

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended
Sep 30, 2020
2. SEC Identification Number
1803
3. BIR Tax Identification No.
000406761000
4. Exact name of issuer as specified in its charter
ABS-CBN Corporation
5. Province, country or other jurisdiction of incorporation or organization
Metro Manila
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
ABS-CBN Broadcasting Center, Sgt. Esguerra Ave. cor. Mother Ignacia Street Quezon
City
Postal Code
1103
8. Issuer's telephone number, including area code
(632)34152272
9. Former name or former address, and former fiscal year, if changed since last report
Not Applicable
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---------------------|---|
| Common Shares | 857,516,968 |

11. Are any or all of registrant's 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 Shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 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

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



ABS-CBN

ABS-CBN Corporation

ABS

PSE Disclosure Form 17-2 - Quarterly Report
References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules

| | |
|---|-------------------|
| For the period ended | Sep 30, 2020 |
| Currency (indicate units, if applicable) | PHP, in thousands |

Balance Sheet

| | Period Ended | Fiscal Year Ended (Audited) |
|--------------------------------------|--------------|-----------------------------|
| | Sep 30, 2020 | Dec 31, 2019 |
| Current Assets | 25,656,950 | 37,147,683 |
| Total Assets | 66,627,536 | 79,244,536 |
| Current Liabilities | 13,466,619 | 14,260,065 |
| Total Liabilities | 43,196,445 | 48,153,331 |
| Retained Earnings/(Deficit) | 19,865,561 | 27,114,963 |
| Stockholders' Equity | 23,431,091 | 31,091,205 |
| Stockholders' Equity - Parent | 24,424,900 | 32,017,376 |
| Book Value per Share | 27.32 | 36.26 |

Income Statement

| | Current Year (3 Months) | Previous Year (3 Months) | Current Year-To-Date | Previous Year-To-Date |
|---|----------------------------|-----------------------------|----------------------|-----------------------|
| Gross Revenue | 3,716,392 | 11,224,617 | 17,033,790 | 32,026,882 |
| Gross Expense | 6,922,280 | 10,102,268 | 23,641,737 | 28,973,502 |
| Non-Operating Income | 248,929 | 298,678 | 494,066 | 652,240 |
| Non-Operating Expense | 482,630 | 437,167 | 1,110,489 | 1,106,533 |
| Income/(Loss) Before Tax | -3,439,589 | 983,860 | -7,224,370 | 2,599,087 |
| Income Tax Expense | -52,380 | 182,881 | 92,670 | 329,897 |
| Net Income/(Loss) After Tax | -3,387,209 | 800,979 | -7,317,040 | 2,269,190 |
| Net Income Attributable to Parent Equity Holder | -3,328,780 | 813,032 | -7,249,402 | 2,365,182 |
| Earnings/(Loss) Per Share (Basic) | -4.05 | 0.98 | -8.81 | 2.86 |
| Earnings/(Loss) Per Share (Diluted) | -4.05 | 0.98 | -8.81 | 2.86 |

| | Current Year (Trailing 12 months) | Previous Year (Trailing 12 months) |
|-------------------------------------|-----------------------------------|------------------------------------|
| Earnings/(Loss) Per Share (Basic) | -6.94 | 3.13 |
| Earnings/(Loss) Per Share (Diluted) | -6.94 | 3.13 |

Other Relevant Information

Please see attached 3Q report

Filed on behalf by:

| | |
|-------------|-------------------------------|
| Name | Ricardo Tan, Jr. |
| Designation | Group Chief Financial Officer |



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 September 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 nine-month period ended September 30, 2020.

| | 9M 2020 | 9M 2019 | Variance | |
|--|-----------------|----------------|------------------|----------------|
| | | | Amount | % |
| Consolidated Revenues | ₱17,034 | ₱32,027 | (₱14,993) | (46.8) |
| Advertising Revenues | 5,848 | 17,113 | (11,264) | (65.8) |
| Consumer Sales | 11,185 | 14,914 | (3,729) | (25.0) |
| <i>Sale of Services</i> | 10,772 | 12,774 | (2,001) | (15.7) |
| <i>Sale of Goods</i> | 413 | 2,141 | (1,728) | (80.7) |
| Costs and Expenses | 23,642 | 28,974 | (5,332) | (18.4) |
| Production Costs | 7,705 | 10,008 | (2,303) | (23.0) |
| Cost of Sales and Services | 6,935 | 9,810 | (2,874) | (29.3) |
| General and Administrative Expenses (GAEX) | 9,001 | 9,156 | (155) | (1.7) |
| Financial Costs – net | 934 | 752 | 182 | 24.1 |
| Equity in Net Loss of Associates and Joint Ventures | 5 | 25 | (20) | (80.3) |
| Other Income – net | (322) | (323) | 1 | (0.2) |
| Net Income | (₱7,317) | ₱2,269 | (₱9,586) | (422.5) |
| EBITDA | (₱2,826) | ₱6,922 | (₱9,748) | (140.8) |

Consolidated Revenues

For the nine-month period ended September 30, 2020, ABS-CBN generated consolidated revenues of ₱17.0 billion from advertising and consumer sales, ₱15.0 billion or 46.8% lower year-on-year.

Advertising revenues suffered a sharp decline in the 2nd 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.

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 Company.

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.

Consolidated Costs and Expenses

Direct costs and expenses amounted to ₱23.6 billion, or an 18.4% decline year-on-year.

Production cost decreased by ₱2.3 billion or 23.0%. The decline was due to the Company's decision to pause producing new content amidst the COVID-19 pandemic and cooperate with the Philippine Government's enhanced community quarantine efforts. Upon resumption of TV content production, the Company also decided to limit production to only 7 programs in the 3rd quarter.

Cost of sales and services decreased by ₱2.9 billion or 29.3% year-on-year. This is mainly attributable to the consequences of the COVID-19 pandemic on the Company's consumer businesses.

GAEX decreased by ₱155 million or 1.7% compared to the previous year. In order to alleviate the decline in revenues, the Company initiated various cost cutting efforts across the group including the execution of an employee retrenchment program effective August 31, 2020. Aside from these costs cutting efforts, the Company still contributed to its 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 ₱7.3 billion net loss for the nine-month period ended September 30, 2020. EBITDA decreased to negative ₱2.8 million, a 140.8% 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><u>Media Network & Studio Entertainment</u></p> <ul style="list-style-type: none"> - Entertainment - News - Global - Film & Music - DTT - Sports - Cable Networks |
|  | <p><u>Cable, Satellite & Broadband</u></p> <ul style="list-style-type: none"> - Pay TV (Cable & Satellite) - Broadband |
|  | <p><u>Digital & Interactive Media</u></p> <ul style="list-style-type: none"> - Online - Over-the-top |
|  | <p><u>Consumer Products & Experiences</u></p> <ul style="list-style-type: none"> - Live events - Themeparks - Home shopping - Licensing & merchandising |

The following analysis presents results of operations of the Company’s business segments for the nine-month period ended September 30, 2020:

| Segment | Operating Revenue | | Net Income | |
|--------------------------------|-------------------|---------|------------|----------|
| | 9M 2019 | 9M 2020 | 9M 2019 | 9M 2020 |
| Media & Studio Entertainment | ₱23,295 | ₱8,558 | ₱2,707 | (₱6,588) |
| Cable, Satellite & Broadband | 7,120 | 7,408 | (6) | 6 |
| Digital & Interactive Media | 1,229 | 935 | (252) | (290) |
| Consumer Product & Experiences | 383 | 133 | (180) | (178) |

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.

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 Company.

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

On June 30, 2020, the NTC issued a CDO to Sky Cable to cease its direct-to-home business.

Though despite losing its DTH business, Sky Cable’s revenues still increased by ₱288 million or 4.0% year-on-year through its broadband business. Broadband subscribers had increased to over 300 thousand by the end of the 3rd quarter of 2020.

C. Digital & Interactive Media

Total revenues generated from digital platforms amounted to ₱294 million, lower by 23.9% 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.

Despite losing its free-to-air business, the Company remained aggressive on delivering meaningful content through digital platforms. On August 1, the Company launched its “Kapamilya Online Live” which serves as a free online channel available digitally. On September 1, the Company merged its two major digital platforms and launched a rebranded “IwantTFC”. To date, the Company has reached another milestone for having over 40 million subscribers on its entertainment and news channels on YouTube.

D. Consumer Products & Experiences

Kidzania and Studio Experience generated ₱113 million in revenues for the nine month period 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 ₱3.17 billion as of September 30, 2020.

Statement of Financial Position Accounts

As at September 30, 2020, total consolidated assets stood at ₱66.6 billion, 15.9% lower than total assets of ₱79.2 billion as of December 31, 2019.

Shareholders’ equity declined to ₱23.4 billion or 24.6% in September 30, 2020 compared to the previous year.

The company’s net debt-to-equity ratio was at 0.44x and 0.45x as of September 30, 2020 and December 31, 2019, respectively.

ABS–CBN Corporation and Subsidiaries

**Unaudited Interim Condensed Consolidated Financial
Statements September 30, 2020
and for the Nine Months Ended September 30, 2020
and 2019
(With Comparative Audited Consolidated Statements of
Financial Position as at December 31, 2019)**

ABS-CBN CORPORATION AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION

(Unaudited)

(Amounts in Thousands)

| | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|---|--------------------------------------|-----------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents (Note 6) | ₱11,176,160 | ₱12,169,917 |
| Short-term investments (Note 6) | 511,680 | 6,998,695 |
| Trade and other receivables (Notes 7 and 23) | 6,747,783 | 10,605,433 |
| Inventories (Note 8) | 736,581 | 675,607 |
| Program rights and other intangible assets (Note 12) | 1,191,669 | 1,286,661 |
| Other current assets (Notes 9, 15 and 23) | 5,293,077 | 5,411,370 |
| Total Current Assets | 25,656,950 | 37,147,683 |
| Noncurrent Assets | | |
| Property and equipment (Notes 10, 18 and 31) | 26,722,711 | 27,473,741 |
| Goodwill, program rights and other intangible assets - net of current portion (Note 12) | 10,717,864 | 11,384,697 |
| Financial assets at fair value through other comprehensive income (FVOCI) (Note 13) | 99,839 | 263,126 |
| Investment properties (Notes 11 and 18) | 194,836 | 198,692 |
| Investments in associates and joint ventures (Note 14) | 238,898 | 425,864 |
| Deferred tax assets (Note 29) | 1,475,920 | 1,147,107 |
| Other noncurrent assets (Notes 7, 16 and 23) | 1,520,518 | 1,203,626 |
| Total Noncurrent Assets | 40,970,586 | 42,096,853 |
| TOTAL ASSETS | ₱66,627,536 | ₱79,244,536 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Trade and other payables (Notes 4, 17, 23 and 30) | ₱11,234,599 | ₱11,772,924 |
| Contract liabilities (Note 9) | 1,004,442 | 1,064,650 |
| Income tax payable | 383,760 | 302,649 |
| Obligations for program rights (Note 19) | 211,550 | 303,440 |
| Current lease liabilities (Note 31) | 337,750 | 302,647 |
| Interest-bearing loans and borrowings (Notes 10, 11 and 18) | 294,518 | 513,755 |
| Total Current Liabilities | 13,466,619 | 14,260,065 |
| Noncurrent Liabilities | | |
| Interest-bearing loans and borrowings - net of current portion (Notes 10, 11 and 18) | 21,188,490 | 25,512,844 |
| Obligations for program rights - net of current portion (Note 19) | 340,339 | 441,466 |
| Accrued pension obligation and other employee benefits (Note 30) | 6,344,085 | 6,004,432 |
| Deferred tax liability (Note 29) | 448,668 | 458,355 |
| Noncurrent lease liabilities (Note 31) | 804,124 | 780,719 |
| Convertible note (Note 20) | 251,477 | 238,305 |
| Other noncurrent liabilities (Note 21) | 352,643 | 457,145 |
| Total Noncurrent Liabilities | 29,729,826 | 33,893,266 |
| Total Liabilities | 43,196,445 | 48,153,331 |

(Forward)

| | September 30, 2020 | December 31, 2019 |
|---|-------------------------------|----------------------|
| | (Unaudited) | (Audited) |
| Equity Attributable to Equity Holders of the Parent Company | | |
| Capital stock (Note 22): | | |
| Common | ₱872,124 | ₱872,124 |
| Preferred | 200,000 | 200,000 |
| Additional paid-in capital | 4,745,399 | 4,745,399 |
| Treasury shares and Philippine depository receipts convertible to common shares (Note 22) | (1,638,719) | (1,638,719) |
| Exchange differences on translation of foreign operations | 327,691 | 550,689 |
| Fair value reserves on financial assets at FVOCI (Note 13) | 52,844 | 172,920 |
| Retained earnings (Note 22) | 19,865,561 | 27,114,963 |
| Equity attributable to Equity Holders of the Parent | 24,424,900 | 32,017,376 |
| Noncontrolling Interests (Note 4) | (993,809) | (926,171) |
| Total Equity | 23,431,091 | 31,091,205 |
| TOTAL LIABILITIES AND EQUITY | ₱66,627,536 | ₱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 September 30 (Unaudited) | | Nine Months Ended September 30 (Unaudited) | |
|--|--|-------------|--|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| REVENUES (Notes 23, 24 and 31) | ₱3,716,392 | ₱11,224,617 | ₱17,033,790 | ₱32,026,882 |
| PRODUCTION COSTS (Notes 10, 12, 23, 25, 30 and 31) | (2,151,293) | (3,321,490) | (7,705,477) | (10,008,148) |
| COST OF SERVICES (Notes 8, 10, 12, 15, 23, 26, 30 and 31) | (2,027,052) | (3,014,114) | (6,621,475) | (8,169,590) |
| COST OF SALES (Notes 8, 10, 23, 26, 30 and 31) | – | (553,440) | (313,592) | (1,639,938) |
| GROSS PROFIT (LOSS) | (461,953) | 4,335,573 | 2,393,246 | 12,209,206 |
| GENERAL AND ADMINISTRATIVE EXPENSES (Notes 7, 8, 10, 11, 12, 22, 23, 27, 30 and 31) | (2,743,935) | (3,213,224) | (9,001,193) | (9,155,826) |
| FINANCE COSTS (Notes 18, 20 and 28) | (291,623) | (425,984) | (935,674) | (1,036,370) |
| INTEREST INCOME (Note 6) | 16,353 | 131,423 | 171,607 | 328,992 |
| FOREIGN EXCHANGE LOSSES – net | (187,935) | (899) | (169,849) | (45,018) |
| EQUITY IN NET LOSSES OF ASSOCIATES AND JOINT VENTURES (Note 14) | (3,072) | (10,284) | (4,966) | (25,145) |
| OTHER INCOME - net (Notes 15, 21, 28 and 31) | 232,576 | 167,255 | 322,459 | 323,248 |
| INCOME (LOSS) BEFORE INCOME TAX | (3,439,589) | 983,860 | (7,224,370) | 2,599,087 |
| PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 29) | | | | |
| Current | 254,726 | 234,935 | 500,259 | 612,525 |
| Deferred | (307,106) | (52,054) | (407,589) | (282,628) |
| | (52,380) | 182,881 | 92,670 | 329,897 |
| NET INCOME (LOSS) | (₱3,387,209) | ₱800,979 | (₱7,317,040) | ₱2,269,190 |
| Attributable to | | | | |
| Equity holders of the Parent Company (Note 34) | (₱3,328,780) | ₱813,032 | (₱7,249,402) | ₱2,365,182 |
| Noncontrolling interests | (58,429) | (12,053) | (67,638) | (95,992) |
| | (₱3,387,209) | ₱800,979 | (₱7,317,040) | ₱2,269,190 |
| Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent Company (Note 34) | (₱4.050) | ₱0.983 | (₱8.814) | ₱2.869 |

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME

(Unaudited)

(Amounts in Thousands)

| | For the Quarter Ended September 30 (Unaudited) | | Nine Months Ended September 30 (Unaudited) | |
|---|--|-----------|--|------------|
| | 2020 | 2019 | 2020 | 2019 |
| NET INCOME (LOSS) | (P4,138,381) | P800,979 | (P7,317,040) | P2,269,190 |
| OTHER COMPREHENSIVE LOSS | | | | |
| Other comprehensive loss not to be reclassified to profit and loss in subsequent periods: | | | | |
| Fair value adjustments on financial assets at FVOCI - net of tax (Note 13) | (144,559) | (8,693) | (120,076) | (5,945) |
| | (144,559) | (8,693) | (120,076) | (5,945) |
| Other comprehensive loss to be reclassified to profit and loss in subsequent periods: | | | | |
| Exchange differences on translation of foreign operations | (106,234) | (184,456) | (222,998) | (284,225) |
| | (106,234) | (184,456) | (222,998) | (284,225) |
| OTHER COMPREHENSIVE LOSS | (250,793) | (193,149) | (343,074) | (290,170) |
| TOTAL COMPREHENSIVE INCOME (LOSS) | (P4,389,174) | P607,830 | (P7,660,114) | P1,979,020 |
| Attributable to: | | | | |
| Equity holders of the Parent Company | (P4,342,874) | P619,883 | (P7,592,476) | P2,075,012 |
| Noncontrolling interests | (46,300) | (12,053) | (67,638) | (95,992) |
| | (P4,389,174) | P607,830 | (P7,660,114) | P1,979,020 |

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND DECEMBER 31, 2019**

(Unaudited)

(Amounts in Thousands)

| | Attributable to the Equity Holders of the Parent Company | | | | | | | Noncontrolling Interests (Notes 17 and 20) | | Total Equity | |
|-----------------------------------|--|-----------------|----------------------------|---|---|--|-----------------------------|---|--------------------|-------------------|--------------------|
| | 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) | | | | |
| | Common | Preferred | | | | | | | | Appropriated | Unappropriated |
| At December 31, 2019 (Audited) | ₱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 |
| Net loss | - | - | - | - | - | - | - | (7,249,402) | (7,249,402) | (67,638) | (7,317,040) |
| Other comprehensive loss | - | - | - | - | (222,998) | (120,076) | - | - | (343,074) | - | (343,074) |
| Total comprehensive loss | - | - | - | - | (222,998) | (120,076) | - | (7,249,402) | (7,592,476) | (67,638) | (7,660,114) |
| At September 30, 2020 (Unaudited) | ₱872,124 | ₱200,000 | ₱4,745,399 | (₱1,638,719) | ₱327,691 | ₱52,844 | ₱16,200,000 | ₱3,665,561 | ₱24,424,900 | (₱993,809) | ₱23,431,091 |
| At December 31, 2018 (Audited) | ₱872,124 | ₱200,000 | ₱4,745,399 | (₱1,638,719) | ₱921,624 | ₱205,969 | ₱16,200,000 | ₱14,091,703 | ₱35,598,100 | ₱126,348 | ₱35,724,448 |
| Net income (loss) | - | - | - | - | - | - | - | 2,365,182 | 2,365,182 | (95,992) | 2,269,190 |
| Other comprehensive loss | - | - | - | - | (284,225) | (5,945) | - | - | (290,170) | - | (290,170) |
| Total comprehensive income (loss) | - | - | - | - | (284,225) | (5,945) | - | 2,365,182 | 2,075,012 | (95,992) | 1,979,020 |
| Cash dividends declared | - | - | - | - | - | - | - | (477,061) | (477,061) | - | (477,061) |
| At September 30, 2019 (Unaudited) | ₱872,124 | ₱200,000 | ₱4,745,399 | (₱1,638,719) | ₱637,399 | ₱200,024 | ₱16,200,000 | ₱15,979,824 | ₱37,196,051 | ₱30,356 | ₱37,226,407 |

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)

| | Nine Months Ended September 30 (Unaudited) | |
|---|--|-------------|
| | 2020 | 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income (loss) before income tax | (P7,224,370) | P2,599,087 |
| Adjustments to reconcile income before tax to net cash flows: | | |
| Depreciation and amortization (Notes 10 and 11) | 2,643,570 | 2,590,071 |
| Amortization of: | | |
| Program rights and other intangibles (Note 12) | 1,669,112 | 1,230,871 |
| Debt issue costs (Note 28) | 16,155 | 39,797 |
| Deferred charges (Note 26) | 90 | 292 |
| Interest expense (Note 28) | 910,305 | 983,495 |
| Movements in accrued pension obligation and other employee benefits (Note 30) | 339,653 | 636,170 |
| Interest income (Notes 6 and 23) | (171,607) | (328,992) |
| Gain on sale of financial assets at FVOCI (Note 13) | (103,345) | – |
| Net unrealized foreign exchange loss (gain) | (28,518) | 19,416 |
| Dividend income | (7,841) | (9,183) |
| Equity in net losses of associates and joint ventures (Note 14) | 4,966 | 25,145 |
| Loss (gain) on sale of property and equipment (Notes 10 and 28) | (4,434) | 9,654 |
| Working capital changes: | | |
| Decrease (increase) in: | | |
| Trade and other receivables | 3,743,665 | (298,200) |
| Other current assets | 122,017 | (411,666) |
| Inventories | (58,833) | 51,781 |
| Decrease in: | | |
| Trade and other payables | (586,871) | 532,397 |
| Obligations for program rights | (192,478) | (408,350) |
| Other noncurrent liabilities | (114,189) | (77,284) |
| Contract liabilities | (60,208) | (119,497) |
| Cash generated from operations | 896,839 | 7,065,004 |
| Income taxes paid | (419,148) | (541,663) |
| Net cash provided by operating activities | 477,691 | 6,523,341 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to: | | |
| Property and equipment (Notes 5 and 10) | (2,019,883) | (2,627,761) |
| Goodwill, program rights and other intangible assets (Notes 12 and 35) | (758,009) | (546,572) |
| Decrease (increase) in short-term investments | 6,487,015 | (5,607,927) |
| Interest received | 321,455 | 241,340 |
| Decrease in other noncurrent assets | (219,367) | (174,532) |
| Return of investment in joint ventures (Note 14) | 182,000 | – |
| Proceeds from sale of property and equipment | 156,715 | 29,226 |
| Sale of FVOCI (Note 13) | 43,211 | – |
| Net cash provided by (used in) investing activities | 4,193,137 | (8,686,226) |

(Forward)

| | Nine Months Ended September 30 (Unaudited) | |
|---|---|-------------|
| | 2020 | 2019 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments of: | | |
| Long-term debt (Note 18) | (P4,494,695) | (6,160,439) |
| Interest | (992,305) | (P962,694) |
| Principal portion of lease liabilities | (165,669) | (5,231) |
| Dividends | - | (462,893) |
| Proceeds from long-term debt | - | 5,000,000 |
| Net cash provided by (used in) financing activities (Note 35) | (P5,652,669) | (2,591,257) |
| EFFECTS OF EXCHANGE RATE CHANGES AND TRANSLATION | | |
| ADJUSTMENTS ON CASH AND CASH EQUIVALENTS | (10,916) | 6,612 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (993,757) | (4,788,686) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 12,169,917 | 18,104,686 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6) | P11,176,160 | P13,316,000 |

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)

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.

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 19, 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.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Platform*

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 platform. 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.

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

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modification 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.

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 September 30, 2020 and December 31, 2019:

| Company | Place of Incorporation | Principal Activities | Functional Currency | Effective Interest | |
|--|------------------------|--|-----------------------------------|--------------------|-------|
| | | | | 2020 | 2019 |
| Media, Network, and Studio Entertainment | | | | | |
| Global: | | | | | |
| ABS-CBN Global Ltd. (ABS-CBN Global) ^{(a) (i)} | Cayman Islands | Holding company | United States dollar (USD) | 100.0 | 100.0 |
| ABS-CBN Europe Ltd. (ABS-CBN Europe) ^{(b)(e) (i)} | United Kingdom | Cable and satellite programming services | Great Britain pound (GBP) | 100.0 | 100.0 |
| ABS-CBN Japan, Inc. (ABS- CBN Japan) ^{(d) (i) (r)} | Japan | Cable and satellite programming services | Japanese yen (JPY) | 100.0 | 100.0 |
| ABS-CBN Middle East FZ-LLC (ABS-CBN Middle East) ^{(b) (i)} | Dubai, UAE | Cable and satellite programming services | United Arab Emirates dirham (AED) | 100.0 | 100.0 |

| Company | Place of Incorporation | Principal Activities | Functional Currency | Effective Interest | |
|---|------------------------|--|-------------------------|--------------------|-------|
| | | | | 2020 | 2019 |
| ABS-CBN Global Hungary Kft. (ABS-CBN Hungary) ^(j) | Budapest, Hungary | Holding company | USD | 100.0 | 100.0 |
| Makati Kft. ^(j) | Budapest, Hungary | Holding Company | USD | 100.0 | 100.0 |
| ABS-CBN International, Inc. (ABS-CBN International) ^{(j) (n)} | California, USA | Cable and satellite programming services | USD | 100.0 | 100.0 |
| ABS-CBN Australia Pty. Ltd. (ABS-CBN Australia) ^{(j) (k)} | Victoria, Australia | Cable and satellite programming services | Australian dollar (AUD) | 100.0 | 100.0 |
| ABS-CBN Canada, ULC (ABS-CBN Canada) ^{(j) (k)} | Canada | Cable and satellite programming services | Canadian dollar (CAD) | 100.0 | 100.0 |
| ABS-CBN Telecom North America, Inc. ^{(j) (k)} | California, USA | Telecommunications | USD | 100.0 | 100.0 |
| Films and Music: | | | | | |
| ABS-CBN Film Productions, Inc. (ABS-CBN Films) | Philippines | Movie production | Philippine peso | 100.0 | 100.0 |
| Cinescreen, Inc. (Cinescreen) ^(f) | Philippines | Theater operator | Philippine peso | 100.0 | 100.0 |
| Narrowcast and Sports: | | | | | |
| Creative Programs, Inc. (CPI) ^(v) | Philippines | Content development, publishing and programming services | Philippine peso | 100.0 | 100.0 |
| Others: | | | | | |
| ABS-CBN Europe Remittance Inc. ^{(d) (j) (y)} | United Kingdom | Services - money remittance | GBP | 100.0 | 100.0 |
| E-Money Plus, Inc. ^(b) | Philippines | Services - money remittance | Philippine peso | 100.0 | 100.0 |
| ABS-CBN Global Remittance Inc. ^{(j) (k) (y)} | California, USA | Services - money remittance | USD | 100.0 | 100.0 |
| ABS-CBN Canada Remittance Inc. ^{(j) (n) (y)} | Canada | Services - money remittance | CAD | 100.0 | 100.0 |
| ABS-CBN Center for Communication Arts, Inc. ^(e) | Philippines | Educational/training | Philippine peso | 100.0 | 100.0 |
| ABS-CBN Global Cargo Corporation ^(t) | Philippines | Non-vessel operations common carrier | Philippine peso | 100.0 | 100.0 |
| ABS-CBN Integrated and Strategic Property Holdings, Inc. | Philippines | Real estate | Philippine peso | 100.0 | 100.0 |
| ABS-CBN Shared Service Center PTE. Ltd. ^{(j) (m)} | Singapore | Services - support | Singapore dollar (SGD) | 100.0 | 100.0 |
| Grassfed Corporation | Philippines | Services - livestock | Philippine peso | 100.0 | 100.0 |
| Professional Services for Television & Radio, Inc. | Philippines | Services - production | Philippine peso | 100.0 | 100.0 |
| Probabilistic Insights, Inc. ^(aa) | Philippines | Services - support | Philippine peso | 100.0 | 100.0 |
| Rosetta Holdings Corporation (RHC) | Philippines | Holding company | Philippine peso | 100.0 | 100.0 |
| Sarimanok News Network, Inc. | Philippines | Content development and programming services | Philippine peso | 100.0 | 100.0 |
| The Big Dipper Digital Content & Design, Inc. (Big Dipper) | Philippines | Digital film archiving and central library, content licensing and transmission | Philippine peso | 100.0 | 100.0 |
| The Chosen Bun, Inc. (Chosen Bun) ^(z) | Philippines | Services - restaurant and food | Philippine peso | 100.0 | 100.0 |
| TV Food Chefs, Inc. | Philippines | Services - restaurant and food | Philippine peso | 100.0 | 100.0 |
| iConnect Convergence, Inc. | Philippines | Service - call center | Philippine peso | 100.0 | 100.0 |
| ABS-CBN Studios, Inc. | Philippines | Production facility | Philippine peso | 100.0 | 100.0 |
| Medianow Strategies, Inc. (Medianow) ^(x) | Philippines | Marketing, sales and advertising | Philippine peso | 79.7 | 79.7 |
| Digital and Interactive Media | | | | | |
| Sapientis Holdings Corporation (Sapientis) | Philippines | Holding company | Philippine peso | 100.0 | 100.0 |
| Columbus Technologies, Inc. (CTI) ^(q) | Philippines | Holding company | Philippine peso | 70.0 | 70.0 |
| ABS-CBN Convergence, Inc. (ABS-C) ^(q) | Philippines | Telecommunication | Philippine peso | 69.3 | 69.3 |
| Cable, Satellite and Broadband | | | | | |
| Sky Vision Corporation (Sky Vision) ^(w) (see Note 4) | Philippines | Holding Company | Philippine peso | 75.0 | 75.0 |
| Sky Cable Corporation (Sky Cable) ^(w) (see Note 4) | Philippines | Cable television services | Philippine peso | 59.4 | 59.4 |
| Bisaya Cable Television Network, Inc. ^{(h) (i) (w)} | Philippines | Cable television services | Philippine peso | 59.4 | 59.4 |
| Bright Moon Cable Networks, Inc. ^{(h) (w)} | Philippines | Cable television services | Philippine peso | 59.4 | 59.4 |
| Cavite Cable Corporation ^{(h) (w)} | Philippines | Cable television services | Philippine peso | 59.4 | 59.4 |

| Company | Place of Incorporation | Principal Activities | Functional Currency | Effective Interest | |
|--|------------------------|---------------------------|---------------------|--------------------|-------|
| | | | | 2020 | 2019 |
| Cepsil Consultancy and Management Corporation ^{(h) (w)} | Philippines | Cable television services | Philippine peso | 59.4 | 59.4 |
| Davao Cableworld Network, Inc. ^{(h) (o) (w)} | Philippines | Cable television services | Philippine peso | 59.4 | 59.4 |
| HM Cable Networks, Inc. ^{(h) (w)} | Philippines | Cable television services | Philippine peso | 59.4 | 59.4 |
| HM CATV, Inc. ^{(h) (w)} | Philippines | Cable television services | Philippine peso | 59.4 | 59.4 |
| Hotel Interactive Systems, Inc. ^{(h) (w)} | Philippines | Cable television services | Philippine peso | 59.4 | 59.4 |
| Isla Cable TV, Inc. ^{(h) (w)} | Philippines | Cable television services | Philippine peso | 59.4 | 59.4 |
| Moonsat Cable Television, Inc. ^{(h) (o) (w)} | Philippines | Cable television services | Philippine peso | 59.4 | 59.4 |
| Pilipino Cable Corporation (PCC) ^{(h) (w)} | Philippines | Cable television services | Philippine peso | 59.4 | 59.4 |
| Satellite Cable TV, Inc. ^{(h) (w)} | Philippines | Cable television services | Philippine peso | 59.4 | 59.4 |
| Sun Cable Holdings, Incorporated (SCHI) ^{(h) (w)} | Philippines | Holding company | Philippine peso | 59.4 | 59.4 |
| Sun Cable Systems Davao, Inc. ^{(h) (i) (w)} | Philippines | Cable television services | Philippine peso | 59.4 | 59.4 |
| Sunvision Cable, Inc. ^{(h) (w)} | Philippines | Cable television services | Philippine peso | 59.4 | 59.4 |
| Tarlac Cable Television Network, Inc. ^{(h) (w)} | Philippines | Cable television services | Philippine peso | 59.4 | 59.4 |
| Telemondial Holdings, Inc. ^{(h) (i) (w)} | Philippines | Holding company | Philippine peso | 59.4 | 59.4 |
| JMY Advantage Corporation ^{(h) (w)} | Philippines | Cable television services | Philippine peso | 56.4 | 56.4 |
| Cebu Cable Television, Inc. ^{(h) (o) (p) (w)} | Philippines | Cable television services | Philippine peso | 57.4 | 57.4 |
| Suburban Cable Network, Inc. ^{(h) (w)} | Philippines | Cable television services | Philippine peso | 54.9 | 54.9 |
| Pacific CATV, Inc. (Pacific) ^{(h) (o) (w)} | Philippines | Cable television services | Philippine peso | 58.0 | 58.0 |
| First Ilocandia CATV, Inc. ^{(h) (o) (w)} | Philippines | Cable television services | Philippine peso | 54.9 | 54.9 |
| Mactan CATV Network, Inc. ^{(h) (o) (p) (w)} | Philippines | Cable television services | Philippine peso | 56.6 | 56.6 |
| Discovery Mactan Cable, Inc. ^{(h) (s) (w)} | Philippines | Cable television services | Philippine peso | 41.6 | 41.6 |
| Home-Lipa Cable, Inc. ^{(h) (s) (w)} | Philippines | Cable television services | Philippine peso | 35.6 | 35.6 |
| Consumer Products and Experiences | | | | | |
| ABS-CBN Theme Parks and Resorts Holdings, Inc. (ABS-CBN Theme Parks) | Philippines | Holding company | Philippine peso | 100.0 | 100.0 |
| ABS-CBN Themed Experiences, Inc. (ABS-CBN Themed Experiences) ^(u) | Philippines | Management of locations | Philippine peso | 100.0 | 100.0 |
| Play Innovations, Inc. (PII) ^(g) | Philippines | Theme park | Philippine peso | 73.0 | 73.0 |
| Play Innovations Hungary Kft. (Play Innovations) ^{(i) (g)} | Budapest, Hungary | Theme park | USD | 73.0 | 73.0 |

(a) With branches in the Philippines and Taiwan

(b) Through ABS-CBN Global

(c) With branches in Italy and Spain

(d) Subsidiary of ABS-CBN Europe

(e) Nonstock ownership interest

(f) On June 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.

(g) Through ABS-CBN Theme Parks

(h) Through Sky Cable

(i) Subsidiary of SCHI

(j) Considered as foreign subsidiary

(k) Subsidiary of ABS-CBN International

(l) With a branch in Luxembourg

(m) With a regional operating headquarters in the Philippines

(n) Through ABS-CBN Hungary

(o) Subsidiary of PCC

(p) Through Pacific

(q) Through Sapientis

(r) With branch in Korea

(s) A subsidiary of Sky Cable where Sky Cable effectively owns more than 50% interest

(t) In liquidation

(u) On 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.

Future Changes in Accounting Policies

The standards, amendments and interpretations that are issued, but not yet effective as at September 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.

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, 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 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 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 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 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 interim condensed consolidated financial statements are prepared on a going concern basis.

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 ₱690 million and ₱145 million for the nine months ended September 30, 2020 and 2019, respectively (see Notes 7 and 27). Trade and other receivables, net of allowance for ECL, amounted to ₱6.7 billion and ₱10.6 billion as at September 30, 2020 and December 31, 2019, respectively. Allowance for ECL amounted to ₱3.2 billion and ₱2.5 billion as at September 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.

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 lapse of the ABS-CBN Convergence's legislative franchise, the Company recognized impairment losses on its goodwill and license – wireless business amounting to nil and ₱577 million, respectively (see Note 12).

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 September 30, 2020 have considered the potential impact of the denial 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 ₱7.5 billion and ₱7.1 billion as at September 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 cyclical.

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 September 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 | |
|---|------------------------|-----------------------------------|--------------------------------|
| | | September 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% |
| ABS-CBN Theme Parks and Resorts Holdings, Inc. and Subsidiaries | Philippines | 27.0% | 27.0% |

Accumulated Earnings (Losses) of Material Noncontrolling Interests

| Company | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|---|-----------------------------------|--------------------------------|
| Sapientis Holdings Corporation and Subsidiaries | (P2,448,807) | (P2,407,256) |
| Sky Cable Corporation and Subsidiaries | 1,919,006 | 1,976,389 |
| ABS-CBN Theme Parks and Resorts Holdings, Inc. and Subsidiaries | (482,998) | (514,261) |

Net Income (Loss) Attributable to Material Noncontrolling Interests

| Company | Nine Months Ended September 30 (Unaudited) | |
|---|--|-----------|
| | 2020 | 2019 |
| Sapientis Holdings Corporation and Subsidiaries | (P32,687) | (P54,659) |
| ABS-CBN Theme Parks and Resorts Holdings, Inc. and Subsidiaries | (30,614) | (29,419) |
| Sky Cable Corporation and Subsidiaries | (4,370) | (11,575) |

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

| | September 30, 2020 | December 31, 2019 |
|---------------------------|-------------------------------|----------------------|
| | (Unaudited) | (Audited) |
| Cash and cash equivalents | ₱3,467,500 | ₱3,394,065 |
| Other current assets | 2,649,797 | 2,118,965 |
| Goodwill | 4,491,817 | 4,491,817 |
| Trademarks | 1,111,784 | 1,111,784 |
| Customer relationships | 525,985 | 563,636 |
| Other noncurrent assets | 14,018,299 | 14,722,098 |
| Current liabilities | (5,960,296) | (5,507,186) |
| Noncurrent liabilities | (8,104,632) | (8,689,704) |

Summarized Consolidated Statements of Comprehensive Income

| | Nine Months Ended September 30 | |
|-------------------------------------|---------------------------------------|-------------|
| | (Unaudited) | |
| | 2020 | 2019 |
| Revenue | ₱7,354,701 | ₱7,057,973 |
| Cost of services | (5,602,254) | (5,841,772) |
| General and administrative expenses | (1,614,807) | (1,219,612) |
| Finance costs | (203,700) | (206,854) |
| Other income - net | 58,601 | 186,463 |
| Loss before income tax | (7,459) | (23,802) |
| Benefit from income tax | (2,238) | (5,314) |
| Net loss | (5,221) | (18,488) |
| Total comprehensive loss | (₱5,221) | (₱18,488) |

Summarized Consolidated Statements of Cash Flows

| | Nine Months Ended September 30 | |
|--|---------------------------------------|-------------|
| | (Unaudited) | |
| | 2020 | 2019 |
| Operating | ₱1,631,059 | ₱1,941,633 |
| Investing | (122,1889) | (1,725,946) |
| Financing | (335,735) | (328,094) |
| Net increase (decrease) in cash and cash equivalents | ₱73,435 | (₱112,407) |

b. *Sapientis*

Summarized Consolidated Statements of Financial Position

| | September 30, 2020 | December 31, 2019 |
|---------------------------|-------------------------------|----------------------|
| | (Unaudited) | (Audited) |
| Cash and cash equivalents | ₱708 | ₱7,917 |
| Other current assets | 808,400 | 990,645 |
| Current liabilities | (5,819,938) | (5,815,892) |
| Noncurrent liabilities | (3,160,064) | (3,246,934) |

Summarized Consolidated Statements of Comprehensive Income

| | Nine Months Ended September 30 | |
|-------------------------------------|---------------------------------------|------------|
| | (Unaudited) | |
| | 2020 | 2019 |
| General and administrative expenses | (₱73,418) | (₱116,863) |
| Noncash expenses | (33,617) | (61,586) |
| Finance costs | (604) | (1,352) |
| Other income - net | 216 | 830 |
| Loss before income tax | (107,423) | (178,971) |
| Benefit from income tax | (793) | (773) |
| Net loss | (106,630) | (178,198) |
| Total comprehensive loss | (₱106,630) | (₱178,198) |

Summarized Consolidated Statements of Cash Flows

| | Nine Months Ended September 30 | |
|---|---------------------------------------|------------|
| | (Unaudited) | |
| | 2020 | 2019 |
| Operating | (₱15,873) | (₱477,493) |
| Investing | 12,899 | (26,283) |
| Financing | (4,235) | 500,428 |
| Net decrease in cash and cash equivalents | (₱7,209) | (₱3,348) |

a. *ABS-CBN Theme Parks*

Summarized Consolidated Statements of Financial Position

| | September 30, 2020 | December 31, 2019 |
|---------------------------|-------------------------------|----------------------|
| | (Unaudited) | (Audited) |
| Cash and cash equivalents | ₱56,829 | ₱17,826 |
| Other current assets | 12,896 | 76,197 |
| Other noncurrent assets | 77,911 | - |
| Current liabilities | (1,277,662) | (1,253,465) |
| Noncurrent liabilities | (161,592) | (17,532) |

Summarized Consolidated Statements of Comprehensive Income

| | Nine Months Ended September 30 (Unaudited) | |
|-------------------------------------|--|------------|
| | 2020 | 2019 |
| Revenue | ₱106,641 | ₱334,611 |
| Cost of services | (19,213) | (66,897) |
| General and administrative expenses | (173,976) | (340,591) |
| Finance costs | (26,410) | (41,231) |
| Other income - net | 651 | 1,709 |
| Loss before income tax | (112,307) | (112,399) |
| Benefit from income tax | 1,337 | (3,085) |
| Net loss | (113,644) | (109,314) |
| Total comprehensive loss | (₱113,644) | (₱109,314) |

Summarized Consolidated Statements of Cash Flows

| | Nine Months Ended September 30 (Unaudited) | |
|--|--|---------|
| | 2020 | 2019 |
| Operating | ₱206,214 | ₱29,050 |
| Investing | 72,789 | (5,099) |
| Financing | (240,000) | - |
| Net increase (decrease) in cash and cash equivalents | ₱39,003 | ₱23,951 |

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:

| | Nine Months Ended September 30 | |
|---|---------------------------------------|-------------|
| | (Unaudited) | |
| | 2020 | 2019 |
| Consolidated EBITDA | (P2,825,758) | P6,922,461 |
| Depreciation and amortization | (2,643,570) | (2,590,071) |
| Amortization of intangible assets** | (1,000,189) | (1,039,003) |
| Finance costs* | (926,460) | (1,023,292) |
| Interest income | 171,607 | 328,992 |
| Provision for (benefit from) income tax | (92,670) | (329,897) |
| Consolidated net income (loss) | (P7,317,040) | P2,269,190 |

*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 nine months ended September 30, 2020 and 2019 and certain asset and liability information regarding business segments as of September 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 | 2020 | 2019 |
| Revenue | | | | | | | | | | | | | | |
| External sales | P8,385,731 | P23,507,042 | P7,354,701 | P6,931,051 | P858,592 | P1,193,689 | P776,975 | P1,390,474 | P- | P- | P17,375,999 | P33,022,256 | | |
| Inter-segment sales | 2,053,942 | 3,121,670 | - | 126,922 | - | - | - | - | (2,053,942) | (3,248,592) | - | - | | |
| Revenue deductions | (369,371) | (907,036) | - | - | (226,211) | (272,284) | (4,723) | (48,750) | 258,096 | 232,696 | (342,209) | (995,374) | | |
| Total revenue | P10,070,302 | P25,721,676 | P7,354,701 | P7,057,973 | P632,381 | P921,405 | P772,252 | P1,341,724 | (P1,795,846) | (P3,015,896) | P17,033,790 | P32,026,882 | | |
| Results | | | | | | | | | | | | | | |
| Operating results | (P7,345,882) | P3,121,313 | P137,640 | (P3,411) | (P252,454) | (P229,463) | (P194,766) | (P330,317) | P1,047,515 | P495,258 | (P6,607,947) | P3,053,380 | | |
| Finance costs | (890,525) | (968,109) | (203,700) | (206,854) | (604) | (1,352) | (30,966) | (44,253) | 190,121 | 184,198 | (935,674) | (1,036,370) | | |
| Foreign exchange gains (losses) – net | (103,971) | 104,844 | (76,559) | (37,517) | 211 | 573 | 3,425 | 881 | 7,045 | (113,799) | (169,849) | (45,018) | | |
| Interest income | 200,476 | 310,165 | 10,726 | 51,673 | 5 | 11 | 790 | 1,611 | (40,390) | (34,468) | 171,607 | 328,992 | | |
| Equity in net losses of associates and joint ventures | (4,966) | (25,145) | - | - | - | - | - | - | - | - | (4,966) | (25,145) | | |
| Other income – net | 685,601 | 663,984 | 124,434 | 172,307 | - | 247 | 1,725 | 36,662 | (489,301) | (549,952) | 322,459 | 323,248 | | |
| Income tax | (95,373) | (326,209) | 2,238 | 5,314 | 793 | 773 | (328) | (3,345) | - | (6,430) | (92,670) | (329,897) | | |
| Net income (loss) | (P7,554,640) | P2,880,843 | (P5,221) | (P18,488) | (P252,049) | (P229,211) | (P220,120) | (P338,761) | P714,990 | (P25,193) | (P7,317,040) | P2,269,190 | | |
| EBITDA | | | | | | | | | | | | | (P2,825,758) | P6,922,461 |
| EBITDA Margin | | | | | | | | | | | | | (16%) | 21% |
| Assets and Liabilities | | | | | | | | | | | | | | |
| Operating assets | P42,580,704 | P70,832,091 | P24,400,844 | P24,475,320 | P941,487 | P773,187 | P209,884 | P270,900 | (P3,220,201) | (P18,679,933) | P64,912,718 | P77,671,565 | | |
| Investments in associates and joint ventures | 20,351,920 | 20,930,038 | 1,562 | 1,562 | - | - | - | - | (20,114,584) | (20,505,736) | 238,898 | 425,864 | | |
| Deferred tax assets – net | 447,817 | 442,812 | 1,162,495 | 856,184 | 479 | - | 38,188 | 30,893 | (173,059) | (182,782) | 1,475,920 | 1,147,107 | | |
| Total assets | P63,380,441 | P92,204,941 | P25,564,901 | P25,333,066 | P941,966 | P773,187 | P248,072 | P301,793 | (P23,507,844) | (P39,368,451) | P66,627,536 | P79,244,536 | | |
| Operating liabilities | P12,867,088 | 13,044,252 | P6,797,087 | P6,634,394 | P3,020,133 | P2,960,415 | P111,377 | P614,657 | (P3,677,232) | (P3,733,357) | P19,118,453 | P19,520,361 | | |
| Contract liabilities | 55,965 | 227,214 | 799,790 | 628,485 | - | - | 148,687 | 208,951 | - | - | 1,004,442 | 1,064,650 | | |
| Interest-bearing loans and borrowings | 16,023,315 | 20,260,586 | 6,001,024 | 6,067,344 | - | - | - | 240,000 | (541,331) | (541,331) | 21,483,008 | 26,026,599 | | |
| Deferred tax liability | 310,397 | 320,084 | - | - | 138,271 | 138,271 | - | - | - | - | 448,668 | 458,355 | | |
| Lease liabilities | 896,310 | 818,910 | 230,408 | 239,215 | 7,820 | 11,550 | 41,494 | 47,849 | (34,158) | (34,158) | 1,141,874 | 1,083,366 | | |
| Total liabilities | P30,153,075 | P34,671,046 | P13,828,309 | P13,569,438 | P3,166,224 | P3,110,236 | P301,558 | P1,111,457 | (P4,252,721) | (P4,308,846) | P43,196,445 | P48,153,331 | | |
| Other Segment Information | | | | | | | | | | | | | | |
| Capital expenditures: | | | | | | | | | | | | | | |
| Property and equipment | P668,167 | P1,430,764 | P1,370,058 | P2,489,861 | P- | P119,176 | P253,501 | P38,149 | P- | P- | P2,291,726 | P4,077,950 | | |
| Intangible assets | 894,748 | 1,226,585 | 24,299 | 82,449 | - | 2,412 | - | - | - | - | 919,047 | 1,311,446 | | |
| Depreciation and amortization | 3,814,614 | 4,636,431 | 1,424,068 | 1,771,229 | 27,526 | 84,816 | 50,216 | 84,897 | (1,003,742) | (1,214,473) | 4,312,682 | 5,362,900 | | |
| Noncash expenses other than depreciation and amortization | 28,474 | 277,667 | 678,037 | 216,420 | - | 53,859 | - | 77,770 | - | - | 706,511 | 625,716 | | |

Geographical Segment Data

The following tables present revenue and expenditure for the nine months ended September 30, 2020 and 2019 and certain asset information regarding geographical segments as of September 30, 2020 and December 31, 2019:

| | Philippines | | United States | | Others | | Eliminations | | Consolidated | |
|--|--------------------|--------------|-------------------|------------|-------------------|------------|----------------------|---------------|--------------------|-------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenue | | | | | | | | | | |
| External sales | P14,340,571 | P29,092,893 | P1,739,020 | P3,149,407 | P1,296,408 | P779,956 | P- | P- | P17,375,999 | P33,022,256 |
| Inter-segment sales | 2,053,942 | 3,248,592 | - | - | - | - | (2,053,942) | (3,248,592) | - | - |
| Revenue deductions | (600,305) | (1,228,070) | - | - | - | - | 258,096 | 232,696 | (342,209) | (995,374) |
| Total revenue | P15,794,208 | P31,113,415 | P1,739,020 | P3,149,407 | P1,296,408 | P779,956 | (P1,795,846) | (P3,015,896) | P17,033,790 | P32,026,882 |
| Assets | | | | | | | | | | |
| Operating assets | P61,189,216 | P84,840,972 | P2,208,765 | P2,520,027 | P4,691,423 | P8,936,585 | (P3,220,201) | (P18,679,933) | P64,869,203 | P77,617,651 |
| Contract assets | 43,515 | 53,914 | - | - | - | - | - | - | 43,515 | 53,914 |
| Investments in associates and joint ventures | 20,353,482 | 20,931,600 | - | - | - | - | (20,114,584) | (20,505,736) | 238,898 | 425,864 |
| Deferred tax assets – net | 1,569,422 | 1,225,025 | 62,632 | 77,198 | 16,925 | 27,666 | (173,059) | (182,782) | 1,475,920 | 1,147,107 |
| Total assets | P83,155,635 | P107,051,511 | P2,271,397 | P2,597,225 | P4,708,348 | P8,964,251 | (P23,507,844) | (P39,368,451) | P66,627,536 | P79,244,536 |
| Liabilities | | | | | | | | | | |
| Operating liabilities | P18,937,129 | P19,333,483 | P379,085 | P559,114 | P3,479,471 | P3,361,121 | (P3,677,232) | (P3,733,357) | P19,118,453 | P19,520,361 |
| Contract liabilities | 1,004,442 | 1,064,650 | - | - | - | - | - | - | 1,004,442 | 1,064,650 |
| Interest-bearing loans and borrowings | 21,996,659 | 26,536,966 | 27,680 | 30,964 | - | - | (541,331) | (541,331) | 21,483,008 | 26,026,599 |
| Deferred tax liability | 448,668 | 458,355 | - | - | - | - | - | - | 448,668 | 458,355 |
| Lease liabilities | 514,007 | 520,403 | 511,544 | 579,236 | 150,481 | 17,885 | (34,158) | (34,158) | 1,141,874 | 1,083,366 |
| Total liabilities | P42,900,905 | P47,913,857 | P918,309 | P1,169,314 | P3,629,952 | P3,379,006 | (P4,252,721) | (P4,308,846) | P43,196,445 | P48,153,331 |
| Other Segment Information | | | | | | | | | | |
| Capital expenditures: | | | | | | | | | | |
| Property and equipment | P2,291,301 | P4,033,749 | P425 | P44,201 | P- | P- | P- | P- | P2,291,726 | P4,077,950 |
| Intangible assets | 919,047 | 1,311,446 | - | - | - | - | - | - | 919,047 | 1,311,446 |

6. Cash and Cash Equivalents and Short-term Investments

| | September 30, 2020 | December 31, 2019 |
|---------------------------|-------------------------------|----------------------|
| | (Unaudited) | (Audited) |
| Cash on hand and in banks | ₱6,170,530 | ₱6,033,101 |
| Cash equivalents | 5,005,630 | 6,136,816 |
| | ₱11,176,160 | ₱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 ₱512 million and ₱6,999 million as at September 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 ₱172 million and ₱329 million for the nine months ended September 30, 2020, and 2019, respectively.

7. Trade and Other Receivables

| | September 30, 2020 | December 31, 2019 |
|---|-------------------------------|----------------------|
| | (Unaudited) | (Audited) |
| Trade: | | |
| Airtime | ₱2,572,369 | ₱6,101,594 |
| Subscriptions | 3,742,408 | 2,829,697 |
| Others | 926,598 | 2,110,569 |
| Due from related parties (see Note 23) | 322,526 | 325,478 |
| Advances to employees and talents (see Note 23) | 1,544,390 | 696,108 |
| Others | 848,238 | 1,060,084 |
| | 9,956,529 | 13,123,530 |
| Less allowance for ECL | 3,218,746 | 2,518,097 |
| | ₱6,737,783 | ₱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 and receivable related to the sale of Amcara Broadcasting Network, Inc. (Amcara).

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

| | September 30, 2020 | December 31, 2019 |
|-------------------|-------------------------------|----------------------|
| | (Unaudited) | (Audited) |
| Less than 30 days | ₱89,615 | ₱779,834 |
| 31 to 90 days | 84,673 | 33,317 |
| | ₱174,288 | ₱813,151 |

Allowance for ECL

Movements in the allowance for ECL are as follows:

| | Trade | | | Nontrade | Total |
|--------------------------------------|-----------------|-------------------|-----------------|-----------------|-------------------|
| | Airtime | Subscriptions | Others | | |
| Balance at January 1, 2019 | ₱317,485 | ₱1,342,220 | ₱320,749 | ₱69,500 | ₱2,049,954 |
| 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) | 6,048 | 683,673 | 635 | - | 690,356 |
| Write-offs and others | 4,174 | 6,119 | - | - | 10,293 |
| Balance at September 30, 2020 | ₱353,069 | ₱2,206,664 | ₱362,477 | ₱296,536 | ₱3,218,746 |

8. Inventories

| | September 30, 2020 | December 31, 2019 |
|-------------------------------------|-------------------------------|----------------------|
| | (Unaudited) | (Audited) |
| At cost: | | |
| Merchandise inventories | ₱643,847 | ₱594,979 |
| Office supplies | 4,933 | 4,950 |
| At net realizable value: | | |
| Merchandise inventories | 20,691 | 27,722 |
| Materials, supplies and spare parts | 67,110 | 47,956 |
| | ₱736,581 | ₱675,607 |

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 ₱309 million and ₱1,626 million for the nine months ended September 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 ₱363 million and ₱1,718 million for the nine months ended September 30, 2020 and 2019, respectively (see Note 26).

The cost of inventories carried at net realizable value amounted to ₱166 million and ₱287 million as at September 30, 2020 and December 31, 2019, respectively. Inventory losses amounted to ₱2 million and ₱407 thousand for the nine months ended September 30, 2020 and 2019 (see Note 27).

9. Contract Cost Assets and Contract Liabilities

| | September 30, 2020 | December 31, 2019 |
|------------------------------------|-------------------------------|----------------------|
| | (Unaudited) | (Audited) |
| Contract cost assets (see Note 15) | ₱43,515 | ₱53,914 |
| Contract liabilities | 1,004,442 | 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 ₱47 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 ₱461 million for the year ended December 31, 2019. Contract liabilities are usually recognized as revenues within one year from receipt.

10. Property and Equipment

September 30, 2020 (Unaudited – Nine Months)

| | Right-of-use assets | | | | | | | Total |
|---|----------------------------|----------------------------|---|-------------------|--------------------------|---|----------------------------|--------------------|
| | 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 | |
| Cost | | | | | | | | |
| Balance at beginning 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 |
| Additions | – | 17,837 | 487,402 | 669,471 | 845,173 | – | 254,163 | 2,274,046 |
| Disposals/retirements | – | – | (2,609) | (41,075) | (18,792) | – | (137,326) | (199,802) |
| Reclassifications | 21,928 | 831,319 | 1,020,568 | 304,984 | (2,178,799) | – | – | – |
| Translation adjustments | (3,835) | (18,429) | 139,156 | (318,749) | (75,150) | (804) | – | (277,811) |
| Balance at end of year | 2,242,408 | 13,849,210 | 27,412,758 | 13,491,670 | 6,820,454 | 855,252 | 1,140,090 | 65,811,842 |
| Accumulated Depreciation and Amortization | | | | | | | | |
| Balance at beginning of year | 41,726 | 8,709,026 | 18,354,583 | 8,557,848 | 268,622 | 239,073 | 370,790 | 36,541,668 |
| Depreciation and amortization (see Notes 25, 26 and 27) | 5,652 | 305,822 | 1,461,360 | 681,812 | – | 150,051 | 37,611 | 2,642,308 |
| Disposals/retirements | – | – | (2,609) | (40,989) | – | – | (3,923) | (47,521) |
| Translation adjustments | (46) | (2,079) | (17,989) | (19,889) | – | (7,321) | – | (47,324) |
| Balance at end of year | 47,332 | 9,012,769 | 19,795,345 | 9,178,782 | 268,622 | 381,803 | 404,478 | 39,089,131 |
| Net Book Value | ₱2,195,076 | ₱4,836,441 | ₱7,617,413 | ₱4,312,888 | ₱6,551,832 | ₱473,449 | ₱735,612 | ₱26,722,711 |

December 31, 2019 (Audited – One Year)

| | Right-of-use assets | | | | | | | Total |
|---|----------------------------|----------------------------|---|-------------------|--------------------------|---|----------------------------|--------------------|
| | 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 | |
| Cost | | | | | | | | |
| 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 |
| Accumulated Depreciation and Amortization | | | | | | | | |
| 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 | – | 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 | 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 | ₱4,319,193 | ₱7,979,400 | ₱616,983 | ₱652,463 | ₱27,473,741 |

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

Certain property and equipment of Sky Cable and PCC with a carrying value of ₱492 million as at December 31, 2009 were pledged as collateral to secure the long-term debt of Sky Cable. As part of the refinancing of the restructured long-term debt of Sky Cable in 2010, creditors of Sky Cable, executed a deed of release of property from indenture lien and cancellation of mortgage. As at September 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 ₱26,634 million and ₱25,009 million as at September 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 ₱1,778 million and ₱1,642 million as at September 30, 2020 and December 31, 2019, respectively. Borrowing costs capitalized in 2020 and 2019 amounted to ₱150 million and ₱200 million, respectively. Borrowing cost capitalization rates in 2020 and 2019 is 6.735%.

The Company determined the consequences of the Resolution passed by the House Committee on Legislative Franchises denying the franchise application of the Company and the lapse of the franchise of ABS-CBN Convergence, as impairment indicators on its nonfinancial assets. In 2019, the Company recognized impairment losses amounting to ₱1.4 billion, relating to its property and equipment.

11. Investment Properties

| September 30, 2020 (Unaudited – Nine Months) | | | |
|--|-----------------|----------------|-----------------|
| | Land | Building | Total |
| Cost: | | | |
| Balance at beginning of year | ₱171,644 | ₱43,961 | ₱215,605 |
| Translation adjustments | (1,510) | (1,890) | (3,400) |
| Balance at end of year | 170,134 | 42,071 | 212,205 |
| Accumulated depreciation: | | | |
| Balance at beginning of year | – | 16,913 | 16,913 |
| Depreciation (see Note 27) | – | 1,262 | 1,262 |
| Translation adjustments | – | (806) | (806) |
| Balance at end of year | – | 17,369 | 17,369 |
| Net book value | ₱170,134 | ₱24,702 | ₱194,836 |
| December 31, 2019 (Audited – One Year) | | | |
| | Land | Building | Total |
| Cost: | | | |
| 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 |
| Accumulated depreciation: | | | |
| 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 |
| Net book value | ₱171,644 | ₱27,048 | ₱198,692 |

The Parent Company owns a parcel of land for capital appreciation purposes costing ₱136 million as at September 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 ₱54 million and ₱57 million as at September 30, 2020 and December 31, 2019, 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 September 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 ₱115 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 ₱2 million for the nine months ended September 30, 2020 and 2019. Direct operating expenses, which consist mainly of depreciation, amounted to ₱1 million for the nine months ended September 30, 2020 and 2019, respectively.

12. Goodwill, Program Rights and Other Intangible Assets

| | Goodwill | Program Rights | Music Rights | Movie 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 | ₱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 |
| Additions | - | 153,531 | - | 692,816 | 48,401 | - | - | 12,028 | - | - | 12,271 | - | 919,047 |
| Amortization (see Notes 25, 26 and 27) | - | (944,576) | - | (618,053) | (50,870) | - | - | (49,678) | - | (4,783) | - | (1,152) | (1,669,112) |
| Translation adjustments | (10,581) | - | - | - | - | - | - | - | - | (1,179) | - | - | (11,760) |
| Balance as at September 30, 2020 | 4,731,583 | 3,629,978 | - | 1,147,654 | 118,884 | 1,111,784 | - | 525,986 | 367,974 | 41,781 | 196,104 | 37,805 | 11,909,533 |
| Less current portion | - | 969,356 | - | 217,611 | 4,702 | - | - | - | - | - | - | - | 1,191,669 |
| Noncurrent portion | ₱4,731,583 | ₱2,660,622 | ₱- | ₱930,043 | ₱114,182 | ₱1,111,784 | ₱- | ₱525,986 | ₱367,974 | ₱41,781 | ₱196,104 | ₱37,805 | ₱10,717,864 |
| 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 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 | ₱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 |

Goodwill

Goodwill arose from the following acquisitions and business combination:

| | September 30, 2020 | December 31, 2019 |
|------------------------|-------------------------------|----------------------|
| | (Unaudited) | (Audited) |
| Sky Cable | ₱4,491,766 | ₱4,491,817 |
| ABS-CBN International* | 239,766 | 250,347 |
| | ₱4,731,532 | ₱4,742,164 |

*Includes translation adjustments

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

| | Trademarks | IP Block | Total |
|----------------------------------|-------------------|-----------------|-------------------|
| Balance as at December 31, 2019 | ₱1,111,784 | ₱37,804 | ₱1,149,588 |
| Additions | - | - | - |
| Balance as at September 30, 2020 | ₱1,111,784 | ₱37,804 | ₱1,149,588 |

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 entry (see Note 37).

13. Financial Assets at Fair Value through Other Comprehensive Income

| | September 30, 2020 | December 31, 2019 |
|---|-------------------------------|----------------------|
| | (Unaudited) | (Audited) |
| Quoted equity securities | ₱25,317 | ₱187,424 |
| Non-listed ordinary common and quoted club shares | 74,522 | 75,702 |
| | ₱99,839 | ₱263,126 |

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 ₱7.8 million and ₱9.2 million as of September 30, 2020 and December 31, 2019, respectively.

Movements in this account follow:

| | September 30, 2020 | December 31, 2019 |
|------------------------------|-------------------------------|----------------------|
| | (Unaudited) | (Audited) |
| Balance at beginning of year | ₱263,126 | ₱268,304 |
| Sale of investment | (43,211) | - |
| Additional investment | - | 27,871 |
| Unrealized fair value loss | (120,076) | (33,049) |
| Balance at end of year | ₱99,839 | ₱263,126 |

14. Investments in Associates and Joint Ventures

| Entity | Principal Activities | Percentage of Ownership | |
|---|----------------------|-------------------------------|----------------------|
| | | September 30, 2020 | December 31, 2019 |
| | | (Unaudited) | (Audited) |
| Associates: | | | |
| Star Cinema Productions, Inc. (Star Cinema) | 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:

| | September 30, 2020 | December 31, 2019 |
|--|-------------------------------|----------------------|
| | (Unaudited) | (Audited) |
| Acquisition costs – | | |
| Balance at beginning and end of year | ₱1,035,049 | ₱1,064,552 |
| Sale of investment in associate | – | (29,503) |
| Balance at end of year | 1,035,049 | 1,035,049 |
| Accumulated equity in net losses – | | |
| Balance at beginning of year | (596,388) | (566,570) |
| Return of investment in joint ventures | (182,000) | – |
| Equity in net losses during the year | (4,966) | (18,721) |
| Sale of investment in associate | – | (11,097) |
| Balance at end of year | (783,354) | (596,388) |
| Accumulated impairment loss – | | |
| Balance at beginning of year | (12,797) | (2,735) |
| Impairment of investment in associate | – | (10,062) |
| Balance at end of year | (12,797) | (12,797) |
| | ₱238,898 | ₱425,864 |
| Investments in: | | |
| Joint ventures | ₱135,720 | ₱322,686 |
| Associates | 103,178 | 103,178 |
| | ₱238,898 | ₱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 September 30, 2020 and December 31, 2019.

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 September 30, 2020 Daum Kakao has returned capital of ₱364 million to the joint venturers.

Combined financial information of the joint ventures follows:

| | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|------------------------|--|-----------------------------------|
| Current assets | ₱436,657 | ₱879,875 |
| Noncurrent assets | 104,262 | 145,287 |
| Current liabilities | (256,472) | (364,860) |
| Noncurrent liabilities | (264) | (1,445) |
| Net equity | ₱284,183 | ₱658,857 |

| | Nine Months Ended September 30 (Unaudited) | |
|--------------------|--|-----------|
| | 2020 | 2019 |
| Revenue | ₱293,683 | ₱353,459 |
| Costs and expenses | (304,357) | (406,421) |
| Net income (loss) | (₱10,674) | (₱52,962) |

| | | |
|--|-----------------|-----------|
| Equity in net losses of joint ventures | (₱4,966) | (₱25,145) |
|--|-----------------|-----------|

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

| | September 30, 2020 (Unaudited – Nine Months) | | | |
|--|---|-----------------------|-----------------------|-----------------|
| | A C J O | ALA Sports | Daum Kakao | Total |
| Net assets of joint ventures | ₱1,92,172 | ₱60,603 | ₱31,408 | ₱184,184 |
| Interest of the Parent Company in the net assets of the joint ventures | 50% | 44% | 50% | |
| | 96,086 | 26,665 | 15,704 | 138,455 |
| Accumulated impairment loss | – | – | (2,735) | (2,735) |
| Carrying amount of investments in joint ventures | ₱96,086 | ₱26,665 | ₱12,969 | ₱135,720 |

| | 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 nine months ended September 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, has been reduced to zero due to accumulated equity in net losses. The net cumulative unrecognized net losses amounted to ₱17 million as at September 30, 2020 and 2019.

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

Combined financial information of associates follows:

| | September 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

| | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|--|---|-----------------------------------|
| Creditable withholding and prepaid taxes | ₱2,997,540 | ₱3,034,779 |
| Advances to suppliers | 1,093,854 | 1,171,433 |
| Preproduction expenses | 532,637 | 631,826 |
| Prepayments: | | |
| Licenses | 305,768 | 367,907 |
| Subscription | 61,453 | 83,694 |
| Rent | 76,847 | 25,330 |
| Insurance | 20,613 | 10,846 |
| Transponder services | 6,428 | 6,428 |
| Contract cost assets (see Note 9) | 43,515 | 53,914 |
| Other prepayments | 154,422 | 25,213 |
| | ₱5,293,077 | ₱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

| | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|---|---|-----------------------------------|
| Tax credits - net of allowance for impairment | ₱511,078 | ₱535,488 |
| Deposits and bonds | 482,236 | 453,974 |
| Others (see Note 23) | 527,204 | 214,164 |
| | ₱1,520,518 | ₱1,203,626 |

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 ₱379 million as at September 30, 2020 and December 31, 2019.

17. Trade and Other Payables

| | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|--|--------------------------------------|-----------------------------------|
| Trade | ₱968,188 | ₱1,548,451 |
| Accrued expenses: | | |
| Production costs and other expenses | 3,689,754 | 4,117,258 |
| Salaries and other employee benefits (seenote 30) | 3,291,575 | 2,349,867 |
| Taxes | 353,465 | 970,595 |
| Interest | 186,451 | 281,622 |
| Customer deposits | 713,027 | 659,322 |
| Deposit for future subscription (see Notes 4 and 22) | 1,362,022 | 1,351,614 |
| Dividend payable | 304,192 | 304,192 |
| Due to related parties (see Note 23) | 23,516 | 22,997 |
| Others | 342,409 | 167,006 |
| | ₱11,234,599 | ₱11,772,924 |

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 | September 30, 2020 (Unaudited – Nine Months) | | | December 31, 2019 (Audited – One Year) | | |
|------------------------|--|-----------------------|--------------------|--|-----------------------|-------------|
| | Current Portion | Noncurrent Portion | Total | Current Portion | Noncurrent Portion | Total |
| Parent Company | ₱220,379 | ₱15,775,255 | ₱15,995,634 | ₱198,520 | ₱20,031,102 | ₱20,229,622 |
| Play Innovations, Inc. | – | – | – | 240,000 | – | 240,000 |
| Sky Cable | 69,850 | 5,389,843 | 5,459,693 | 72,464 | 5,453,548 | 5,526,012 |
| ABS-CBN International | 4,289 | 23,392 | 27,681 | 2,771 | 28,194 | 30,965 |
| | ₱294,518 | ₱21,188,490 | ₱21,483,008 | ₱513,755 | ₱25,512,844 | ₱26,026,599 |

Parent Company

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

| Term loans: | September 30, 2020 (Unaudited – Nine Months) | | | December 31, 2019 (Audited – One Year) | | |
|-----------------|--|-----------------------|--------------------|--|-----------------------|-------------|
| | Current Portion | Noncurrent Portion | Total | Current Portion | Noncurrent Portion | Total |
| Loan agreements | ₱220,379 | ₱15,775,255 | ₱15,995,634 | ₱198,520 | ₱20,031,102 | ₱20,229,622 |
| | ₱220,379 | ₱15,775,255 | ₱15,995,634 | ₱198,520 | ₱20,031,102 | ₱20,229,622 |

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.
- (v) On July 30, 2020, the Parent Company prepaid a portion of its principal with BPI and Unionbank amounting to ₱1.8 billion and ₱2.2 billion, respectively.

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 September 30, 2020, the Parent Company has paid ₱4 billion of the outstanding loans.

As at September 30, 2020 and December 31, 2019, 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 ₱85 million and ₱98 million as at September 30, 2020 and December 31, 2019, respectively.

Amortization of debt issue costs amounted to ₱12 million and ₱9 million for the nine months ended September 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 P6 billion retail bonds. As a result, the Parent Company incurred P78 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 P8 million for the nine months ended September 30, 2020 and 2019, respectively (see Note 28).

Breakdown of the Parent Company’s term loans as at September 30, 2020 and December 31, 2019 follows:

| | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|------------------------------------|--|-----------------------------------|
| Principal | P16,081,085 | P20,327,500 |
| Less unamortized transaction costs | 85,451 | 97,878 |
| | 15,995,634 | 20,229,622 |
| Less current portion | 220,379 | 198,520 |
| Noncurrent portion | P15,775,255 | P20,031,102 |

Debt issue costs as at September 30, 2020 are amortized over the term of the loans using the effective interest method as follows:

| Year | Amount |
|------------------|----------------|
| 2020 | P2,686 |
| 2021 | 13,810 |
| 2022 and onwards | 68,955 |
| | P85,451 |

Amortization of debt issue costs for the nine months ended September 30, 2020 and 2019, amounted to P12 million and P17 million, respectively (see Note 28).

Repayments of loans based on nominal values are scheduled as follows:

| Year | Amount |
|------------------|--------------------|
| 2020 | P30,105 |
| 2021 | 233,921 |
| 2022 and onwards | 15,817,059 |
| | P16,081,085 |

Sky Cable

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

| | September 30, 2020 (Unaudited – Nine Months) | | | December 31, 2019 (Audited – One Year) | | |
|---------------------|--|-----------------------|-------------------|--|-----------------------|-------------------|
| | Current Portion | Noncurrent Portion | Total | Current Portion | Noncurrent Portion | Total |
| Term loans: | | | | | | |
| Unsubordinated loan | P67,622 | P4,437,434 | P4,505,056 | P63,495 | P4,492,210 | P4,555,705 |
| Loan agreement | 2,228 | 952,409 | 954,637 | 8,969 | 961,338 | 970,307 |
| | P69,850 | P5,389,843 | P5,459,693 | P72,464 | P5,453,548 | P5,526,012 |

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 September 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 ₱20 million and ₱27 million as at September 30, 2020 and December 31, 2019, respectively. Using the effective interest method, unamortized debt issue costs as at September 30, 2020 will be amortized as follows:

| Year | Amount |
|------------------|----------------|
| 2020 | ₱916 |
| 2021 | 4,023 |
| 2022 | 4,070 |
| 2023 and onwards | 10,614 |
| | <u>₱19,623</u> |

Amortization of debt issue costs amounted ₱4 million and ₱5 million for the nine months ended September 30, 2020 and 2019, respectively (see Note 28).

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

| <u>Year</u> | <u>Amount</u> |
|------------------|-------------------|
| 2020 | ₱6,961 |
| 2021 | 1,019,850 |
| 2022 and onwards | 4,452,505 |
| | <u>₱5,479,316</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:

| <u>Year</u> | <u>Amount</u> |
|------------------|----------------|
| 2020 | ₱678 |
| 2021 | 2,811 |
| 2022 | 2,976 |
| 2023 | 3,152 |
| 2024 and onwards | 18,064 |
| | <u>₱27,681</u> |

As at September 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 loan totaled ₱240 million as at December 31, 2019, bearing an annual fixed interest rate of 7%. On June 18, 2020, Play Innovations, Inc. has settled the principal amount to BPI. The loans are free from liens and mortgages. As of 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 four years. The amounts presented in the interim condensed 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 September 30, 2020 and December 31, 2019 is as follows:

| | September 30, 2020 (Unaudited – Nine Months) | | | December 31, 2019 (Audited – One Year) | | |
|----------------------------------|--|----------------------|-----------------|--|----------------------|----------------|
| | Gross Value | Unamortized Discount | Carrying Value | Gross Value | Unamortized Discount | Carrying Value |
| Within one year | ₱224,157 | ₱12,607 | ₱211,550 | ₱319,908 | ₱16,468 | ₱303,440 |
| More than one year to five years | 346,692 | 6,353 | 340,339 | 460,426 | 18,960 | 441,466 |
| | ₱570,849 | ₱18,960 | ₱551,889 | ₱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 interim condensed 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 ₱251 million and ₱238 million as at September 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 ₱13 million and ₱12 million for nine months ended September 30, 2020 and 2019, respectively (see Note 28).

21. Other Noncurrent Liabilities

| | September 30, 2020 | December 31, 2019 |
|---------------------|-------------------------------|----------------------|
| | (Unaudited) | (Audited) |
| Customers' deposits | ₱307,530 | ₱377,283 |
| Deferred credits | 14,766 | 14,574 |
| Others | 30,347 | 65,288 |
| | ₱352,643 | ₱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 September 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 6,547 and 7,986 as at September 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 September 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 September 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 September 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 (losses) of subsidiaries, associates and joint ventures amounting to (₱184) million and ₱1,899 million for the nine months ended September 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 September 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:

| | Nature | Nine Months Ended September 30 (Unaudited) | |
|---|-------------------------------------|--|---------|
| | | 2020 | 2019 |
| Associate and Joint Venture | | | |
| Expenses and charges paid for by the Parent Company which are reimbursed by A C J O | Rent and utilities | ₱15,751 | ₱28,350 |
| Entities under Common Control | | | |
| Expenses paid by the Company to Goldlink Securities and Investigative Services, Inc. (Goldlink) and other related parties | Service fees and utilities expenses | 110,258 | 87,153 |
| Expenses and charges paid for by the Parent Company which are reimbursed by the concerned related parties | Rent and utilities | 23,644 | 37,119 |

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 | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|--|---|---|--------------------------|--------------------------------------|-----------------------------------|
| Due from (see Note 7) | | | | | |
| INAEC | Affiliate | 30 days upon receipt of billings; noninterest-bearing | Unsecured, no impairment | ₱96,755 | ₱97,720 |
| ALA Sports | Joint Venture | 30 days upon receipt of billings; noninterest-bearing | Unsecured, no impairment | 79,001 | 74,217 |
| ABS-CBN Lingkod Kapamilya** | Corporate social responsibility sector of ABS-CBN | 30 days upon receipt of billings; noninterest-bearing | Unsecured, no impairment | 64,834 | 31,265 |
| A C J O | Joint Venture | 30 days upon receipt of billings; noninterest-bearing | Unsecured, no impairment | 30,879 | 48,387 |
| Star Cinema | Associate | 30 days upon receipt of billings; noninterest-bearing | Unsecured, no impairment | 8,343 | 8,298 |
| First Philippine Holdings Corporation (FPHC) | Affiliate | 30 days upon receipt of billings; noninterest-bearing | Unsecured, no impairment | 6,238 | 6,484 |
| Goldlink | Affiliate | 30 days upon receipt of billings; noninterest-bearing | Unsecured, no impairment | 5,772 | 5,672 |
| ABS-CBN Holdings Corporation | Stockholder | 30 days upon receipt of billings; noninterest-bearing | Unsecured, no impairment | 5,215 | 4,107 |

(Forward)

| | Relationship* | Terms | Conditions | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|---|---|---|--------------------------|--------------------------------------|-----------------------------------|
| Rockwell Land Corporation (Rockwell Land) | Affiliate | 30 days upon receipt of billings; noninterest-bearing | Unsecured, no impairment | 2,943 | 5,615 |
| Knowledge Channel Foundation, Inc. | Affiliate | 30 days upon receipt of billings; noninterest-bearing | Unsecured, no impairment | 2,929 | 2,929 |
| First Gas Power Corp. | Affiliate | 30 days upon receipt of billings; noninterest-bearing | Unsecured, no impairment | 1,540 | 1,540 |
| Daum Kakao | Joint Venture | 30 days upon receipt of billings; noninterest-bearing | Unsecured, no impairment | 1,315 | 1,238 |
| Lopez, Inc. | Parent | 30 days upon receipt of billings; noninterest-bearing | Unsecured, no impairment | 422 | 1,118 |
| ABS-CBN Bayan Foundation | Corporate social responsibility sector of ABS-CBN | 30 days upon receipt of billings; noninterest-bearing | Unsecured, no impairment | – | 22,291 |
| Others | Affiliates | 30 days upon receipt; noninterest-bearing | Unsecured, no impairment | 16,340 | 14,597 |
| Total | | | | ₱322,526 | ₱325,478 |

*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 | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|-----------------------------|---------------|---|------------|--------------------------------------|-----------------------------------|
| Due to (see Note 17) | | | | | |
| Beyond Cable Holdings, Inc. | Affiliate | 30 days upon receipt of billings; noninterest-bearing | Unsecured | ₱16,690 | ₱16,690 |
| Lopez Holdings | Affiliate | 30 days upon receipt of billings; noninterest-bearing | Unsecured | 6,710 | 6,186 |
| Others | Affiliates | 30 days upon receipt of billings; noninterest-bearing | Unsecured | 116 | 121 |
| Total | | | | ₱23,516 | ₱22,997 |

*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.
- Advances to employees and talents amounted to ₱1,544 million and ₱696 million as at September 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 September 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 nine months ended September 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

| | Nine Months Ended September 30 | |
|--|---------------------------------------|----------|
| | (Unaudited) | |
| | 2020 | 2019 |
| Compensation (see Notes 25, 26 and 27) | ₱1,062,401 | ₱802,864 |
| Pension benefits (see Note 30) | 46,145 | 13,215 |
| Termination benefits | 95,052 | 79,975 |
| Vacation leaves and sick leaves | 36,740 | 28,051 |
| | ₱1,240,338 | ₱924,105 |

24. Revenues

Set out below is the disaggregation of the Company's revenues:

| | Nine Months Ended September 30 | |
|---|---------------------------------------|-------------|
| | (Unaudited) | |
| | 2020 | 2019 |
| Advertising revenue | ₱5,848,340 | ₱17,112,688 |
| Subscription revenue | 9,803,235 | 10,216,424 |
| Sale of goods | 412,882 | 2,140,682 |
| Income from film exhibition | 136,282 | 1,132,350 |
| Installation service revenue | 113,303 | 110,456 |
| Sponsorship revenue | 92,324 | 334,314 |
| Royalty income | 42,595 | 214,451 |
| Service fee revenue | 20,088 | 32,241 |
| Admission revenue / ticket sales | 18,327 | 108,779 |
| Ancillary rights and other revenues | 510,612 | 585,964 |
| Total revenue from contracts with customers | 16,997,988 | 31,988,349 |
| Channel lease and other rental income | 35,802 | 38,533 |
| Total revenues | ₱17,033,790 | ₱32,026,882 |

25. Production Costs

| | Nine Months Ended September 30 (Unaudited) | |
|---|---|-------------|
| | 2020 | 2019 |
| Personnel expenses and talent fees (see Notes 23 and 30) | ₱3,682,388 | ₱4,919,467 |
| Facilities-related expenses (see Notes 23 and 31) | 1,068,405 | 1,783,365 |
| Amortization of program rights (see Note 12) | 789,937 | 807,733 |
| Depreciation and amortization (see Note 10) | 552,406 | 682,137 |
| Travel and transportation | 201,990 | 672,766 |
| Set requirements | 194,395 | 226,807 |
| Catering and food expenses | 74,987 | 161,983 |
| License and royalty | 16,907 | 350,703 |
| Other program expenses (see Note 23) | 1,124,062 | 403,187 |
| | ₱7,705,477 | ₱10,008,148 |

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:

| | Nine Months Ended September 30 (Unaudited) | |
|---|---|------------|
| | 2020 | 2019 |
| Facilities-related expenses (see Notes 23 and 31) | ₱1,807,216 | ₱2,198,952 |
| Depreciation and amortization (see Note 10) | 1,446,200 | 1,345,744 |
| Personnel expenses (see Notes 23 and 30) | 1,211,106 | 1,343,643 |
| Programming costs | 941,006 | 1,353,801 |
| Bandwidth costs | 631,229 | 547,605 |
| Amortization of program rights (see Note 12) | 154,639 | 168,011 |
| Taxes and licenses | 63,688 | 71,509 |
| Inventory costs (see Note 8) | 51,176 | 89,824 |
| Transportation and travel | 47,580 | 183,187 |
| Stationery and office supplies | 37,051 | 74,663 |
| License fees and royalties | 24,429 | 45,629 |
| Freight and delivery | 7,730 | 54,433 |
| Set requirements | 3,753 | 6,639 |
| Amortization of other intangible assets (see Note 12) | 2,852 | 12,497 |
| Catering and food expenses | 2,128 | 18,160 |
| Amortization of deferred charges (see Note 15) | 90 | 292 |
| Installation costs | 35 | 153 |
| Others (see Note 23) | 189,567 | 654,848 |
| | ₱6,621,475 | ₱8,169,590 |

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:

| | Nine Months Ended September 30 | |
|------------------------------|---------------------------------------|-------------|
| | (Unaudited) | |
| | 2020 | 2019 |
| Inventory costs (see Note 8) | ₱312,257 | ₱1,628,155 |
| Others | 1,335 | 11,783 |
| | ₱313,592 | ₱1,639,938 |

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

27. General and Administrative Expenses

| | Nine Months Ended September 30 | |
|---|---------------------------------------|-------------|
| | (Unaudited) | |
| | 2020 | 2019 |
| Personnel expenses (see Notes 22, 23 and 30) | ₱4,307,119 | ₱4,517,442 |
| Contracted services | 853,101 | 623,910 |
| Provision for ECL (see Note 7) | 690,356 | 144,958 |
| Depreciation and amortization (see Notes 10 and 11) | 644,964 | 562,190 |
| Facilities related expenses (see Notes 23 and 31) | 588,593 | 902,862 |
| Transportation and travel | 404,816 | 527,303 |
| Taxes and licenses | 389,286 | 368,882 |
| Advertising and promotion (see Note 9) | 125,965 | 533,138 |
| Research and survey | 173,677 | 252,299 |
| Entertainment, amusement and recreation | 93,408 | 76,155 |
| Donations and contributions | 83,293 | 79,726 |
| Amortization of other intangible assets (see Note 12) | 52,761 | 50,762 |
| Inventory losses (see Note 8) | 1,728 | 407 |
| Others | 592,126 | 515,792 |
| | ₱9,001,193 | ₱9,155,826 |

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

28. Other Income and Expenses

Finance Costs

| | Nine Months Ended September 30 (Unaudited) | |
|--|---|------------|
| | 2020 | 2019 |
| Interest expense (see Notes 18, 20 and 31) | ₱910,305 | ₱923,495 |
| Amortization of debt issue costs (see Note 18) | 16,155 | 78,272 |
| Loss on early redemption of bonds payable (see Note 18) | - | 21,525 |
| Bank service charges | 9,214 | 13,078 |
| | ₱935,674 | ₱1,036,370 |

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

| | Nine Months Ended September 30 (Unaudited) | |
|--------------------------------|---|----------|
| | 2020 | 2019 |
| Long-term debt (see Note 18) | ₱828,138 | ₱709,433 |
| Lease liability (see Note 31) | 68,996 | 2,461 |
| Convertible note (see Note 20) | 13,171 | 12,428 |
| Bonds payable (see Note 18) | - | 199,173 |
| | ₱910,305 | ₱923,495 |

Other Income

| | Nine Months Ended September 30 (Unaudited) | |
|---|---|----------|
| | 2020 | 2019 |
| Gain on sale of financial assets at FVOCI | ₱103,345 | ₱- |
| Leasing operations (see Note 31) | 89,658 | ₱110,979 |
| Dividend income | 7,841 | 9,183 |
| Gain (loss) on sale of property and equipment | 4,434 | (9,654) |
| Others - net (see Notes 20 and 21) | 117,181 | 212,740 |
| | ₱322,459 | ₱323,248 |

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:

| | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|--|--------------------------------------|-----------------------------------|
| Deferred tax assets - net: | | |
| Allowance for ECL | P775,947 | P684,295 |
| NOLCO | 313,216 | 226,202 |
| Accrued pension obligation and other employee benefits | 182,259 | 96,629 |
| Contract liabilities | 167,831 | 136,316 |
| License | (148,972) | (149,828) |
| Lease liabilities | 119,093 | 2,294 |
| Excess of the purchase price over the fair value of net assets acquired | (102,604) | (88,499) |
| Accrued expenses | 72,052 | 143,319 |
| Unearned revenue | 30,157 | 7,853 |
| MCIT | 29,689 | 83,362 |
| Customers' deposits | 22,771 | 9,003 |
| Allowance for inventory obsolescence | 20,079 | 18,359 |
| Net unrealized foreign exchange loss | (16,780) | (10,785) |
| Allowance for impairment loss on property and equipment | 2,265 | 1,531 |
| Others | 8,917 | (12,944) |
| | P1,475,920 | P1,147,107 |
| Deferred tax liability - | | |
| Capitalized interest, duties, and taxes | P223,634 | P230,045 |
| Excess of the fair value over the book value of net assets acquired | 138,271 | 138,271 |
| Imputed discount | 84,536 | 84,536 |
| Lease liabilities | 2,227 | 5,503 |
| | P448,668 | 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:

| | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|--|--------------------------------------|-----------------------------------|
| NOLCO | P9,548,957 | P684,033 |
| Accrued pension obligation and others | 6,347,831 | 6,382,114 |
| Allowance for ECL | 994,622 | 903,601 |
| MCIT | 250,305 | 213,867 |
| Customers' deposit | 190,669 | - |
| Allowance for impairment loss on property and equipment | 83,846 | 83,846 |
| Allowance for decline in value of inventories | 75,157 | 66,616 |
| Lease liabilities | 59,184 | - |
| (Forward) | | |

| | | |
|----------------------|----------------|-----------------|
| Contract liabilities | ₱1,727 | ₱339,808 |
| Unearned revenue | 357,257 | 377,891 |

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 have expired in December 31, 2019. NOLCO amounting to ₱16 million and ₱877 million were claimed as deduction against taxable income in September 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 ₱58 million were claimed as deduction against taxable income as at September 30, 2020 and December 31, 2019, respectively.

MCIT amounting to ₱280 million can be claimed as tax credit against future RCIT as follows:

| <u>Year Paid</u> | <u>Expiry Dates</u> | <u>Amount</u> |
|------------------|---------------------|-----------------|
| 2017 | December 31, 2020 | ₱35,864 |
| 2018 | December 31, 2021 | 180,017 |
| 2019 | December 31, 2022 | 22,133 |
| 2020 | December 31, 2023 | 41,980 |
| | | ₱289,361 |

NOLCO of certain subsidiaries amounting to ₱10,593 million can be claimed as deductions from future taxable income as follows:

| <u>Year Incurred</u> | <u>Expiry Dates</u> | <u>Amount</u> |
|----------------------|---------------------|--------------------|
| 2017 | December 31, 2020 | ₱683,545 |
| 2018 | December 31, 2021 | 568,468 |
| 2019 | December 31, 2022 | 830,768 |
| 2020 | December 31, 2023 | 8,510,229 |
| | | ₱10,593,010 |

As at September 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 ₱980 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:

| | Nine Months Ended September 30 | |
|---|---------------------------------------|------|
| | (Unaudited) | |
| | 2020 | 2019 |
| Statutory tax rate | 30% | 30% |
| Additions to (reduction in) income taxes resulting from the tax effects of: | | |
| Interest income subjected to final tax | (1) | 4 |
| Nondeductible interest expense | (4) | 11 |
| Change in unrecognized deferred tax assets and others | (27) | (32) |
| Effective tax rates | (1%) | 12% |

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

Registration with the PEZA

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

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 P3 million for the nine months ended September 30, 2020 and 2019, respectively.

30. Pension and Other Employee Benefits

Accrued pension obligation and other employee benefits consist of:

| | September 30, | December 31, |
|-------------------------|----------------------|--------------|
| | 2020 | 2019 |
| | (Unaudited) | (Audited) |
| Pension obligation | P5,429,918 | P5,085,284 |
| Other employee benefits | 2,045,853 | 2,054,986 |
| | P7,475,771 | P7,140,270 |

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

| | September 30, 2020 | December 31, 2019 |
|-----------------------|-------------------------------|----------------------|
| | (Unaudited) | (Audited) |
| Current (see Note 17) | ₱1,131,686 | ₱1,135,838 |
| Noncurrent | 6,344,085 | 6,004,432 |
| | ₱7,475,771 | ₱7,140,270 |

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 interim condensed consolidated statements of income and accrued pension obligation recognized in the interim condensed consolidated statements of financial position:

Net Pension Expense

| | Nine Months Ended September 30 | |
|----------------------|---------------------------------------|----------|
| | (Unaudited) | |
| | 2020 | 2019 |
| Current service cost | ₱351,268 | ₱355,195 |
| Net interest cost | 189,751 | 183,373 |
| Net pension expense | ₱541,019 | ₱538,568 |

Accrued Pension Obligation

| | September 30, 2020 | December 31, 2019 |
|-----------------------------|-------------------------------|----------------------|
| | (Unaudited) | (Audited) |
| Present value of obligation | ₱6,876,251 | ₱6,989,191 |
| Fair value of plan assets | (1,446,333) | (1,903,907) |
| Accrued pension obligation | ₱5,429,918 | ₱5,085,284 |

Income tax effect of re-measurement gains and losses on defined benefit plan presented in OCI amounted to (₱203 million) as at December 31, 2019.

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:

| | September 30, 2020 | December 31, 2019 |
|---|-------------------------------|----------------------|
| | (Unaudited) | (Audited) |
| Investment in fixed/floating rate treasury note | ₱1,003,490 | ₱141,154 |
| Investment in government securities and bonds | 22,188 | 591,275 |
| Investment in stocks | 415,901 | 1,163,910 |
| Others | 4,754 | 7,568 |
| | ₱1,446,333 | ₱1,903,907 |

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

| | December 31, 2019 |
|------------------------------|--------------------------|
| Discount rate | 4.70%-5.39% |
| Future salary rate increases | 4.0%-6.0% |

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 32% and 68% and 66% and 34% as at September 30, 2020 and December 31, 2019, 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 September 30, 2020 and December 31, 2019 are as follows:

| | September 30, 2020 | December 31, 2019 |
|---|-------------------------------|----------------------|
| | (Unaudited) | (Audited) |
| Fixed Income: | | |
| Short-term | ₱877,286 | ₱21,567 |
| Medium and long-term: | | |
| Government securities | – | 416,139 |
| Corporate bonds | – | 153,201 |
| Preferred shares | – | 2,693 |
| Equities: | | |
| Investment in shares of stock and other securities of related parties | 409,170 | 825,169 |
| Common shares and unit investment trust fund (UITF) | – | 333,718 |
| | ₱1,286,456 | ₱1,752,487 |

Short-term Fixed Income. Short-term fixed income investment includes short term UITF including Money Market Funds and Short-term funds as at September 30, 2020 and 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 8.0% in December 31, 2019. These securities are fully guaranteed by the government of the Republic of the Philippines.

Investment in unsecured corporate bonds amounted to ₱153 million as at December 31, 2019, respectively, with terms ranging from 7 years to 15 years. Yield to maturity rate ranges from 4% to 8% in 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.

| September 30, 2020 (Unaudited – Nine Months) | | | | |
|---|---------------------|-------------------|-----------------|---------------------|
| | Number of Shares | Cost | Fair Value | Unrealized Loss |
| ABS-CBN Holdings PDRs | 34,903,218 | P1,515,862 | P231,757 | (P1,284,105) |
| ABS-CBN Common | 501,320 | 24,052 | 3,509 | (20,543) |
| Lopez Holdings | 65,996,580 | 227,173 | 150,472 | (76,701) |
| Rockwell Land | 17,103,433 | 34,476 | 23,432 | (11,044) |
| | 118,504,551 | P1,801,563 | P409,170 | (P1,392,393) |

| December 31, 2019 (Audited – One Year) | | | | |
|---|---------------------|-------------------|-----------------|---------------------------|
| | Number of Shares | Cost | Fair Value | Unrealized Gain (Loss) |
| ABS-CBN Holdings PDRs | 34,903,218 | P1,515,864 | P537,510 | (P978,354) |
| 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 | P1,801,565 | P825,169 | (P976,396) |

As at September 30, 2020 and December 31, 2019, the value of each ABS-CBN PDRs held by the retirement fund is at P14.36 and P15.40, respectively.

Total loss from investments in shares of stock and other securities of related parties amounted to P1,392 million and P976 million in 2020 and 2019, respectively.

Investments in Common Shares and UITF. Common shares pertain to 16,093,379 shares listed in the PSE in 2019, respectively, with fair value of P278 million as at December 31, 2019. Total loss from these investments amounted to P21 million in 2019.

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 September 30, 2020 and December 31, 2019 are as follows:

| | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|--|--|-----------------------------------|
| Short-term fixed income | P4,754 | P4,876 |
| Investment in medium and long-term fixed income: | | |
| Government securities | 126,204 | 119,586 |
| Corporate bonds and debt securities | 22,188 | 21,935 |
| Unit investment trust fund | 3,616 | 1,904 |
| Investment in shares of stock of First Gen Corporation (First Gen) | 1,046 | 1,119 |
| Preferred shares | 2,069 | 2,000 |
| | P159,877 | P151,420 |

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 September 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 September 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 September 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 September 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 September 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

| | Nine Months Ended September 30 | |
|----------------------|---------------------------------------|-------------|
| | (Unaudited) | |
| | 2020 | 2019 |
| Current service cost | ₱107,745 | ₱102,977 |
| Interest cost | 88,122 | 66,394 |
| Net benefit expense | ₱195,867 | ₱169,371 |

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

| | September 30, 2020 | December 31, 2019 |
|--|-------------------------------|----------------------|
| | (Unaudited) | (Audited) |
| Defined benefit obligation at beginning of year | ₱2,054,986 | ₱1,674,467 |
| Current service cost | 107,745 | 157,455 |
| Interest cost | 88,122 | 119,870 |
| Actuarial loss | - | 208,631 |
| Benefits paid | (205,000) | (105,437) |
| Defined benefit obligation at end of year | ₱2,045,853 | ₱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:

| | 2019 |
|--------------------------|--|
| | Increase (Decrease) in Defined Benefit Obligation |
| Discount rate: | |
| Increase by 1% | (₱345,879) |
| Decrease by 1% | 645,574 |
| Future salary increases: | |
| Increase by 1% | ₱385,247 |
| Decrease by 1% | (599,003) |

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

| Year | December 31, 2019 |
|--|----------------------|
| One year | 2,151,653 |
| More than one year but less than five years | 1,920,348 |
| More than five years but less than ten years | 3,109,374 |
| Beyond ten years | 14,253,386 |

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 ₱304 million and ₱470 million for the nine months ended September 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 September 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:

| | September 30, 2020 | December 31, 2019 |
|---|-------------------------------|----------------------|
| | (Unaudited) | (Audited) |
| Within one year | ₱19,312 | ₱38,624 |
| After one year but not more than five years | 2,792 | 2,623 |
| | ₱22,104 | ₱41,247 |

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:

| | September 30, 2020 | December 31, 2019 |
|-------------------------------|-------------------------------|----------------------|
| | (Unaudited) | (Audited) |
| Cost – | | |
| Balance at beginning of year | ₱1,879,309 | ₱1,557,865 |
| Additions | 254,163 | 397,254 |
| Disposals | (137,326) | (75,810) |
| Translation adjustments | (804) | – |
| Balance at end of year | 1,995,342 | 1,879,309 |
| Accumulated Depreciation – | | |
| Balance at beginning of year | 609,863 | 178,635 |
| Depreciation | 187,662 | 363,725 |
| Disposal | (3,923) | (11,573) |
| Impairment loss | – | 81,660 |
| Translation adjustments | (7,321) | (2,584) |
| Balance at end of year | 786,281 | 609,863 |
| Net Book Value | ₱1,209,061 | ₱1,269,446 |

The rollforward analysis of lease liability follows:

| | September 30, 2020 | December 31, 2019 |
|-------------------------------|-------------------------------|----------------------|
| | (Unaudited) | (Audited) |
| Balance at beginning of year | ₱1,083,366 | ₱1,031,287 |
| Additions | 254,163 | 416,209 |
| Interest expense | 68,996 | 70,531 |
| Interest paid | (68,996) | (71,195) |
| Payments | (165,669) | (364,129) |
| Translation adjustment | (29,986) | 663 |
| Balance at end of year | 1,141,874 | 1,083,366 |
| Less current portion | 337,750 | 302,647 |
| Noncurrent portion | ₱804,124 | ₱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. No changes were made in capital management objectives, policies or processes as at September 30, 2020 and December 31, 2019.

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 September 30, 2020 and December 31, 2019. There are no material unrecognized financial assets and liabilities as at September 30, 2020.

| September 30, 2020 (Unaudited – nine Months) | | | | | |
|--|--------------------|--------------------|-----------------|-----------------|--------------------|
| | Carrying Amount | Fair Value | Level 1 | Level 2 | Level 3 |
| Financial Assets | | | | | |
| Financial assets at amortized cost: | | | | | |
| Deposits (included under “Other noncurrent assets” account in the consolidated statements of financial position) | P353,806 | P344,445 | P– | P– | P344,445 |
| Financial assets at FVOCI | 99,839 | 99,839 | 25,317 | – | 74,522 |
| | P453,645 | P444,284 | P25,317 | P– | P418,967 |
| Financial Liabilities | | | | | |
| Other financial liabilities at amortized cost: | | | | | |
| Interest-bearing loans and borrowings | P21,483,008 | P24,568,481 | P– | P– | P24,568,481 |
| Obligations for program rights | 551,889 | 570,849 | – | 570,849 | – |
| Convertible note | 251,477 | 271,537 | – | – | 271,537 |
| Customers’ deposits (included as part of “Other noncurrent liabilities”) | 307,530 | 276,685 | – | – | 276,685 |
| | P22,593,904 | P25,687,552 | P– | P570,849 | P25,116,703 |
| December 31, 2019 (Audited – Twelve Months) | | | | | |
| | Carrying Amount | Fair Value | Level 1 | Level 2 | Level 3 |
| Financial Assets | | | | | |
| Financial assets at amortized cost: | | | | | |
| Deposits (included under “Other noncurrent assets” account in the consolidated statements of financial position) | P324,959 | P315,598 | P– | P– | P315,598 |
| Financial assets at FVOCI | 263,126 | 263,126 | 187,424 | – | 75,702 |
| | P588,085 | P578,724 | P187,424 | P– | P391,300 |
| Financial Liabilities | | | | | |
| Other financial liabilities at amortized cost: | | | | | |
| Interest-bearing loans and borrowings | P26,026,599 | P28,214,833 | P– | P– | P28,214,833 |
| 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 |
| | P27,387,093 | P29,599,970 | P– | P780,334 | P28,819,636 |

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:

| | <u>Fair Value Assumptions</u> |
|-------------------|--|
| <u>Term loans</u> | 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 3.1% to 4.4% 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 3.11% to 5.23% in 2020 and 2019.

There were no transfers between levels in the fair value hierarchy as at September 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 September 30, 2020 and December 31, 2019.

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:

| | Nine Months Ended September 30 (Unaudited) | |
|---|---|-------------|
| | 2020 | 2019 |
| Net income (loss) attributable to equity holders of the Parent Company | (P7,249,402) | P2,365,182 |
| Dividends on preferred shares | (4,000) | (4,000) |
| (a) Net income (loss) attributable to common equity holders of the Parent Company | (P7,253,402) | P2,361,182 |
| (b) Weighted average number of shares outstanding: | | |
| At beginning and end of year | 822,972,436 | 822,972,436 |
| Basic/diluted EPS (a/b) | (P8.814) | P2.869 |

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

| | Nine Months Ended September 30 (Unaudited) | |
|---|---|---------|
| | 2020 | 2019 |
| Noncash investing activities: | | |
| Acquisitions of program rights on account | P161,038 | P47,932 |

Changes in liabilities arising from financing activities:

| | January 1, 2020 | Cash flows | Noncash changes | September 30, 2020 |
|--|--------------------|---------------------|--------------------|-----------------------|
| Term loans | P26,026,599 | (P4,494,695) | (P48,896) | P21,483,008 |
| Lease liabilities | 1,083,366 | (165,669) | 224,177 | 1,141,874 |
| Interest payable (Note 17) | 281,622 | (992,305) | 897,134 | 186,451 |
| Dividends payable (Note 17) | 304,192 | - | - | 304,192 |
| Deposits for future subscription (Note 17) | 1,351,614 | - | 10,408 | 1,362,022 |
| Total liabilities from financing activities | P29,047,393 | (P5,652,669) | P1,082,823 | P24,477,547 |

| | 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 | 11,030,649 | (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 | P41,110,292 | (P4,471,313) | P2,408,414 | P29,047,393 |

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

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 September 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 September 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.

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 September 30, 2020 (Unaudited)

| | Neither Past Due nor Impaired | Past Due but not Impaired | | | | |
|--------------------------|-------------------------------------|---------------------------|---------------------|-------------------|---------------------|-------------------|
| | | Less than 30 | 30 Days and Over | Impaired | Allowance | Total |
| Trade receivables: | | | | | | |
| Airtime | P559,516 | P177,847 | P1,481,937 | P353,069 | (P353,069) | P2,219,300 |
| Subscriptions | 342,184 | 83,958 | 1,109,602 | 1,206,664 | (2,206,664) | 1,535,744 |
| Others | 101,378 | 100,180 | 362,563 | 362,477 | (362,477) | 564,121 |
| Nontrade receivables | 168,687 | 113,334 | 1,824,017 | 296,536 | (296,536) | 2,106,092 |
| Due from related parties | - | - | 322,536 | - | | 322,526 |
| | P1,171,765 | P475,319 | P5,100,699 | P3,218,746 | (P3,218,746) | P6,747,783 |

As of December 31, 2019 (Audited)

| | Neither Past Due nor Impaired | Past Due but not Impaired | | | | |
|--------------------------|-------------------------------------|---------------------------|---------------------|-------------------|---------------------|--------------------|
| | | Less than 30 | 30 Days and Over | Impaired | Allowance | Total |
| Trade receivables: | | | | | | |
| Airtime | P4,773,224 | P661,346 | P547,083 | P119,941 | (P342,847) | P5,758,747 |
| Subscriptions | 793,320 | 253,666 | 341,519 | 1,441,192 | (1,516,872) | 1,312,825 |
| Others | 402,521 | 619,039 | 546,563 | 542,446 | (361,842) | 1,748,727 |
| Nontrade receivables | 720,174 | 196,444 | 524,086 | 315,488 | (296,536) | 1,459,656 |
| Due from related parties | - | - | 325,478 | - | | 325,478 |
| | P6,689,239 | P1,730,495 | P2,284,729 | P2,419,067 | (P2,518,097) | P10,605,433 |

SIGNATURES

For the SEC 17-Q Third 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: 5D143E63107F447...

ALDRIN M. CERRADO

Chief Financial Officer

Date: _____