, reducing general and administrative expenses (GAEX) or overhead, rationalizing capital expenditures, and streamlining its manpower requirements as discussed below. Given the reduced operations, the Company is reviewing its current business models, structures, processes and systems, for a more agile, efficient and effective organization.
4. The Company will focus on businesses that will generate growth in revenues and is reducing investments in non-core activities. The Company has recently announced the closure of KidZania Manila due to the conditions brought by the COVID-19 pandemic.

In terms of material contracts and/or financial obligations that will be affected by the non-renewal of its broadcast franchise, the Company is currently in discussions with its creditor banks with respect to its long-term debts. The Parent Company is not aware of other material contracts and has not received any claims or demands, the payment obligations of which will be adversely affected by the Resolution.

The Company and its creditor banks are confident that with the proper security in place, the Company’s obligations to its creditor banks will be satisfied in accordance with the existing terms of, including payment schedules, under the relevant loan agreements.

The Company is likewise confident that any payments or financial obligations that may arise under its customary or usual business agreements are manageable and will not have a material adverse impact on the Company at this time. The Company is committed to honor all existing obligations for goods delivered and services rendered by its third party suppliers and/or to negotiate new terms for these obligations, should it be necessary.

The Company continues to explore and intends to pursue all available remedies and courses of action, and will comply with relevant legal, regulatory and contractual requirements, to be able to sustain its current and future business operations, which do not necessarily involve broadcast only.

The denial of the franchise application of the Company does not affect the primary franchise of the Company to exist as a corporation and does not affect the rights of its shareholders.

All of these unfortunate events, beyond the control of the Company, have adversely affected its ability to operate without incurring further losses. Even as the Company takes all possible measures to protect and preserve its operations, and is continuously exploring alternative ways to be able to sustain its business as discussed above, the Company is constrained to implement a retrenchment program effective at the close of business hours of August 31, 2020.

After considering the events on the Resolution and the responses of the Company to address these uncertainties, management has deemed it reasonable to present the consolidated financial statements as going concern.

Prior to recognizing the non-recurring losses in the Company's financial statements in 2019 amounting to ₱5.60 billion, the Company generated ₱2.95 billion net income for the period.

*Recognition of Revenue from Contracts with Customers Effective January 1, 2018*

- a. *Identifying Performance Obligations.* The Company identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Company's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

Revenues earned from multiple element arrangements are split into separately identifiable performance obligations based on their relative stand-alone selling price to reflect the substance of the transaction.

In relation to the subscription business, Sky Cable offers bundled cable and broadband services and is assessed as two separate performance obligations. The performance obligations to deliver cable television and broadband services on a monthly basis qualify as performance obligations satisfied over time since the customer simultaneously receives and consumes the benefit provided by the Company's performance.

- b. *Principal versus Agent Consideration.* The Company enters into contracts with its customers. The Company determined that it controls the goods and services before they are transferred to customers, and it has the ability to direct their use. The following factors indicate that the Company controls the goods and services before they are being transferred to customers. Therefore, the Company determined that it is a principal in these contracts.
- The Company is primarily responsible for fulfilling the promise to provide the specified goods and services.
  - The Company has inventory risk on the goods and services before these are transferred to the customer.
  - The Company has discretion in establishing the prices for the other party's goods or services and, therefore, the benefit that the Company can receive from those goods or services is not limited. It is incumbent upon the Company to establish the price of its services to be offered to its customers.
  - The Company's consideration in these contracts is the entire consideration billed to the service provider.

Based on the foregoing, the Company is considered the principal in its contracts with its customers. It has the primary obligation to provide the services to them.

- c. *Revenue Recognition.* The Company recognizes revenue over time or at a point in time depending on its evaluation of when the customer obtains control of the promised goods or services.

The subscription revenue from cable and broadband service, because transfer of control is assessed to be over the contract period, is recognized monthly as the Company provides the service. The related installation service is not distinct from the cable and broadband service, revenue is recognized over the period the cable and broadband services are provided to the customer.

For licensing, judgment is exercised in determining whether the Company can recognize revenue outright or over the license period. The Company recognizes revenue over the license period if all of the following criteria are met; otherwise, revenue is recognized outright:

- the contract requires, or the customer reasonably expects, that the Company will undertake activities that significantly affect the intellectual property to which the customer has rights
- the rights granted by the license directly expose the customer to any positive or negative effects of the Company's activities
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

Revenues from other revenue streams are recognized at a point in time when control over goods or services is transferred (see Note 2).

*Determination of Functional Currency.* The Parent Company and all other subsidiaries, 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, 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 – Company as Lessee (Prior to January 1, 2019)*

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 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.

*Leases – Company as Lessee (Effective January 1, 2019)*

*Determination of lease term of contracts with renewal and termination options.* The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Company included the renewal period as part of the lease term for leases of office spaces and warehouses with shorter non-cancellable period (i.e., three to five years). The Company typically exercises its option to renew for these leases because there will be a significant negative effect on operations if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

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 ECL After January 1, 2018*

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 are 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 ECL amounted to ₱460 million and ₱95 million for the six months ended June 30, 2020 and 2019, respectively (see Notes 7 and 27). Trade and other receivables, net of allowance for ECL, amounted to ₱8.0 billion and ₱10.6 billion as at June 30, 2020 and December 31, 2019, respectively. Allowance for ECL amounted to ₱3.0 billion and ₱2.5 billion as at June 30, 2020 and December 31, 2019, 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. Until December 31, 2018, the Company has identified that cable channels of CPI, trademarks, licenses and IP block have indefinite lives. Effective January 1, 2019, in view of the change in the expected pattern of economic benefits from the assets, the Company revised the estimated useful life and amortization method of cable channels from indefinite life to 5 years.

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.

The impairment on goodwill, cable channels, trademarks, licenses and IP block is determined by comparing: (a) the carrying amount of the cash-generating unit; and (b) the present value of the annual projected cash flows for five years and the present value of the terminal value computed under the discounted cash flow method.

The key assumptions used in the impairment test of goodwill, cable channels, trademarks and licenses are as follows:

a. Gross Revenue

On the average, gross revenue of the subsidiaries over the next five years were projected to grow in line with the economy or with nominal Gross Domestic Product. This assumes that the market share of the subsidiaries in their respective industries will be flat on the assumption that the industries also grow at par with the economy. Historically, advertising spending growth had a direct correlation with economic growth. A 1-4% perpetuity growth rate was assumed at the end of the five-year forecast period.

b. Operating Expenses

On the average, operating expenses were projected to increase at a single-digit growth rate and at a slower pace than revenue.

c. Gross Margins

Increased efficiencies over the next five years are expected to result in margin improvements.

d. Discount Rate

The discount rate used to arrive at the present value of future cash flows was the Company's Weighted Average Cost of Capital (WACC). WACC was based on the appropriate weights of debt and equity, which were multiplied with the assumed costs of debt and equity. The discount rates applied to the cash flow projections range from 7.25% to 8.09% in 2020 and 2019.

Similar to the impact on nonfinancial assets of the Resolution, the Company recognized impairment losses on its Goodwill and License – wireless business in 2019 amounting to ₱577 million and ₱965 million, respectively.

*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. The assumptions as of June 30, 2020 have considered the potential impact of the non-renewal of the Parent Company's legislative franchise (see Note 37).

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 ₱8.1 billion and ₱8.0 billion as at June 30, 2020 and December 31, 2019, 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 interim condensed consolidated financial statements (see Note 36).

*Leases - Estimating the Incremental Borrowing Rate (Effective January 1, 2019).* The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating) (see Note 31).

#### Seasonality of Operations

The Company's operations are not generally affected by any seasonality of cyclicity.

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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. As at June 30, 2020, the PDR instruments remain unissued.

#### Material Noncontrolling Interests

Financial information of subsidiaries that have material noncontrolling interests is provided below.

#### *Proportion of Equity Interest Held by Noncontrolling Interests*

Company	Place of Incorporation	Percentage	
		June 30, 2020 (Unaudited)	December 31, 2019 (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, 2020 (Unaudited)	December 31, 2019 (Audited)
Sapientis Holdings Corporation and Subsidiaries	(₱2,444,046)	(₱2,407,256)
Sky Cable Corporation and Subsidiaries	1,964,973	1,976,389

#### *Net Income (Loss) Attributable to Material Noncontrolling Interests*

Company	Six Months Ended June 30 (Unaudited)	
	2020	2019
Sky Cable Corporation and Subsidiaries	₱41,596	(₱32,812)
Sapientis Holdings Corporation and Subsidiaries	(27,925)	(36,597)

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*

	<b>June 30, 2020</b> (Unaudited)	December 31, 2019 (Audited)
Cash and cash equivalents	<b>₱3,578,009</b>	₱3,382,100
Other current assets	<b>2,738,016</b>	2,599,602
Goodwill	<b>4,491,817</b>	4,491,817
Trademarks	<b>1,111,784</b>	1,111,784
Customer relationships	<b>530,346</b>	563,636
Other noncurrent assets	<b>14,562,756</b>	14,295,217
Current liabilities	<b>(6,124,517)</b>	(5,680,554)
Noncurrent liabilities	<b>(8,576,672)</b>	(8,563,313)

*Summarized Consolidated Statements of Comprehensive Income*

	<b>Six Months Ended June 30</b> (Unaudited)	
	<b>2020</b>	2019
Revenue	<b>₱5,143,645</b>	₱4,613,031
Cost of services	<b>(3,789,329)</b>	(3,750,742)
General and administrative expenses	<b>(1,094,157)</b>	(867,163)
Finance costs	<b>(140,088)</b>	(139,781)
Other income - net	<b>31,452</b>	48,420
Income (loss) before income tax	<b>151,523</b>	(96,235)
Provision for (benefit from) income tax	<b>45,457</b>	(18,478)
Net income (loss)	<b>106,066</b>	(77,757)
Total comprehensive income (loss)	<b>₱106,066</b>	(₱77,757)

*Summarized Consolidated Statements of Cash Flows*

	<b>Six Months Ended June 30</b> (Unaudited)	
	<b>2020</b>	2019
Operating	<b>₱1,195,505</b>	₱1,059,252
Investing	<b>(715,025)</b>	(835,330)
Financing	<b>(296,536)</b>	(159,602)
Net increase in cash and cash equivalents	<b>183,944</b>	64,320

b. *Sapientis*

*Summarized Consolidated Statements of Financial Position*

	<b>June 30, 2020</b> (Unaudited)	December 31, 2019 (Audited)
Cash and cash equivalents	<b>₱4,002</b>	₱7,917
Other current assets	<b>923,314</b>	990,645
Current liabilities	<b>(5,799,351)</b>	(5,815,892)
Noncurrent liabilities	<b>(3,302,298)</b>	(3,246,934)

*Summarized Consolidated Statements of Comprehensive Income*

	<b>Six Months Ended June 30</b> (Unaudited)	
	<b>2020</b>	2019
General and administrative expenses	<b>(₱57,996)</b>	(₱78,425)
Noncash expenses	<b>(33,279)</b>	(41,209)
Finance costs	<b>(488)</b>	(907)
Other income - net	<b>92</b>	1,097
Loss before income tax	<b>(91,671)</b>	(119,444)
Benefit from income tax	<b>(603)</b>	(129)
Net loss	<b>(91,068)</b>	(119,315)
Total comprehensive loss	<b>(₱91,068)</b>	(₱119,315)

*Summarized Consolidated Statements of Cash Flows*

	<b>Six Months Ended June 30</b> (Unaudited)	
	<b>2020</b>	2019
Operating	<b>(₱39,213)</b>	(₱469,369)
Investing	<b>(232,947)</b>	(33,366)
Financing	<b>268,245</b>	500,547
Net decrease in cash and cash equivalents	<b>(₱3,915)</b>	(₱2,188)

## 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 interim condensed 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:

	<b>Six Months Ended June 30</b>	
	<b>(Unaudited)</b>	
	<b>2020</b>	<b>2019</b>
Consolidated EBITDA	<b>(P815,964)</b>	P4,468,638
Depreciation and amortization	<b>(1,794,583)</b>	(1,734,022)
Amortization of intangible assets**	<b>(691,661)</b>	(715,317)
Finance costs*	<b>(637,827)</b>	(601,641)
Interest income	<b>155,254</b>	197,569
Provision for (benefit from) income tax	<b>(145,050)</b>	(147,016)
Consolidated net income (loss)	<b>(P3,929,831)</b>	P1,468,211

\*Excluding bank service charges

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

## Business Segment Data

The following tables present revenue and income information for the six months ended June 30, 2020 and 2019 and certain asset and liability information regarding business segments as of June 30, 2020 and December 31, 2019:

	Media, Network and Studio Entertainment		Cable, Satellite and Broadband		Digital and Interactive Media		Consumer Products and Live Experience		Eliminations		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Revenue</b>												
External sales	<b>P7,268,790</b>	P15,562,295	<b>P5,143,645</b>	P4,501,339	<b>P650,603</b>	P710,256	<b>P546,549</b>	P681,802	<b>P-</b>	P-	<b>P13,609,587</b>	P21,455,692
Inter-segment sales	<b>2,169,723</b>	2,073,532	-	111,692	-	-	-	-	<b>(2,169,723)</b>	(2,185,224)	-	-
Revenue deductions	<b>(270,205)</b>	(558,861)	-	-	<b>(225,722)</b>	(166,924)	<b>(5,697)</b>	(45,168)	<b>209,435</b>	117,526	<b>(292,189)</b>	(653,427)
Total revenue	<b>P9,168,308</b>	P17,076,966	<b>P5,143,645</b>	P4,613,031	<b>P424,881</b>	P543,332	<b>P540,852</b>	P636,634	<b>(P1,960,288)</b>	(P2,067,698)	<b>P13,317,398</b>	P20,802,265
<b>Results</b>												
Operating results	<b>(P3,552,271)</b>	P2,223,020	<b>P260,159</b>	(P4,874)	<b>(P269,872)</b>	(P110,178)	<b>(P160,770)</b>	(P423,886)	<b>P320,695</b>	P246,949	<b>(P3,402,059)</b>	P1,931,031
Finance costs	<b>(605,349)</b>	(558,390)	<b>(140,088)</b>	(139,781)	<b>(488)</b>	(907)	<b>(26,861)</b>	(27,934)	<b>128,735</b>	116,626	<b>(644,051)</b>	(610,386)
Foreign exchange gains (losses) – net	<b>228,608</b>	164,811	<b>(26,067)</b>	(42,681)	<b>88</b>	844	<b>2,076</b>	1,754	<b>(186,619)</b>	(168,847)	<b>18,086</b>	(44,119)
Interest income	<b>176,672</b>	176,781	<b>6,895</b>	36,222	<b>5</b>	7	<b>596</b>	1,364	<b>(28,914)</b>	(16,805)	<b>155,254</b>	197,569
Equity in net losses of associates and joint ventures	<b>(1,894)</b>	(14,861)	-	-	-	-	-	-	-	-	<b>(1,894)</b>	(14,861)
Other income – net	<b>384,677</b>	440,766	<b>50,624</b>	54,879	-	247	<b>1,501</b>	1,204	<b>(346,919)</b>	(341,103)	<b>89,883</b>	155,993
Income tax	<b>(96,834)</b>	(169,846)	<b>(45,457)</b>	18,478	<b>603</b>	129	<b>(3,362)</b>	4,223	-	-	<b>(145,050)</b>	(147,016)
Net income (loss)	<b>(3,466,391)</b>	P2,262,281	<b>P106,066</b>	(P77,757)	<b>(P269,664)</b>	(P109,858)	<b>(P186,820)</b>	(P443,275)	<b>(P113,022)</b>	(P163,180)	<b>(3,929,831)</b>	P1,468,211
<b>EBITDA</b>											<b>(P815,965)</b>	P4,468,638
<b>EBITDA Margin</b>											<b>(6%)</b>	21%
<b>Assets and Liabilities</b>												
Operating assets	<b>P50,749,574</b>	P70,829,438	<b>P25,009,787</b>	P24,475,320	<b>P940,143</b>	P773,187	<b>P564,216</b>	P273,553	<b>(P3,863,514)</b>	(P18,679,933)	<b>P73,400,206</b>	P77,671,565
Investments in associates and joint ventures	<b>21,562,762</b>	20,930,038	<b>1,562</b>	1,562	-	-	-	-	<b>(21,140,354)</b>	(20,505,736)	<b>423,970</b>	425,864
Deferred tax assets – net	<b>440,953</b>	442,812	<b>904,239</b>	856,184	<b>288</b>	-	<b>35,752</b>	30,893	<b>(173,059)</b>	(182,782)	<b>1,208,173</b>	1,147,107
Total assets	<b>P72,753,289</b>	P92,202,288	<b>P25,915,588</b>	P25,333,066	<b>P940,431</b>	P773,187	<b>P599,968</b>	P304,446	<b>(P25,176,927)</b>	(P39,368,451)	<b>P75,032,349</b>	P79,244,536
Operating liabilities	<b>P12,619,761</b>	13,044,251	<b>P7,099,397</b>	P6,634,394	<b>P3,020,507</b>	P2,960,415	<b>P460,262</b>	P614,657	<b>(P3,793,255)</b>	(P3,733,356)	<b>P19,406,669</b>	P19,520,361
Contract liabilities	<b>56,694</b>	227,214	<b>714,034</b>	628,485	-	-	<b>134,395</b>	208,951	-	-	<b>905,123</b>	1,064,650
Interest-bearing loans and borrowings	<b>20,114,441</b>	20,260,586	<b>6,023,868</b>	6,067,344	-	-	<b>240,000</b>	240,000	<b>(541,331)</b>	(541,331)	<b>25,836,978</b>	26,026,599
Deferred tax liability	<b>312,534</b>	320,084	-	-	<b>138,271</b>	138,271	-	-	-	-	<b>450,805</b>	458,355
Lease liabilities	<b>957,655</b>	818,910	<b>230,408</b>	239,215	<b>9,004</b>	11,550	<b>41,494</b>	47,849	<b>(34,158)</b>	(34,158)	<b>1,204,403</b>	1,083,366
Total liabilities	<b>P34,061,085</b>	P34,671,045	<b>P14,067,707</b>	P13,569,438	<b>P3,167,782</b>	P3,110,236	<b>P876,151</b>	P1,111,457	<b>(P4,368,744)</b>	(4,308,845)	<b>P47,803,978</b>	P48,153,331
<b>Other Segment Information</b>												
Capital expenditures:												
Property and equipment	<b>P433,323</b>	P1,430,765	<b>P814,517</b>	P2,489,861	<b>P-</b>	P82,676	<b>P200,326</b>	P38,149	<b>P-</b>	P-	<b>P1,448,166</b>	P4,041,451
Intangible assets	<b>731,648</b>	1,226,585	<b>12,271</b>	82,449	-	2,412	-	-	-	-	<b>743,919</b>	1,311,446
Depreciation and amortization	<b>2,703,762</b>	4,636,431	<b>944,715</b>	1,771,229	<b>33,311</b>	84,816	<b>45,176</b>	84,897	<b>(663,166)</b>	(1,214,473)	<b>3,063,798</b>	5,362,900
Noncash expenses other than depreciation and amortization	<b>14,912</b>	277,667	<b>455,231</b>	216,420	-	53,859	-	77,770	-	-	<b>470,143</b>	625,716



### Geographical Segment Data

The following tables present revenue and expenditure for the six months ended June 30, 2020 and 2019 and certain asset information regarding geographical segments as of June 30, 2020 and December 31, 2019:

	Philippines		United States		Others		Eliminations		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Revenue</b>										
External sales	<b>P11,486,017</b>	P18,813,681	<b>P1,208,636</b>	P2,004,308	<b>P914,934</b>	P637,703	<b>P–</b>	P–	<b>P13,609,587</b>	P21,455,692
Inter-segment sales	<b>2,169,723</b>	2,185,224	–	–	–	–	<b>(2,169,723)</b>	(2,185,224)	–	–
Revenue deductions	<b>(501,624)</b>	(770,953)	–	–	–	–	<b>209,435</b>	117,526	<b>(292,189)</b>	(653,427)
Total revenue	<b>P13,154,116</b>	P20,227,952	<b>P1,208,636</b>	P2,004,308	<b>P914,934</b>	P637,703	<b>(P1,960,288)</b>	(P2,067,698)	<b>P13,317,398</b>	P20,802,265
<b>Assets</b>										
Operating assets	<b>P69,285,520</b>	P84,840,972	<b>P2,529,713</b>	P2,520,027	<b>P5,402,456</b>	P8,936,585	<b>(P3,863,514)</b>	(P18,679,933)	<b>P73,354,175</b>	P77,617,651
Contract assets	<b>46,031</b>	53,914	–	–	–	–	–	–	<b>46,031</b>	53,914
Investments in associates and joint ventures	<b>21,564,324</b>	20,931,600	–	–	–	–	<b>(21,140,354)</b>	(20,505,736)	<b>423,970</b>	425,864
Deferred tax assets – net	<b>1,318,711</b>	1,225,025	<b>61,581</b>	77,198	<b>940</b>	27,666	<b>(173,059)</b>	(182,782)	<b>1,208,173</b>	1,147,107
Total assets	<b>P92,214,586</b>	P107,051,511	<b>P2,591,294</b>	P2,597,225	<b>P5,403,396</b>	P8,964,251	<b>(P25,176,927)</b>	(P39,368,451)	<b>P75,032,349</b>	P79,244,536
<b>Liabilities</b>										
Operating liabilities	<b>P22,050,692</b>	P19,333,482	<b>P380,914</b>	P559,114	<b>P768,318</b>	P3,361,121	<b>(P3,793,255)</b>	(P3,733,356)	<b>P19,406,669</b>	P19,520,361
Contract liabilities	<b>905,123</b>	1,064,650	–	–	–	–	–	–	<b>905,123</b>	1,064,650
Interest-bearing loans and borrowings	<b>26,349,181</b>	26,536,966	<b>29,128</b>	30,964	–	–	<b>(541,331)</b>	(541,331)	<b>25,836,978</b>	26,026,599
Deferred tax liability	<b>450,805</b>	458,355	–	–	–	–	–	–	<b>450,805</b>	458,355
Lease liabilities	<b>613,334</b>	520,403	<b>570,027</b>	579,236	<b>55,200</b>	17,885	<b>(34,158)</b>	(34,158)	<b>1,204,403</b>	1,083,366
Total liabilities	<b>P50,369,135</b>	P47,913,856	<b>P980,069</b>	P1,169,314	<b>P823,518</b>	P3,379,006	<b>(4,368,744)</b>	(P4,308,845)	<b>P47,803,978</b>	P48,153,331
<b>Other Segment Information</b>										
Capital expenditures:										
Property and equipment	<b>P1,447,741</b>	P3,997,250	<b>P425</b>	P44,201	<b>P–</b>	P–	<b>P–</b>	P–	<b>P1,448,166</b>	P4,041,451
Intangible assets	<b>743,919</b>	1,311,446	–	–	–	–	–	–	<b>743,919</b>	1,311,446

## 6. Cash and Cash Equivalents and Short-term Investments

	<b>June 30, 2020</b> (Unaudited)	December 31, 2019 (Audited)
Cash on hand and in banks	<b>₱6,223,615</b>	₱6,033,101
Cash equivalents	<b>11,299,880</b>	6,136,816
	<b>₱17,523,495</b>	₱12,169,917

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 ₱510 million and ₱6,999 million as at June 30, 2020 and December 31, 2019, respectively, and with maturities of more than three months but less than one year are classified as “Short-term investments” in the consolidated statements of financial position.

Interest earned from cash and cash equivalents and short-term investments amounted to ₱155 million and ₱198 million for the six months ended June 30, 2020, and 2019, respectively.

## 7. Trade and Other Receivables

	<b>June 30, 2020</b> (Unaudited)	December 31, 2019 (Audited)
Trade:		
Airtime	<b>₱3,613,247</b>	₱6,101,594
Subscriptions	<b>3,023,530</b>	2,829,697
Others	<b>2,530,175</b>	2,110,569
Due from related parties (see Note 23)	<b>321,514</b>	325,478
Advances to employees and talents (see Note 23)	<b>665,458</b>	696,108
Others	<b>799,426</b>	1,060,084
	<b>10,953,350</b>	13,123,530
Less allowance for ECL	<b>2,991,585</b>	2,518,097
	<b>₱7,961,765</b>	₱10,605,433

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.

Other receivables include interest receivable.

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

	<b>June 30, 2020</b> (Unaudited)	December 31, 2019 (Audited)
Less than 30 days	<b>P120,307</b>	P779,834
31 to 90 days	<b>76,929</b>	33,317
	<b>P197,236</b>	<b>P813,151</b>

#### Allowance for ECL

Movements in the allowance for ECL are as follows:

	Trade			Nontrade	Total
	Airtime	Subscriptions	Others		
Balance at January 1, 2019	P317,485	P1,342,220	P320,749	P69,500	P2,049,954
Provisions (see Note 27)	28,802	201,026	140,824	229,324	599,976
Write-offs and others	(3,440)	(26,374)	(99,731)	(2,288)	(131,833)
Balance at December 31, 2019	342,847	1,516,872	361,842	296,536	2,518,097
Provisions (see Note 27)	<b>3,183</b>	<b>102,096</b>	<b>355,104</b>	–	<b>460,383</b>
Write-offs and others	<b>5,854</b>	<b>7,243</b>	<b>8</b>	–	<b>13,105</b>
<b>Balance at June 30, 2020</b>	<b>P351,884</b>	<b>P1,626,211</b>	<b>P716,954</b>	<b>P296,536</b>	<b>P2,991,585</b>

## 8. Inventories

	<b>June 30, 2020</b> (Unaudited)	December 31, 2019 (Audited)
At cost:		
Merchandise inventories	<b>P529,223</b>	P594,979
Office supplies	<b>4,933</b>	4,950
At net realizable value:		
Merchandise inventories	<b>3,552</b>	27,722
Materials, supplies and spare parts	<b>38,646</b>	47,956
	<b>P576,354</b>	<b>P675,607</b>

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 P310 million and P1,079 million for the six months ended June 30, 2020 and 2019, 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 P351 million and P1,134 million for the six months ended June 30, 2020 and 2019, respectively (see Note 26).

The cost of inventories carried at net realizable value amounted to P111 million and P287 million as at June 30, 2020 and December 31, 2019, respectively. Inventory losses amounted to P1 million and nil for the six months ended June 30, 2020 and 2019 (see Note 27).

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## 9. Contract Cost Assets and Contract Liabilities

	<b>June 30, 2020</b>	December 31, 2019
	(Unaudited)	(Audited)
Contract cost assets (see Note 15)	<b>P46,031</b>	P53,914
Contract liabilities	<b>905,123</b>	1,064,650

### 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.

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 P47 million for the year ended December 31, 2019 (see Note 27).

No impairment loss was recognized in 2020 and 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, total revenue recognized amounted to P461 million for the year ended December 31, 2019. Contract liabilities are usually recognized as revenues within one year from receipt.

## 10. Property and Equipment

June 30, 2020 (Unaudited – Six Months)								
						Right-of-use assets		
	Land and Land Improvements	Buildings and Improvements	Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Other Equipment	Construction in Progress	Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Buildings and Improvements	Total
<b>Cost</b>								
Balance at beginning of year	P2,224,315	P13,018,483	P25,768,241	P12,922,832	P8,248,022	P810,263	P1,023,253	P64,015,409
Additions	21,928	24,857	392,694	195,498	559,026	–	254,163	1,448,166
Disposals/retirements	–	–	(1,267)	(32,596)	–	–	(109,601)	(143,464)
Reclassifications	–	805,173	946,420	259,497	(2,011,090)	–	–	–
Translation adjustments	(1,442)	(7,478)	(7,473)	(15,237)	(212)	(11,647)	–	(43,489)
Balance at end of year	2,244,801	13,841,035	27,098,615	13,329,994	6,795,746	798,616	1,167,815	65,276,622
<b>Accumulated Depreciation and Amortization</b>								
Balance at beginning of year	41,726	8,709,026	18,354,583	8,603,639	268,622	193,282	370,790	36,541,668
Depreciation and amortization (see Notes 25, 26 and 27)	3,814	214,749	986,198	444,387	–	101,123	43,462	1,793,733
Disposals/retirements	–	–	(1,266)	(32,549)	–	–	(1,563)	(35,378)
Translation adjustments	(17)	2,526	(6,913)	(10,266)	–	(5,865)	–	(20,535)
Balance at end of year	45,523	8,926,301	19,332,602	9,005,211	268,622	288,540	412,689	38,279,488
<b>Net Book Value</b>	<b>P2,199,278</b>	<b>P4,914,734</b>	<b>P7,766,013</b>	<b>P4,324,783</b>	<b>P6,527,124</b>	<b>P510,076</b>	<b>P755,126</b>	<b>P26,997,134</b>

December 31, 2019 (Audited – One Year)								
						Right-of-use assets		
	Land and Land Improvements	Buildings and Improvements	Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Other Equipment	Construction in Progress	Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Buildings and Improvements	Total
<b>Cost</b>								
Balance at beginning of year	P2,231,209	P12,861,957	P24,866,855	P13,439,510	P6,843,518	P–	P–	P60,243,049
Adoption of PFRS 16	–	–	–	(589,204)	–	621,995	935,077	967,868
Additions	–	21,536	1,313,440	457,083	1,933,637	264,078	88,176	4,077,950
Disposals/retirements	(3,822)	(40,260)	(416,384)	(597,882)	(87,196)	(75,810)	–	(1,221,354)
Reclassifications	413	190,091	19,764	231,894	(442,162)	–	–	–
Translation adjustments	(3,485)	(14,841)	(15,434)	(18,569)	225	–	–	(52,104)
Balance at end of year	2,224,315	13,018,483	25,768,241	12,922,832	8,248,022	810,263	1,023,253	64,015,409
<b>Accumulated Depreciation and Amortization</b>								
Balance at beginning of year	43,424	7,759,026	16,395,378	8,169,596	–	–	–	32,367,424
Adoption of PFRS 16	–	–	–	(145,222)	–	145,222	–	–
Depreciation and amortization (see Notes 25, 26 and 27)	2,165	403,605	1,960,593	990,485	–	31,769	327,588	3,716,205
Disposals/retirements	(3,822)	(34,590)	(333,710)	(548,561)	–	(11,573)	–	(932,256)
Impairment loss	–	586,180	324,625	151,241	268,622	27,864	45,786	1,404,318
Translation adjustments	(41)	(5,195)	7,697	(13,900)	–	–	(2584)	(14,023)
Balance at end of year	41,726	8,709,026	18,354,583	8,603,639	268,622	193,282	370,790	36,541,668
<b>Net Book Value</b>	<b>P2,182,589</b>	<b>P4,309,457</b>	<b>P7,413,658</b>	<b>P4,319,193</b>	<b>P7,979,400</b>	<b>P616,981</b>	<b>P652,463</b>	<b>P27,473,741</b>

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 P492 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, 2020, 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 ₱25,422 million and ₱25,009 million as at June 30, 2020 and December 31, 2019, 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 ₱1,728 million and ₱1,642 million as at June 30, 2020 and December 31, 2019, respectively. Borrowing costs capitalized in 2020 and 2019 amounted to ₱100 million and ₱200 million, respectively. Borrowing cost capitalization rates in 2020 and 2019 is 6.735%.

The Company determined the consequences of the COVID-19 pandemic as well as the Resolution passed by the House Committee on Legislative Franchises denying the franchise application of the Company, as impairment indicators on the its nonfinancial assets. In 2019, the Company recognized impairment losses amounting to ₱1.4 billion, relating to its telecommunications equipment, theme parks and attractions facilities.

## 11. Investment Properties

June 30, 2020 (Unaudited – Six Months)			
	Land	Building	Total
<b>Cost:</b>			
Balance at beginning of year	₱171,644	₱43,961	₱215,605
Translation adjustments	(568)	(734)	(1,302)
Balance at end of year	171,076	43,227	214,303
<b>Accumulated depreciation:</b>			
Balance at beginning of year	–	16,913	16,913
Depreciation (see Note 27)	–	850	850
Translation adjustments	–	(305)	(305)
Balance at end of year	–	17,458	17,458
<b>Net book value</b>	<b>₱171,076</b>	<b>₱25,769</b>	<b>₱196,845</b>

December 31, 2019 (Audited – One Year)			
	Land	Building	Total
<b>Cost:</b>			
Balance at beginning of year	₱173,016	₱45,618	₱218,634
Translation adjustments	(1,372)	(1,657)	(3,029)
Balance at end of year	171,644	43,961	215,605
<b>Accumulated depreciation:</b>			
Balance at beginning of year	–	15,871	15,871
Depreciation (see Note 27)	–	1,739	1,739
Translation adjustments	–	(697)	(697)
Balance at end of year	–	16,913	16,913
<b>Net book value</b>	<b>₱171,644</b>	<b>₱27,048</b>	<b>₱198,692</b>

The Parent Company owns a parcel of land for capital appreciation purposes costing ₱136 million as at June 30, 2020 and December 31, 2019. The fair value of the land, based on the latest appraisal report dated February 14 and 20, 2020, 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 ₱55 million as at June 30, 2020 and December 31, 2019, 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, 2020 and December 31, 2019, 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 ₱120 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, 2020 and 2019. Direct operating expenses, which consist mainly of depreciation, amounted to ₱850 thousand and ₱876 thousand for the six months ended June 30, 2020 and 2019, respectively.

## 12. Goodwill, Program Rights and Other Intangible Assets

	Goodwill	Program Rights	Music Rights	Movie In-Process and Filmed Entertainment	Story and Publication, Video Rights, 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, 2019	P4,742,164	P4,421,023	P-	P1,072,891	P121,353	P1,111,784	P-	P563,636	P367,974	P47,743	P183,833	P38,957	P12,671,358
Additions	-	126,475	-	574,005	31,168	-	-	-	-	-	12,271	-	743,919
Amortization (see Notes 25, 26 and 27)	-	(649,968)	-	(544,836)	(32,718)	-	-	(33,290)	-	(3,225)	-	(5,178)	(1,269,215)
Translation adjustments	(3,980)	-	-	-	-	-	-	-	-	(213)	-	-	(4,193)
Balance as at June 30, 2020	4,738,184	3,897,530	-	1,102,060	119,803	1,111,784	-	530,346	367,974	44,305	196,104	33,779	12,141,869
Less current portion	-	1,022,310	-	175,416	4,146	-	-	-	-	-	-	-	1,201,872
Noncurrent portion	P4,738,184	P2,875,220	P-	P926,644	P115,657	P1,111,784	P-	P530,346	P367,974	P44,305	P196,104	P33,779	P10,939,997
Balance as at December 31, 2018	P5,328,818	P4,773,920	P806	P1,056,361	P124,599	P1,111,784	P990,237	P619,475	P459,968	P50,702	P101,384	P51,500	P14,669,554
Additions	-	931,413	-	291,584	3,588	-	-	-	-	-	82,449	2,412	1,311,446
Amortization (see Notes 25, 26 and 27)	-	(1,284,310)	(806)	(186,137)	(6,834)	-	(4,649)	(55,839)	(91,994)	(6,596)	-	(7,791)	(1,644,956)
Impairment loss	(577,037)	-	-	(88,917)	-	-	(984,955)	-	-	-	-	(7,164)	(1,658,073)
Translation adjustments	(9,617)	-	-	-	-	-	(633)	-	-	3,637	-	-	(6,613)
Balance as at December 31, 2019	4,742,164	4,421,023	-	1,072,891	121,353	1,111,784	-	563,636	367,974	47,743	183,833	38,957	12,671,358
Less current portion	-	1,134,251	-	147,892	4,518	-	-	-	-	-	-	-	1,286,661
Noncurrent portion	P4,742,164	P3,286,772	P-	P924,999	P116,835	P1,111,784	P-	P563,636	P367,974	P47,743	P183,833	P38,957	P11,384,697



### Goodwill

Goodwill arose from the following acquisitions and business combination:

	<b>June 30, 2020</b> (Unaudited)	December 31, 2019 (Audited)
Sky Cable	<b>P4,491,817</b>	P4,491,817
ABS-CBN International*	<b>246,367</b>	250,347
	<b>P4,738,184</b>	P4,742,164

\*Includes translation adjustments

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

	<b>Trademarks</b>	<b>IP Block</b>	<b>Total</b>
Balance as at December 31, 2019	<b>P1,111,784</b>	<b>P37,804</b>	<b>P1,149,588</b>
Additions	—	—	—
Balance as at June 30, 2020	<b>P1,111,784</b>	<b>P37,804</b>	<b>P1,149,588</b>

Other intangible assets assessed to have indefinite life include trademarks and licenses to operate the wireless business. Trademarks pertain to DCI 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.

In 2019, the Company recognized impairment losses amounting to P956 million, relating to its telecommunication license. This is as a result of the lapse of the legislative franchise of ABS-C on March 17, 2020 which was considered as an adjusting entry (see Note 37).

### **13. Financial Assets at Fair Value through Other Comprehensive Income**

	<b>June 30, 2020</b> (Unaudited)	December 31, 2019 (Audited)
Quoted equity securities	<b>P162,366</b>	P187,424
Non-listed ordinary common and quoted club shares	<b>75,702</b>	75,702
	<b>P238,068</b>	P263,126

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 P9.2 million as of June 30, 2020 and December 31, 2019, respectively.

Movements in this account follow:

	<b>June 30, 2020</b> (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of year	<b>P263,126</b>	P268,304
Additional investment	–	27,871
Unrealized fair value loss	<b>(25,058)</b>	(33,049)
Balance at end of year	<b>P238,068</b>	P263,126

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

		Percentage of Ownership	
		June 30, 2020	December 31, 2019
Entity	Principal Activities	(Unaudited)	(Audited)
Associates:			
Star Cinema Productions, Inc.	Services	45.0	45.0
The Flagship, Inc. (Flagship)	Services	40.0	40.0
Joint ventures:			
A C J O Shopping Corporation (A C J O)	Home shopping	50.0	50.0
Daum Kakao Philippines Corporation (Daum Kakao)	Services	50.0	50.0
ALA Sports Promotions International, Inc. (ALA Sports)	Boxing promotions	44.0	44.0

Details and movement in the account are as follows:

	<b>June 30, 2020</b>	December 31, 2019
	(Unaudited)	(Audited)
Acquisition costs –		
Balance at beginning and end of year	<b>₱1,035,049</b>	₱1,064,552
Sale of investment in associate	–	(29,503)
Balance at end of year	<b>1,035,049</b>	1,035,049
Accumulated equity in net losses –		
Balance at beginning of year	<b>(596,388)</b>	(566,570)
Equity in net earnings (losses) during the year	<b>(1,894)</b>	(18,721)
Sale of investment in associate	–	(11,097)
Balance at end of year	<b>(598,282)</b>	(596,388)
Accumulated impairment loss –		
Balance at beginning of year	<b>(12,797)</b>	(2,735)
Impairment of investment in associate	–	(10,062)
Balance at end of year	<b>(12,797)</b>	(12,797)
	<b>₱423,970</b>	₱425,864
Investments in:		
Joint ventures	<b>₱320,792</b>	₱322,686
Associates	<b>103,178</b>	103,178
	<b>₱423,970</b>	₱425,864

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 December 31, 2019 and 2018.

a. Investments in Joint Ventures

i. A C J 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. As of August 20, 2020 Daum Kakao has returned capital of ₱364 million to the joint venturers.

Combined financial information of the joint ventures follows:

	<b>June 30, 2020</b> (Unaudited)	December 31, 2019 (Audited)
Current assets	<b>₱952,921</b>	₱879,875
Noncurrent assets	<b>117,646</b>	145,287
Current liabilities	<b>(408,355)</b>	(364,860)
Noncurrent liabilities	<b>(7,616)</b>	(1,445)
Net equity	<b>₱654,596</b>	₱658,857

	<b>Six Months Ended June 30</b> (Unaudited)	
	<b>2020</b>	2019
Revenue	<b>₱198,506</b>	₱247,605
Costs and expenses	<b>(202,767)</b>	(277,542)
Net income (loss)	<b>(₱4,261)</b>	(₱29,937)

Equity in net losses of joint ventures	<b>(₱1,894)</b>	(₱14,861)
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Below is the reconciliation of the summarized financial information of the joint ventures to the carrying amount of the Parent Company's investments therein:

	<b>June 30, 2020 (Unaudited – Six Months)</b>			
	<b>A C J O</b>	<b>ALA Sports</b>	<b>Daum Kakao</b>	<b>Total</b>
Net assets of joint ventures	<b>₱196,248</b>	<b>₱62,844</b>	<b>₱395,504</b>	<b>₱654,596</b>
Interest of the Parent Company in the net assets of the joint ventures	<b>50%</b>	<b>44%</b>	<b>50%</b>	
	<b>98,124</b>	<b>27,651</b>	<b>197,752</b>	<b>323,527</b>
Accumulated impairment loss	<b>–</b>	<b>–</b>	<b>(2,735)</b>	<b>(2,735)</b>
Carrying amount of investments in joint ventures	<b>₱98,124</b>	<b>₱27,651</b>	<b>₱195,017</b>	<b>₱320,792</b>

December 31, 2019 (Audited – One Year)				
	A C J O	ALA Sports	Daum Kakao	Total
Net assets of joint ventures	₱196,146	₱66,787	₱395,924	₱658,857
Interest of the Parent Company in the net assets of the joint ventures	50%	44%	50%	
	98,073	29,386	197,962	325,421
Accumulated impairment loss	–	–	(2,735)	(2,735)
Carrying amount of investments in joint ventures	₱98,073	₱29,386	₱195,227	₱322,686

b. Investments in Associates

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, 2020 and 2019, 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, 2020 and 2019.

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

Combined financial information of associates follows:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Current assets	₱101,085	₱101,085
Noncurrent assets	26,886	26,886
Current liabilities	(62,378)	(62,378)
Net equity	₱65,593	₱65,593

15. Other Current Assets

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Creditable withholding and prepaid taxes	₱2,930,480	₱3,034,779
Advances to suppliers	1,305,695	1,171,433
Preproduction expenses	602,397	631,826
Prepayments:		
Licenses	325,119	367,907
Subscription	148,816	83,694
Rent	113,806	25,330
Insurance	32,668	10,846
Transponder services	6,428	6,428
Contract cost assets (see Note 9)	46,031	53,914
Other prepayments	173,359	25,213
	₱5,684,799	₱5,411,370

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, 2020 (Unaudited)	December 31, 2019 (Audited)
Tax credits - net of allowance for impairment	<b>P511,438</b>	P535,488
Deposits and bonds	<b>499,575</b>	478,798
Others (see Note 23)	<b>558,687</b>	189,340
	<b>P1,569,700</b>	P1,203,626

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 P379 million and P216 million as at June 30, 2020 and December 31, 2019, respectively.

# 17. Trade and Other Payables

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade	<b>P1,193,383</b>	P1,548,451
Accrued expenses:		
Production costs and other expenses	<b>4,102,910</b>	4,117,258
Salaries and other employee benefits (see Note 30)	<b>3,022,414</b>	2,349,867
Taxes	<b>668,708</b>	970,595
Interest	<b>262,186</b>	281,622
Customer deposits	<b>444,510</b>	659,322
Deposit for future subscription (see Notes 4 and 22)	<b>1,362,497</b>	1,351,614
Dividend payable	<b>303,192</b>	304,192
Due to related parties (see Note 23)	<b>25,757</b>	22,997
Others	<b>393,399</b>	167,006
	<b>P11,778,956</b>	P11,772,924

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

Borrower	June 30, 2020 (Unaudited – Six Months)			December 31, 2019 (Audited – One Year)		
	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion	Total
Parent Company	P220,527	P19,864,786	P20,085,313	P198,520	P20,031,102	P20,229,622
Play Innovations, Inc.	240,000	–	240,000	240,000	–	240,000
Sky Cable	30,810	5,451,727	5,482,537	72,464	5,453,548	5,526,012
ABS-CBN International	2,806	26,322	29,128	2,771	28,194	30,965
	<b>P494,143</b>	<b>P25,342,835</b>	<b>P25,836,978</b>	<b>P513,755</b>	<b>P25,512,844</b>	<b>P26,026,599</b>

### Parent Company

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

	June 30, 2020 (Unaudited – Six Months)			December 31, 2019 (Audited – One Year)		
	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion	Total
Term loans:						
Loan agreements	P220,527	P19,864,786	P20,085,313	P198,520	P 20,031,102	P20,229,622
	<b>P220,527</b>	<b>P19,864,786</b>	<b>P20,085,313</b>	<b>P198,520</b>	<b>P20,031,102</b>	<b>P20,229,622</b>

#### a. *Loan Agreements*

- (i) On October 29, 2010, the Parent Company signed a syndicated loan for P10 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 P6,906 million from the syndicated loan to prepay existing debt facilities, namely, the Senior Credit Agreement (SCA) facility, the BDO facility, the P800 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 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. This was prepaid in November 2019 resulting to a loss of ₱2.5 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.
- (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.

The 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.

The loans also require the Parent Company to have an active governmental license to operate (as defined in the loan agreements). To address the impact of the denial of the franchise application (as further discussed in Note 1), the Company is currently in the process of completing conditions



which include, among others, to provide collateral to the creditor banks. As of August 19, 2020, the Parent Company has paid ₱4 billion of the outstanding loans.

Unamortized debt issue cost, presented as a deduction from the Company's outstanding loan, amounted to ₱91 million and ₱98 million as at June 30, 2020 and December 31, 2019, respectively.

Amortization of debt issue costs amounted to ₱8 million and ₱6 million for the six months ended June 30, 2020 and 2019, 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.

On August 13, 2019, the Parent Company exercised its early redemption option on the ₱6 billion retail bonds. As a result, the Parent Company incurred ₱78 million in prepayment cost and accelerated deferred financing costs lodged under "Finance costs" in the consolidated statements of income.

Amortization of debt issue costs amounted to nil and ₱5 million for the six months ended June 30, 2020 and 2019, respectively (see Note 28).

Breakdown of the Parent Company's term loans as at June 30, 2020 and December 31, 2019 follows:

	<b>June 30, 2020</b> (Unaudited)	December 31, 2019 (Audited)
Principal	<b>₱20,175,895</b>	₱20,327,500
Less unamortized transaction costs	<b>90,582</b>	97,878
	<b>20,085,313</b>	20,229,622
Less current portion	<b>220,527</b>	198,520
Noncurrent portion	<b>₱19,864,786</b>	₱20,031,102

Debt issue costs as at June 30, 2020 are amortized over the term of the loans using the effective interest method as follows:

Year	Amount
2020	₱5,984
2021	13,829
2022 and onwards	70,769
	<b>₱90,582</b>

Amortization of debt issue costs for the six months ended June 30, 2020 and 2019, amounted to ₱8 million and ₱11 million, respectively (see Note 28).

Repayments of loans based on nominal values are scheduled as follows:

Year	Amount
2020	₱60,211
2021	233,921
2022 and onwards	19,881,763
	<b>₱20,175,895</b>

#### Sky Cable

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

	June 30, 2020 (Unaudited – Six Months)			December 31, 2019 (Audited – One Year)		
	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion	Total
Term loans:						
Unsubordinated loan	<b>₱26,352</b>	<b>₱4,499,318</b>	<b>₱4,525,670</b>	₱63,495	₱4,492,210	₱4,555,705
Loan agreement	<b>4,458</b>	<b>952,409</b>	<b>956,867</b>	8,969	961,338	970,307
	<b>₱30,810</b>	<b>₱5,451,727</b>	<b>₱5,482,537</b>	₱72,464	₱5,453,548	₱5,526,012

#### *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, 2020 and December 31, 2019, 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 loan, amounted to ₱21 million and ₱27 million as at June 30, 2020 and December 31, 2019, respectively. Using the effective interest method, unamortized debt issue costs as at June 30, 2020 will be amortized as follows:

Year	Amount
2020	₱1,921
2021	4,023
2022	4,070
2023 and onwards	10,614
	<u>₱20,628</u>

Amortization of debt issue costs amounted ₱2 million and ₱5 million for the six months ended June 30, 2020 and 2019, respectively (see Note 28).

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

Year	Amount
2020	₱30,810
2021	1,019,850
2022 and onwards	4,452,505
	<u>₱5,503,165</u>

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
2020	₱1,406
2021	2,937
2022	3,111
2023	3,294
2024 and onwards	18,380
	<b>₱29,128</b>

As at June 30, 2020 and December 31, 2019, 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, 2020 and December 31, 2019, bearing an annual fixed interest rate of 6% and 7%, respectively. The loans are free from liens and mortgages. As of June 30, 2020 and December 31, 2019, Play Innovations, Inc. is in compliance with the provisions of the loans.

#### ABS-C

In 2016, ABS-C entered into a finance lease covering transportation equipment. The carrying value of the lease obligation amounted to ₱15 million December 31, 2018 (see Note 31).

### **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, 2020 and December 31, 2019 is as follows:

	June 30, 2020 (Unaudited – Six Months)			December 31, 2019 (Audited – One Year)		
	Unamortized			Unamortized		
	Gross Value	Discount	Carrying Value	Gross Value	Discount	Carrying Value
Within one year	<b>₱233,436</b>	<b>₱14,562</b>	<b>₱218,874</b>	₱319,908	₱16,468	₱303,440
More than one year to five years	<b>349,690</b>	<b>12,162</b>	<b>337,528</b>	460,426	18,960	441,466
	<b>₱583,126</b>	<b>₱26,724</b>	<b>₱556,402</b>	₱780,334	₱35,428	₱744,906

### **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 interim condensed 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 ₱247 million and ₱238 million as at June 30, 2020 and December 31, 2019, respectively.

Accretion of the convertible note recognized as part of interest expense in the interim condensed consolidated statements of income amounted to ₱9 million and ₱8 million for six months ended June 30, 2020 and 2019, respectively (see Note 28).

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## 21. Other Noncurrent Liabilities

	<b>June 30, 2020</b> (Unaudited)	December 31, 2019 (Audited)
Customers’ deposits	<b>₱308,320</b>	₱377,283
Deferred credits	<b>14,574</b>	14,574
Others	<b>30,892</b>	65,288
	<b>₱353,786</b>	₱457,145

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, 2020 and December 31, 2019 are as follows:

	Number of Shares	Amount
	<i>(Amounts in Thousands, Except Number of Shares)</i>	
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 7,986 and 7,986 as at June 30, 2020 and December 31, 2019, 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, 2020 and December 31, 2019.

### 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).

On February 28, 2018, the Company accepted the total ABSP subscription from participants of 11,391,500 common shares. As of June 30, 2020, remaining ABSP subscription from participants is at 10,700,177 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, 2020, there are 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, associates and joint ventures amounting to ₱699 million and ₱780 million for the six months ended June 30, 2020 and December 31, 2019, respectively.

Further, the Parent Company's loan agreement with its creditors limits the declaration of dividends up to 60% of the net income after tax for the immediately preceding financial year. This limitation has been in effect since 2004 resulting in 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 or an aggregate amount of ₱477 million 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 or an aggregate amount of ₱4 million 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 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, 2020 and December 31, 2019 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.

The Company's BOD has the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations. The BOD approves material related party transactions prior to entering into said transactions should it be determined that all related party transactions within the 12-month period meet the aggregate threshold for material related party transactions which is ten percent of the Company's total assets based on its latest audit financial statements. Related party transactions that involves exclusive contracts regardless of amounts or provided by a related party servicing 30% or more of its business with the Company shall be reviewed and approved by a board-level Risk Management Committee.

### 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:

		Six Months Ended June 30 (Unaudited)	
	Nature	2020	2019
<b>Associate and Joint Venture</b>			
Revenue of Parent Company and subsidiaries from other related parties	Rent and utilities, print revenue and other services	<b>₱21,222</b>	₱-
Expenses and charges paid for by the Parent Company which are reimbursed by A C J O	Rent and utilities	<b>15,751</b>	18,900

(Forward)

		Six Months Ended June 30 (Unaudited)	
	Nature	2020	2019
<b>Entities under Common Control</b>			
Expenses paid by the Company to Goldlink Securities and Investigative Services, Inc. (Goldlink) and other related parties	Service fees and utilities expenses	<b>73,677</b>	58,102
Expenses and charges paid for by the Parent Company which are reimbursed by the concerned related parties	Rent and utilities	<b>12,722</b>	24,746

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 consolidated statements of financial position, are as follows:

	Relationship*	Terms	Conditions	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
<b>Due from</b> (see Note 7)					
INAEC	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>P104,556</b>	P97,720
ALA Sports	Joint Venture	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>79,047</b>	74,217
A C J O	Joint Venture	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>40,503</b>	48,387
ABS-CBN Lingkod Kapamilya**	Corporate social responsibility sector of ABS-CBN	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>38,992</b>	31,265
ABS-CBN Bayan Foundation	Corporate social responsibility sector of ABS-CBN	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>22,329</b>	22,291
First Philippine Holdings Corporation (FPHC)	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>6,238</b>	6,484
Goldlink	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>4,725</b>	5,672
Rockwell Land Corporation (Rockwell Land)	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>1,849</b>	5,615
First Gas Power Corp.	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>1,540</b>	1,540
Others	Affiliates	30 days upon receipt; noninterest-bearing	Unsecured, no impairment	<b>21,735</b>	32,287
<b>Total</b>				<b>P321,514</b>	P325,478

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

\*\* The Company has common officers and directors with ABS-CBN Lingkod Kapamilya.

	Relationship*	Terms	Conditions	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
<b>Due to</b> (see Note 17)					
Beyond Cable Holdings, Inc.	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured	<b>P16,690</b>	P16,690
Lopez Holdings	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured	<b>6,186</b>	6,186
Others	Affiliates	30 days upon receipt of billings; noninterest-bearing	Unsecured	<b>2,881</b>	121

	Relationship*	Terms	Conditions	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Total				<b>₱25,757</b>	<b>₱22,997</b>

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

- Advances to employees and talents amounted to ₱665 million and ₱696 million as at June 30, 2020 and December 31, 2019, respectively (see Note 7).
- The Parent Company has advances to ALA Sports amounting to ₱79 million and ₱74 million as at June 30, 2020 and December 31, 2019, respectively.
- Other transactions with related parties include cash advances for working capital requirements.

The Company's Board of Directors reviews and approves material transactions with related parties, ensuring that these transactions are in the best interest of the Corporation, after considering all the relevant facts and circumstances available.

#### 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, 2020 and 2019, the Company has not made any provision for ECL 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

	<b>Six Months Ended June 30</b> (Unaudited)	
	<b>2020</b>	<b>2019</b>
Compensation (see Notes 25, 26 and 27)	<b>₱716,904</b>	₱521,282
Pension benefits (see Note 30)	<b>31,377</b>	8,816
Termination benefits	<b>62,660</b>	52,050
Vacation leaves and sick leaves	<b>28,630</b>	19,760
	<b>₱839,571</b>	₱601,908

## 24. Revenues

Set out below is the disaggregation of the Company's revenues:

	<b>Six Months Ended June 30</b>	
	<b>(Unaudited)</b>	
	<b>2020</b>	<b>2019</b>
Advertising revenue	<b>P5,202,486</b>	P11,286,442
Subscription revenue	<b>6,940,596</b>	6,740,947
Sale of goods	<b>421,813</b>	1,343,036
Income from film exhibition	<b>132,229</b>	534,515
Sponsorship revenue	<b>90,001</b>	185,940
Installation service revenue	<b>72,027</b>	72,747
Royalty income	<b>32,461</b>	131,286
Admission revenue / ticket sales	<b>18,880</b>	90,340
Service fee revenue	<b>7,821</b>	23,335
Ancillary rights and other revenues	<b>374,372</b>	368,565
Total revenue from contracts with customers	<b>13,292,686</b>	20,777,153
Channel lease and other rental income	<b>24,712</b>	25,112
Total revenues	<b>P13,317,398</b>	P20,802,265

## 25. Production Costs

	<b>Six Months Ended June 30</b>	
	<b>(Unaudited)</b>	
	<b>2020</b>	<b>2019</b>
Personnel expenses and talent fees (see Notes 23 and 30)	<b>P2,744,193</b>	P3,232,273
Facilities-related expenses (see Notes 23 and 31)	<b>772,425</b>	1,138,578
Amortization of program rights (see Note 12)	<b>548,197</b>	540,222
Depreciation and amortization (see Note 10)	<b>376,582</b>	459,147
Travel and transportation	<b>189,729</b>	399,299
Set requirements	<b>145,866</b>	130,472
Catering and food expenses (Forward)	<b>58,983</b>	107,381
License and royalty	<b>18,647</b>	317,753
Other program expenses (see Note 23)	<b>699,562</b>	361,533
	<b>P5,554,184</b>	P6,686,658

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:

	<b>Six Months Ended June 30</b>	
	<b>(Unaudited)</b>	
	<b>2020</b>	<b>2019</b>
Facilities-related expenses (see Notes 23 and 31)	<b>P1,255,966</b>	P1,300,088
Depreciation and amortization (see Note 10)	<b>971,991</b>	902,871
Personnel expenses (see Notes 23 and 30)	<b>822,617</b>	873,059
Programming costs	<b>698,199</b>	940,964
Bandwidth costs	<b>418,473</b>	375,956
Amortization of program rights (see Note 12)	<b>101,771</b>	133,678
Transportation and travel	<b>37,468</b>	85,866
Inventory costs (see Note 8)	<b>38,298</b>	55,312
Taxes and licenses	<b>42,071</b>	44,423
Stationery and office supplies	<b>21,492</b>	29,726
License fees and royalties	<b>17,360</b>	26,962
Freight and delivery	<b>6,283</b>	46,627
Set requirements	<b>3,452</b>	4,375
Catering and food expenses	<b>2,150</b>	10,153
Amortization of other intangible assets (see Note 12)	<b>2,096</b>	8,601
Amortization of deferred charges (see Note 15)	<b>90</b>	292
Installation costs	<b>22</b>	111
Others (see Note 23)	<b>154,136</b>	316,412
	<b>P4,593,935</b>	P5,155,476

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:

	<b>Six Months Ended June 30</b>	
	<b>(Unaudited)</b>	
	<b>2020</b>	<b>2019</b>
Inventory costs (see Note 8)	<b>P312,883</b>	P1,079,011
Others	<b>1,197</b>	7,487
	<b>P314,080</b>	P1,086,498

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

## 27. General and Administrative Expenses

	Six Months Ended June 30 (Unaudited)	
	2020	2019
Personnel expenses (see Notes 22, 23 and 30)	<b>P2,895,630</b>	P2,888,823
Contracted services	<b>599,822</b>	462,112
Provision for ECL (see Note 7)	<b>460,383</b>	94,779
Depreciation and amortization (see Notes 10 and 11)	<b>446,010</b>	372,004
Facilities related expenses (see Notes 23 and 31)	<b>427,457</b>	593,325
Transportation and travel	<b>294,619</b>	367,888
Taxes and licenses	<b>239,757</b>	236,428
Advertising and promotion (see Note 9)	<b>105,393</b>	359,662
Research and survey	<b>138,333</b>	160,633
Entertainment, amusement and recreation	<b>72,672</b>	49,314
Donations and contributions	<b>67,137</b>	47,708
Amortization of other intangible assets (see Note 12)	<b>39,597</b>	32,816
Inventory losses (see Note 8)	<b>780</b>	317
Others	<b>469,668</b>	276,793
	<b>P6,257,258</b>	P5,942,602

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)	
	2020	2019
Interest expense (see Notes 18, 20 and 31)	<b>P628,067</b>	P585,728
Amortization of debt issue costs (see Note 18)	<b>9,760</b>	15,913
Bank service charges	<b>6,224</b>	8,745
	<b>P644,051</b>	P610,386

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

	Six Months Ended June 30 (Unaudited)	
	2020	2019
Long-term debt (see Note 18)	<b>P563,445</b>	P414,826
Lease liability (see Note 31)	<b>55,841</b>	2,196
Convertible note (see Note 20)	<b>8,781</b>	7,767
Bonds payable (see Note 18)	<b>—</b>	160,939
	<b>P628,067</b>	P585,728

Other Income

	<b>Six Months Ended June 30</b>	
	<b>(Unaudited)</b>	
	<b>2020</b>	<b>2019</b>
Leasing operations (see Note 31)	<b>P63,310</b>	P67,657
Gain on sale of property and equipment	<b>3,447</b>	612
Dividend income	—	5,959
Others - net (see Notes 20 and 21)	<b>23,126</b>	81,765
	<b>P89,883</b>	P155,993

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:

	<b>June 30,</b>	<b>December 31,</b>
	<b>2020</b>	<b>2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Deferred tax assets - net:		
Allowance for ECL	<b>P676,319</b>	P226,202
NOLCO	<b>328,770</b>	684,295
License	<b>(149,828)</b>	(149,828)
Accrued pension obligation and other employee benefits	<b>148,207</b>	P96,629
Contract liabilities	<b>135,084</b>	9,003
Excess of the purchase price over the fair value of net assets acquired	<b>(96,309)</b>	(88,499)
Accrued expenses	<b>65,632</b>	143,319
Unearned revenue	<b>33,388</b>	7,853
MCIT	<b>30,148</b>	83,362
Customers' deposits	<b>27,416</b>	136,316
Net unrealized foreign exchange gain (loss)	<b>(22,384)</b>	18,359
Allowance for inventory obsolescence	<b>20,206</b>	(10,785)
Lease liabilities	<b>(17,242)</b>	2,294
Allowance for impairment loss on property and equipment	<b>2,375</b>	1,531
Others	<b>26,391</b>	(12,944)
	<b>P1,208,173</b>	P1,147,107
Deferred tax liability -		
Capitalized interest, duties, and taxes	<b>P225,771</b>	P230,045
Excess of the fair value over the book value of net assets acquired	<b>138,271</b>	138,271
Imputed discount	<b>84,536</b>	84,536
Lease liabilities	<b>2,227</b>	5,503
	<b>P450,805</b>	P458,355

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

	<b>June 30, 2020</b> (Unaudited)	December 31, 2019 (Audited)
Accrued pension obligation and others	<b>₱6,960,047</b>	₱6,093,459
NOLCO	<b>5,477,705</b>	722,160
Allowance for ECL	<b>912,240</b>	762,520
Customers' deposit	<b>278,299</b>	—
MCIT	<b>259,213</b>	218,659
Allowance for impairment loss on property and equipment	<b>83,846</b>	83,846
Allowance for decline in value of inventories	<b>73,797</b>	66,616
Lease liabilities	<b>59,184</b>	—
Contract liabilities	<b>1,848</b>	1,724
Unearned revenue	<b>303,647</b>	377,890

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 ₱1,345 million have expired in December 31, 2019 respectively. NOLCO amounting to ₱87 million and ₱1,013 million were claimed as deduction against taxable income in June 30, 2020 and December 31, 2019, respectively.

MCIT amounting to ₱9 million have expired and were written off in 2019. MCIT amounting to ₱49 million and ₱57 million were claimed as deduction against taxable income as at June 30, 2020 and December 31, 2019, respectively.

MCIT amounting to ₱289 million can be claimed as tax credit against future RCIT as follows:

Year Paid	Expiry Dates	Amount
2017	December 31, 2020	<b>₱36,924</b>
2018	December 31, 2021	<b>180,017</b>
2019	December 31, 2022	<b>24,005</b>
2020	December 31, 2023	<b>48,415</b>
		<b>₱289,361</b>

NOLCO of certain subsidiaries amounting to ₱6,574 million can be claimed as deductions from future taxable income as follows:

Year Incurred	Expiry Dates	Amount
2017	December 31, 2020	<b>₱197,902</b>
2018	December 31, 2021	<b>373,428</b>
2019	December 31, 2022	<b>700,675</b>
2020	December 31, 2023	<b>5,301,600</b>
		<b>₱6,573,605</b>

As at June 30, 2020 and December 31, 2019, deferred tax liability on undistributed earnings of ABS-CBN Global, holding company of the Parent Company's foreign subsidiaries, amounting to ₱1,094 million and ₱2,060 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:

	<b>Six Months Ended June 30</b>	
	(Unaudited)	
	<b>2020</b>	<b>2019</b>
Statutory tax rate	<b>30%</b>	30%
Additions to (reduction in) income taxes resulting from the tax effects of:		
Interest income subjected to final tax	<b>(1)</b>	4
Nondeductible interest expense	<b>(5)</b>	11
Change in unrecognized deferred tax assets and others	<b>(28)</b>	(35)
Effective tax rates	<b>(4%)</b>	(10%)

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.

On January 28, 2016, the PEZA approved the application of ABS-CBN Studios, Inc. for registration as an IT Export Enterprise for IT-enabled film and television content production at Barangay Sto. Cristo and Kaybanban, San Jose del Monte City, Bulacan which is an IT park to be known as "Horizon IT Park".

On January 22, 2018, the PEZA approved the application of Rosetta Holdings Corporation for registration as an Ecozone Developer to establish, develop, administer, manage and operate the Horizon IT Park.

#### 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 nil and ₱3 million for the six months ended June 30, 2020 and 2019, respectively.

### 30. Pension and Other Employee Benefits

Accrued pension obligation and other employee benefits consist of:

	<b>June 30, 2020</b> (Unaudited)	December 31, 2019 (Audited)
Pension obligation	<b>P5,334,334</b>	P5,085,284
Other employee benefits	<b>2,002,207</b>	2,054,986
	<b>P7,336,541</b>	P7,140,270

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

	<b>June 30, 2020</b> (Unaudited)	December 31, 2019 (Audited)
Current (see Note 17)	<b>P1,131,687</b>	P1,135,838
Noncurrent	<b>6,204,854</b>	6,004,432
	<b>P7,336,541</b>	P7,140,270

#### 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:

#### Net Pension Expense

	<b>Six Months Ended June 30</b> (Unaudited)	
	<b>2020</b>	2019
Current service cost	<b>P218,083</b>	P271,402
Net interest cost	<b>126,693</b>	122,249
Net pension expense	<b>P344,776</b>	P393,651

#### Accrued Pension Obligation

	<b>June 30, 2020</b> (Unaudited)	December 31, 2019 (Audited)
Present value of obligation	<b>P7,099,486</b>	P6,989,191
Fair value of plan assets	<b>(1,765,152)</b>	(1,903,907)
Accrued pension obligation	<b>P5,334,334</b>	P5,085,284

Income tax effect of re-measurement gains and losses on defined benefit plan presented in OCI amounted to (P452 million) as at December 31, 2019.

The Parent Company and Sky Cable expect to contribute P934 million and P460 million, respectively, to the retirement fund in 2020.

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

	<b>June 30, 2020</b> (Unaudited)	December 31, 2019 (Audited)
Investment in fixed/floating rate treasury note	<b>P147,589</b>	P141,154
Investment in government securities and bonds	<b>613,375</b>	591,275
Investment in stocks	<b>999,433</b>	1,163,910
Others	<b>4,755</b>	7,568
	<b>P1,765,152</b>	P1,903,907

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

	<b>December 31, 2019</b>
Discount rate	<b>4.70%-5.39%</b>
Future salary rate increases	<b>4.0%-6.0%</b>

#### 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 62% and 38% and 66% and 34% as at June 30, 2020 and December 31, 2019, respectively.

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

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

The fair value of ABS-CBN's plan assets as at June 30, 2020 and December 31, 2019 are as follows:

	<b>June 30, 2020</b>	December 31, 2019
	(Unaudited)	(Audited)
Fixed Income:		
Short-term	<b>₱21,386</b>	₱21,567
Medium and long-term:		
Government securities	<b>455,739</b>	416,139
Corporate bonds	<b>135,447</b>	153,201
Preferred shares	—	2,693
(Forward)		
Equities:		
Investment in shares of stock and other securities of related parties	<b>716,906</b>	825,169
Common shares and unit investment trust fund (UITF)	<b>275,797</b>	333,718
	<b>₱1,605,275</b>	₱1,752,487

*Short-term Fixed Income.* Short-term fixed income investment includes time deposit, special deposit account and special savings account with interest ranging from 3.5% to 3.75% in 2019.

*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 3.5% to 8.6% and 3.5% to 8.0% in June 30, 2020 and December 31, 2019, respectively. These securities are fully guaranteed by the government of the Republic of the Philippines.

Investment in unsecured corporate bonds amounted to ₱90 million and ₱153 million as at June 30, 2020 and December 31, 2019, respectively, with terms ranging from 7 years to 15 years. Yield to maturity rate ranges from 4% to 8% in 2020 and 2019.

In 2019, investment in preferred stock refers to 4,700 shares with a total cost of ₱3 million and loss of ₱70 thousand. The fair value of preferred stock is ₱3 million as at December 31, 2019.

*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.

<b>June 30, 2020 (Unaudited – Six Months)</b>				
	<b>Number of Shares</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Loss</b>
ABS-CBN Holdings PDRs	<b>34,903,218</b>	<b>₱1,515,864</b>	<b>₱501,210</b>	<b>(₱1,014,654)</b>
ABS-CBN Common	<b>501,320</b>	<b>24,052</b>	<b>7,500</b>	<b>(16,552)</b>
Lopez Holdings	<b>65,996,580</b>	<b>227,178</b>	<b>180,831</b>	<b>(46,347)</b>
Rockwell Land	<b>17,103,433</b>	<b>34,476</b>	<b>27,365</b>	<b>(7,111)</b>
	<b>118,504,551</b>	<b>₱1,801,570</b>	<b>₱716,906</b>	<b>(₱1,084,664)</b>

<b>December 31, 2019 (Audited – One Year)</b>				
	<b>Number of Shares</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Gain (Loss)</b>
ABS-CBN Holdings PDRs	34,903,218	₱1,515,864	₱537,510	(₱978,354)
ABS-CBN Common	501,320	24,052	7,921	(16,131)
Lopez Holdings	65,996,580	227,173	244,847	17,674
Rockwell Land	17,103,433	34,476	34,891	415
	118,504,551	₱1,801,565	₱825,169	(₱976,396)

As at June 30, 2020 and December 31, 2019, the value of each ABS-CBN PDRs held by the retirement fund is at ₱14.36 and ₱15.40, respectively.

Total loss from investments in shares of stock and other securities of related parties amounted to ₱848 million and ₱976 million in 2020 and 2019, respectively.

*Investments in Common Shares and UITF.* Common shares pertain to 16,194,915 shares and 16,093,379 shares listed in the PSE in 2020 and 2019, respectively, with fair value of ₱275 million and ₱278 million as at June 30, 2020 and December 31, 2019, respectively. Total loss from these investments amounted to ₱84 million in 2020 and ₱21 million in 2020 and 2019, respectively.

#### 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, 2020 and December 31, 2019 are as follows:

	<b>June 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Short-term fixed income	<b>₱4,754</b>	₱4,876
Investment in medium and long-term fixed income:		
Government securities	<b>126,204</b>	119,586
Corporate bonds and debt securities	<b>22,188</b>	21,935
Unit investment trust fund	<b>3,616</b>	1,904
Investment in shares of stock of First Gen Corporation (First Gen)	<b>1,046</b>	1,119
Preferred shares	<b>2,069</b>	2,000
	<b>₱159,877</b>	₱151,420

*Short-term Fixed Income.* Short-term fixed income investment includes time deposit, special deposit account and special savings account with average interests of 3.3% as at June 30, 2020 and December 31, 2019, 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 3.25% to 8.00% and 2.90% to 6.88% as at June 30, 2020 and December 31, 2019, respectively. These securities are fully guaranteed by the government of the Republic of the Philippines. Total gains (losses) from investments in government securities amounted to ₱5 million and (₱3 million) as at June 30, 2020 and December 31, 2019, respectively.

*Investment in Corporate Bonds.* These pertain to ₱22 million unsecured bonds with terms ranging from 5 to 10 years as at June 30, 2020 and December 31, 2019. Yield to maturity rate ranges from 4.6% to 7.5% with gains (losses) of ₱22 thousand and (₱22 thousand) in 2020 and 2019, respectively.

*Investment in Debt Securities.* This refers to a ₱1 million unsecured subordinated note with a term of 5 years and yield to maturity of 6.7% as at June 30, 2020 and December 31, 2019. Accrued interest receivable amounted to ₱53 thousand as at December 31, 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, 2020 and December 31, 2019. Total gain from these investments amounted to ₱50 thousand and ₱75 thousand in 2020 and 2019, 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 consist of accumulated employee sick and vacation leave entitlement.

Net Benefit Expense

	<b>Six Months Ended June 30</b>	
	<b>(Unaudited)</b>	
	<b>2020</b>	<b>2019</b>
Current service cost	<b>₱83,077</b>	₱67,156
Interest cost	<b>59,935</b>	44,263
Net benefit expense	<b>₱143,012</b>	₱111,419

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

	<b>June 30, 2020</b> (Unaudited)	December 31, 2019 (Audited)
Defined benefit obligation at beginning of year	<b>₱2,054,986</b>	₱1,674,467
Current service cost	<b>83,077</b>	157,455
Interest cost	<b>59,935</b>	119,870
Actuarial loss	—	208,631
Benefits paid	<b>(195,791)</b>	(105,437)
Defined benefit obligation at end of year	<b>₱2,002,207</b>	₱2,054,986

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:

	<b>2019</b> <b>Increase (Decrease) in</b> <b>Defined Benefit Obligation</b>
Discount rate:	
Increase by 1%	<b>(₱345,879)</b>
Decrease by 1%	<b>645,574</b>
Future salary increases:	
Increase by 1%	<b>₱385,247</b>
Decrease by 1%	<b>(599,003)</b>

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

<b>Year</b>	<b>December 31, 2019</b>
One year	<b>2,151,653</b>
More than one year but less than five years	<b>1,920,348</b>
More than five years but less than ten years	<b>3,109,374</b>
Beyond ten years	<b>14,253,386</b>

The average duration of the defined benefit obligation at the end of the period ranges from 12 to 27 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 of 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 ₱217 million and ₱319 million for the six months ended June 30, 2020 and 2019, respectively.

#### 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	₱1,084,481
After one year but not more than five years	1,082,750

\*Includes variable fees based on the number of active subscribers as at June 30, 2020.

#### Lease Commitments

*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, 2020 (Unaudited)	December 31, 2019 (Audited)
Within one year	₱19,312	₱38,624
After one year but not more than five years	2,792	2,792
	<b>₱22,104</b>	<b>₱41,416</b>

*As Lessee.* The Parent Company and subsidiaries lease office facilities, space, equipment and IRU granted by various telecommunication companies. These lease agreements include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.



The rollforward analysis of right-of-use asset follows:

	<b>June 30, 2020</b> (Unaudited)	December 31, 2019 (Audited)
Cost –		
Balance at beginning of year	<b>₱1,833,516</b>	₱1,557,072
Additions	<b>254,163</b>	352,254
Disposals	<b>(109,601)</b>	(75,810)
Translation adjustments	<b>(11,647)</b>	–
Balance at end of year	<b>1,966,431</b>	1,833,516
Accumulated Depreciation –		
Balance at beginning of year	<b>564,072</b>	145,222
Depreciation	<b>144,585</b>	359,357
Disposal	<b>(1,563)</b>	(11,573)
Impairment loss	–	73,650
Translation adjustments	<b>(5,865)</b>	(2,584)
Balance at end of year	<b>701,229</b>	564,072
Net Book Value	<b>₱1,265,202</b>	₱1,269,444

The rollforward analysis of lease liability follows:

	<b>June 30, 2020</b> (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of year	<b>₱1,083,366</b>	₱1,031,287
Additions	<b>254,163</b>	416,209
Interest expense	<b>55,841</b>	70,531
Interest paid	<b>(55,841)</b>	(71,195)
Payments	<b>(121,450)</b>	(364,129)
Translation adjustment	<b>(11,676)</b>	663
Balance at end of year	<b>1,204,403</b>	1,083,366
Less current portion	<b>244,745</b>	302,647
Noncurrent portion	<b>₱959,658</b>	₱780,719

### 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.

## 32. Financial Assets and Financial Liabilities

The following tables set forth the carrying amounts and estimated fair values of interim condensed consolidated financial assets and liabilities recognized as at June 30, 2020 and December 31, 2019. There are no material unrecognized financial assets and liabilities as at June 30, 2020.

June 30, 2020 (Unaudited – Six Months)					
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
<b>Financial Assets</b>					
Financial assets at amortized cost:					
Deposits (included under “Other noncurrent assets” account in the consolidated statements of financial position)	P353,944	P355,382	P–	P–	P355,382
Financial assets at FVOCI	238,068	238,068	162,366	–	75,702
	<b>P592,012</b>	<b>P593,450</b>	<b>P162,366</b>	<b>P–</b>	<b>P431,084</b>
<b>Financial Liabilities</b>					
Other financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	P25,836,978	P30,148,184	P–	P–	P30,148,184
Obligations for program rights	556,402	583,126	–	583,126	–
Convertible note	247,086	267,146	–	–	267,146
Customers’ deposits (included as part of “Other noncurrent liabilities”)	308,320	177,475	–	–	277,475
	<b>P26,948,786</b>	<b>P31,175,931</b>	<b>P–</b>	<b>P583,126</b>	<b>P30,692,805</b>
December 31, 2019 (Audited – Twelve Months)					
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
<b>Financial Assets</b>					
Financial assets at amortized cost:					
Deposits (included under “Other noncurrent assets” account in the consolidated statements of financial position)	P326,079	P324,641	P–	P–	P324,641
Financial assets at FVOCI	263,126	263,126	187,424	–	75,702
	<b>P589,205</b>	<b>P587,767</b>	<b>P187,424</b>	<b>P–</b>	<b>P400,343</b>
<b>Financial Liabilities</b>					
Other financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	P26,026,599	P28,241,656	P–	P–	P28,241,656
Obligations for program rights	744,906	780,334	–	780,334	–
Convertible note	238,305	258,365	–	–	258,365
Customers’ deposits (included as part of “Other noncurrent liabilities”)	377,283	346,438	–	–	346,438
	<b>P27,387,093</b>	<b>P29,626,793</b>	<b>P–</b>	<b>P780,334</b>	<b>P28,846,459</b>

### Fair Value of Financial Instruments

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.

*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% in 2020 and 2019.

*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 2020 and 2019, fair value was computed based on the discounted value of future cash flows using the applicable BVAL rate plus 1% credit spread, respectively.

*Customers' Deposits.* The fair values were calculated by discounting the expected future cash flows using the applicable BVAL rates ranging from 3.8% to 3.9% in 2020 and 2019.

There were no transfers between levels in the fair value hierarchy as at June 30, 2020 and December 31, 2019.

#### Offsetting of Financial Assets and Financial Liabilities

There is no offsetting of financial assets and financial liabilities as at June 30, 2020 and December 31, 2019.

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### 33. **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:

	<b>Six Months Ended June 30</b> (Unaudited)	
	<b>2020</b>	<b>2019</b>
Net income (loss) attributable to equity holders of the Parent Company	<b>(P3,920,622)</b>	P1,552,150
Dividends on preferred shares	<b>(4,000)</b>	(4,000)
(a) Net income (loss) attributable to common equity holders of the Parent Company	<b>(P3,924,622)</b>	P1,548,150
(b) Weighted average number of shares outstanding:		
At beginning and end of year	<b>822,972,436</b>	822,972,436
Basic/diluted EPS (a/b)	<b>(P4.769)</b>	P1.881

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

#### 34. Note to Consolidated Statements of Cash Flows

	<b>Six Months Ended June 30</b> (Unaudited)	
	<b>2020</b>	<b>2019</b>
Noncash investing activities:		
Acquisitions of program rights on account	<b>P149,041</b>	P95,173

Changes in liabilities arising from financing activities:

	<b>January 1, 2020</b>	<b>Cash flows</b>	<b>Noncash changes</b>	<b>June 30, 2020</b>
Term loans	<b>P26,026,599</b>	<b>(P199,512)</b>	<b>P9,891</b>	<b>P25,836,978</b>
Lease liabilities	<b>1,083,366</b>	<b>(121,450)</b>	<b>242,487</b>	<b>1,204,403</b>
Interest payable (Note 17)	<b>281,622</b>	<b>(638,722)</b>	<b>619,286</b>	<b>262,186</b>
Dividends payable (Note 17)	<b>304,192</b>	—	<b>(1,000)</b>	<b>303,192</b>
Deposits for future subscription (Note 17)	<b>1,351,614</b>	—	<b>10,883</b>	<b>1,362,497</b>
Total liabilities from financing activities	<b>P29,047,393</b>	<b>(P959,684)</b>	<b>P881,547</b>	<b>P28,969,256</b>

	<b>January 1, 2019</b>	<b>Cash flows</b>	<b>Noncash changes</b>	<b>December 31, 2019</b>
Term loans	<b>P28,197,080</b>	<b>(P2,212,020)</b>	<b>P41,539</b>	<b>P26,026,599</b>
Lease liabilities	<b>28,415</b>	<b>(376,750)</b>	<b>1,431,701</b>	<b>1,083,366</b>
Interest payable (Note 17)	<b>309,525</b>	<b>(1,494,982)</b>	<b>1,467,079</b>	<b>281,622</b>
Dividends payable (Note 17)	<b>286,024</b>	<b>(460,487)</b>	<b>478,655</b>	<b>304,192</b>
Deposits for future subscription (Note 17)	<b>1,287,014</b>	—	<b>64,600</b>	<b>1,351,614</b>
Total liabilities from financing activities	<b>P30,108,058</b>	<b>(P4,544,239)</b>	<b>P3,483,574</b>	<b>P29,047,393</b>

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

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### 35. 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, 2020, 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 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, 2020, 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 interim condensed 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.

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### 36. Events After Reporting Period

- a. In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, unless earlier lifted or extended. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Company considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial

results and even periods thereafter. Considering the evolving nature of this outbreak, the Company cannot determine at this time the impact to its financial position, performance and cash flows. The Company will continue to monitor the situation.

- b. On February 10, 2020, the solicitor general filed a quo warranto proceeding against the Parent Company before the Supreme Court of the Philippines. On June 23, 2020, the Supreme Court dismissed the quo warranto petition.
- c. On March 17, 2020, the legislative franchise of ABS-C to construct, establish, install, operate and maintain for commercial purposes and in the public interest, radio paging and records messaging systems lapsed.
- d. On May 4, 2020, the legislative franchise of the Parent Company to construct, operate and maintain, for commercial purposes and in the public interest, television and radio broadcasting stations lapsed.
- e. On May 4, 2020, the legislative franchise of Sky Cable to construct, establish, install, operate and maintain for commercial purposes and in the public interest, community antennae television systems lapsed.
- f. On May 5, 2020, the NTC issued a CDO on the Parent Company's broadcast operations. On June 30, 2020, the NTC issued a CDO to the Parent Company to cease its digital TV transmission in Metro Manila using channel 43 and the direct-to-home business of Sky Cable.
- g. On July 8, 2020, the Company announced the closure of ACJO effective December 31, 2020.
- h. On July 10, 2020, the House Committee on Legislative Franchises voted to adopt a resolution denying the franchise application of the Parent Company. This is considered as an adjusting event.
- i. On July 15, 2020, the Company announced that it will implement a retrenchment program covering ABS-CBN and its subsidiaries effective end of business day on 31 August 2020.
- j. On July 22, 2020, the Company announced the closure of PII popularly known as "Kidzania Manila" effective August 31, 2020.

# **Exhibit 1 – Aging of Accounts Receivable**

As of June 30, 2020 (Unaudited)

	Neither Past Due nor Impaired	Past Due but not Impaired		Impaired	Allowance	Total
		Less than 30	30 Days and Over			
Trade receivables:						
Airtime	<b>₱1,090,218</b>	<b>₱968,505</b>	<b>₱1,406,679</b>	<b>₱147,845</b>	<b>(₱351,884)</b>	<b>₱3,261,363</b>
Subscriptions	<b>607,575</b>	<b>119,022</b>	<b>676,289</b>	<b>1,620,644</b>	<b>(1,626,211)</b>	<b>1,397,319</b>
Others	<b>74,329</b>	<b>758,731</b>	<b>515,537</b>	<b>1,181,578</b>	<b>(716,954)</b>	<b>1,813,221</b>
Nontrade receivables	<b>535,606</b>	<b>120,865</b>	<b>543,455</b>	<b>264,958</b>	<b>(296,536)</b>	<b>1,168,348</b>
Due from related parties	–	–	<b>321,514</b>	–	–	<b>321,514</b>
	<b>₱2,307,728</b>	<b>₱1,967,123</b>	<b>₱3,463,474</b>	<b>₱3,215,025</b>	<b>(₱2,991,585)</b>	<b>₱7,961,765</b>

As of December 31, 2019 (Audited)

	Neither Past Due nor Impaired	Past Due but not Impaired		Impaired	Allowance	Total
		Less than 30	30 Days and Over			
Trade receivables:						
Airtime	<b>₱4,773,224</b>	<b>₱661,346</b>	<b>₱547,083</b>	<b>₱119,941</b>	<b>(₱342,847)</b>	<b>₱5,758,747</b>
Subscriptions	<b>793,320</b>	<b>253,666</b>	<b>341,519</b>	<b>1,441,192</b>	<b>(1,516,872)</b>	<b>1,312,825</b>
Others	<b>402,521</b>	<b>619,039</b>	<b>546,563</b>	<b>542,446</b>	<b>(361,842)</b>	<b>1,748,727</b>
Nontrade receivables	<b>720,174</b>	<b>196,444</b>	<b>524,086</b>	<b>315,488</b>	<b>(296,536)</b>	<b>1,459,656</b>
Due from related parties	–	–	<b>325,478</b>	–	–	<b>325,478</b>
	<b>₱6,689,239</b>	<b>₱1,730,495</b>	<b>₱2,284,729</b>	<b>₱2,419,067</b>	<b>(₱2,518,097)</b>	<b>₱10,605,433</b>