

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, 2022
2. SEC Identification Number
1803
3. BIR Tax Identification No.
00406761000
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	902,699,848

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, 2022
Currency (indicate units, if applicable)	Php, in Thousand

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2022	Dec 31, 2021
Current Assets	12,554,957	13,103,097
Total Assets	51,483,980	52,563,788
Current Liabilities	13,691,842	14,009,513
Total Liabilities	40,329,913	40,469,721
Retained Earnings/(Deficit)	6,916,220	8,691,759
Stockholders' Equity	11,154,067	12,094,067
Stockholders' Equity - Parent	12,305,387	13,155,651
Book Value per Share	12.36	14.1

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	4,831,816	4,586,930	14,313,309	12,745,042
Gross Expense	6,178,850	5,650,107	17,617,685	17,151,834
Non-Operating Income	1,335,126	1,212,115	2,473,212	1,820,204
Non-Operating Expense	282,409	244,794	883,677	724,104
Income/(Loss) Before Tax	-294,317	-95,856	-1,714,841	-3,310,692
Income Tax Expense	112,971	290,943	156,534	467,546
Net Income/(Loss) After Tax	-407,288	-386,799	-1,871,375	-3,778,238
Net Income Attributable to Parent Equity Holder	-358,857	-303,094	-1,781,639	-3,670,610
Earnings/(Loss) Per Share (Basic)	-0.44	-0.37	-2.17	-4.46
Earnings/(Loss) Per Share (Diluted)	-0.44	-0.37	-2.17	-4.46

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	-4.38	-12.59
Earnings/(Loss) Per Share (Diluted)	-4.38	-12.59

Other Relevant Information

Amended to correct the non-operating income and non-operating expense for Current Year-to-Date.

Filed on behalf by:

Name	Raymund Martin Miranda
Designation	Chief Strategy Officer & Chief Risk Management Officer



ABS-CBN CORPORATION QUARTERLY REPORT

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

The following is a discussion of ABS-CBN Corporation and Subsidiaries' ("ABS-CBN" or the "Company") financial performance for the nine-month period ended September 30, 2022 and 2021.

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

The table below summarizes the results of operations for the nine-month period ended September 30, 2022.

	9M 2022	9M 2021	Variance	
			Amount	%
Consolidated Revenues	₱14,313	₱12,745	₱1,568	12.3
Advertising Revenues	4,863	3,771	1,092	29.0
Consumer Sales	9,450	8,974	476	5.3
Costs and Expenses	17,618	17,152	466	2.7
Production Costs	5,519	5,375	144	2.7
Cost of Sales and Services	5,910	6,056	(146)	(2.4)
General and Administrative Expenses (GAEX)	6,188	5,721	467	8.2
Financial Costs – net	869	597	272	45.5
Equity in Net Loss of Associates and Joint Ventures	(1)	9	(10)	(105.4)
Other Income – net	(2,458)	(1,703)	(755)	44.4
Net Income (Loss)	(₱1,871)	(₱3,778)	₱1,907	(50.5)
EBITDA	₱2,031	₱704	₱1,326	188.3

Consolidated Revenues

For the nine-month period ended September 30, 2022, ABS-CBN generated consolidated revenues of ₱14.3 billion from advertising and consumer sales, ₱1.6 billion or 12.3% higher year-on-year.

Advertising revenues increased by ₱1.1 billion or 29% higher, attributable to both election-related placements as well as growth in regular advertising. Consumer sales increased by ₱476 million driven by the licensing and syndication of the Company's content library.

Comparative revenue mix is as follows:

	9M 2022	9M 2021
Advertising revenues	34%	30%
Consumer sales	66%	70%

Consolidated Costs and Expenses

Direct costs and expenses amounted to ₱17.6 billion, ₱466 million or 2.7% higher year-on-year.

Production costs increased by ₱144 million or 2.7% higher year-on-year due to additional programs for IWANTTFC.

Cost of sales and services decreased by ₱146 million. The decrease is mainly attributable to a reduction in programming costs and decline in facilities related expenses of the cable and broadband business.

GAEX increased by ₱467 million or 8.2% compared to the previous year. The increase is mainly attributable to the Employee Stock Plan that the Company gave to employees to compensate for the voluntary pay cuts they took to help the Company in the previous period.



Net Loss and EBITDA

The Company registered a ₱1.87 billion net loss for the nine-month period ended September 30, 2022, reduction in net loss by ₱1.91 billion or 50.5% compared to last year.

EBITDA improved to ₱2.03 billion, a 188.3% improvement year-on-year.

Business Segments

The Company categorizes its operations into the following reportable businesses: (i) Content Production and Distribution and (ii) Sky Cable. This is the basis upon which the Company measures its business operations.

	<p><u>Content Production and Distribution</u></p> <ul style="list-style-type: none"> - Entertainment - News - International - Film & Music - Cable Networks - Digital - Live Events - Themeparks (<i>Ceased in 2020</i>) - Home Shopping (<i>Ceased in 2020</i>) - Licensing & merchandising (<i>Ceased in 2020</i>)
	<p><u>Sky Cable</u></p> <ul style="list-style-type: none"> - Cable TV - Broadband

The following analysis presents results of operations of the Company’s business segments for the nine-month period ended September 30, 2022:

Segment	Operating Revenue		Net Income	
	9M 2022	9M 2021	9M 2022	9M 2021
Content Production and Distribution	₱8,218	₱6,398	(₱1,686)	(₱3,550)
Cable & Broadband	6,095	6,348	(186)	(228)

A. Content Production and Distribution

Despite the non-renewal of the Company’s franchise, ABS-CBN remains committed to serving the Filipino. The Company continues to look for ways to serve as many Filipino families as possible. On June 13, 2020, the Company launched its Kapamilya Channel on cable TV, and subsequently, its digital streaming channel “Kapamilya Online Live” on August 1, 2020. On October 6, 2020, ABS-CBN secured a content supply agreement with Zoe Broadcasting that allowed ABS-CBN’s programs to be shown on Channel A2Z. On January 24, 2021, some ABS-CBN shows also began airing on select time slots on TV5. Other partnerships include PIE Channel with Kroma Entertainment and BEAM. Beginning 2020, the company also began ramping up content sales and licensing of its

movies, shows and music to both domestic and international clients – a roster that includes TV5, GMA Network, Netflix, Viu, iQiyi, WeTV. These partnerships have since grown to include production and co-production arrangements. ABS-CBN also focused on growing its digital initiatives led by its own OTT platform, iWantTFC. These initiatives helped the Company generate ₱4.9 billion in advertising revenues in the nine-month period of 2022 as well as diversify its revenue streams.

The Company widened its international reach by merging its domestic and international OTT platforms into “iWantTFC”. It continues to utilize various 3rd party platforms like Youtube, Facebook, Tiktok and Instagram to maximize its reach as well as generate advertising. As economies begin to open up, the company has also restarted staging events in various countries across the world. The Company also distributed over 381 titles to various territories in Asia, Africa, Middle East and Europe as well as various Over-the-Top platforms generating over ₱863 million.

B. Cable & Broadband

With Sky Cable being unable to provide direct-to-home (DTH) service following the lapse of its franchise, the Company continued to focus in growing its broadband subscriber base. Following this direction, Sky Cable’s revenues amounted to ₱6.1 billion, despite the absence of DTH services.

Capital Expenditures

Capital expenditures and program rights acquisitions amounted to ₱1.4 billion as of September 30, 2022.

Statement of Financial Position Accounts

As of September 30, 2022, total consolidated assets stood at ₱51.4 billion, 2% lower than total assets of ₱52.56 billion as of December 31, 2021.

Shareholders’ equity was at ₱11.2 billion, ₱940M or 7.77% lower vs December 31, 2021.

The company’s net debt-to-equity ratio was at 1.49x and 1.46x as of September 30, 2022 and December 31, 2021, respectively.

EXHIBIT 1 – Aging of Accounts Receivable

As of September 30, 2022 (Unaudited)

	Neither Past Due nor Impaired	Past Due but not Impaired		Impaired	Allowance	Total
		Less than 30	30 Days and Over			
Trade receivables:						
Airtime	₱1,711,806	₱106,666	₱798,004	₱342,088	(₱342,088)	₱2,609,743
Subscriptions	293,608	16,638	158,881	1,166,805	(1,666,805)	469,127
Others	85,811	34,811	296,040	324,676	(324,676)	416,662
Nontrade receivables	326,440	253,921	1,505,029	563,914	(563,914)	2,085,390
Due from related parties			240,740	2,052	(2,052)	240,740
	<u>₱2,417,665</u>	<u>₱412,036</u>	<u>₱2,991,961</u>	<u>₱2,899,535</u>	<u>(₱2,899,535)</u>	<u>₱5,821,662</u>

As of December 31, 2021 (Audited)

	Neither Past Due nor Impaired	Past Due but not Impaired		Impaired	Allowance	Total
		Less than 30	30 Days and Over			
Trade receivables:						
Airtime	₱1,233,989	₱276,752	₱949,139	₱342,088	(₱342,088)	₱2,459,880
Subscriptions	261,150	31,526	380,444	1,427,951	(1,427,951)	673,120
Others	27,099	26,531	764,089	295,828	(295,828)	817,719
Nontrade receivables	385,583	16,992	554,163	493,922	(493,922)	956,738
Due from related parties	–	–	244,268	2,052	(2,052)	244,268
	<u>₱1,907,821</u>	<u>₱351,801</u>	<u>₱2,892,103</u>	<u>₱2,561,841</u>	<u>(₱2,561,841)</u>	<u>₱5,151,725</u>

ABS–CBN Corporation and Subsidiaries

Unaudited Interim Condensed Consolidated Financial
Statements September 30, 2022
and for the Nine Months Ended September 30, 2022
and 2021
(With Comparative Audited Consolidated Statements of
Financial Position as at December 31, 2021)

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

(Unaudited)

(Amounts in Thousands)

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	₱1,877,683	₱2,539,978
Short-term investments (Note 6)	11,055	10,818
Trade and other receivables (Notes 7 and 23)	5,821,662	5,151,725
Inventories (Note 8)	348,585	385,955
Program rights and other intangible assets (Note 12)	587,408	701,796
Other current assets (Notes 9, 15 and 23)	3,908,564	4,139,335
	12,554,957	12,929,607
Noncurrent assets held for sale (Note 31)	–	173,490
Total Current Assets	12,554,957	13,103,097
Noncurrent Assets		
Property and equipment (Notes 10, 18 and 31)	25,547,780	26,285,854
Goodwill, program rights and other intangible assets - net of current portion (Note 12)	9,260,371	9,482,557
Financial assets at fair value through other comprehensive income (FVOCI) (Note 13)	34,095	41,658
Investment properties (Notes 11 and 18)	1,362	1,294
Investments in associates and joint ventures (Note 14)	122,286	121,775
Deferred tax assets (Note 29)	1,521,862	1,097,950
Other noncurrent assets (Notes 7, 16 and 23)	2,441,267	2,429,603
Total Noncurrent Assets	38,929,023	39,460,691
TOTAL ASSETS	₱51,483,980	₱52,563,788
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 4, 17, 23 and 30)	₱12,092,032	₱10,607,177
Contract liabilities (Note 9)	593,524	765,942
Income tax payable	259,771	334,018
Obligations for program rights (Note 19)	417	124,767
Current lease liabilities (Note 32)	200,674	172,727
Interest-bearing loans and borrowings (Notes 10, 11 and 18)	545,424	2,004,882
Total Current Liabilities	13,691,842	14,009,513
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Notes 10, 11 and 18)	17,901,165	18,250,975
Obligations for program rights - net of current portion (Note 19)	161,485	159,084
Accrued pension obligation and other employee benefits (Note 30)	7,301,601	6,850,961
Deferred tax liabilities (Note 29)	244,420	249,762
Noncurrent lease liabilities (Note 32)	455,757	460,672
Convertible note (Note 20)	183,629	172,693
Other noncurrent liabilities (Note 21)	390,014	316,061
Total Noncurrent Liabilities	26,638,071	26,460,208
Total Liabilities	40,329,913	40,469,721

	September 30, 2022 (Unaudited)	December 31, 2021 (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	4,150,848	4,745,399
Treasury shares and Philippine depository receipts convertible to common shares (Note 22)	(544,168)	(1,638,719)
Exchange differences on translation of foreign operations	342,757	207,219
Fair value reserves on financial assets at FVOCI (Note 13)	71,205	77,869
Share-based payment plan (Note 22)	296,401	-
Retained earnings (Note 22)	6,916,220	8,691,759
Equity attributable to equity holders of the Parent Company	12,305,387	13,155,651
Noncontrolling Interests (Note 4)	(1,151,320)	(1,061,584)
Total Equity	11,154,067	12,094,067
TOTAL LIABILITIES AND EQUITY	₱51,483,980	₱52,563,788

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)	
	2022	2021	2022	2021
REVENUES (Notes 23, 24 and 31)	₱4,831,816	₱4,586,930	₱14,313,309	₱12,745,042
PRODUCTION COSTS (Notes 10, 12, 23, 25, 30 and 31)	(1,882,284)	(1,643,037)	(5,519,439)	(5,375,202)
COST OF SERVICES (Notes 8, 10, 12, 15, 23, 26, 30 and 31)	(2,160,992)	(2,054,682)	(5,849,864)	(6,038,179)
COST OF SALES (Notes 8, 10, 23, 26, 30 and 31)	(21,694)	(5,129)	(60,535)	(17,867)
GROSS PROFIT	766,846	884,082	2,883,471	1,313,794
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 7, 8, 10, 11, 12, 22, 23, 27, 30 and 31)	(2,113,880)	(1,947,259)	(6,187,847)	(5,720,586)
FINANCE COSTS (Notes 18, 20 and 28)	(282,409)	(243,484)	(845,061)	(714,637)
INTEREST INCOME (Note 6)	6,867	3,096	14,567	8,944
FOREIGN EXCHANGE GAINS (LOSSES) - net	5,652	36,661	(38,616)	108,522
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES (Note 14)	270	(1,310)	511	(9,467)
OTHER INCOME - net (Notes 15, 21, 28 and 31)	1,322,337	1,172,358	2,458,134	1,702,738
LOSS BEFORE INCOME TAX	(294,317)	(95,856)	(1,714,841)	(3,310,692)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 29)				
Current	11,452	45,291	179,800	165,246
Deferred	101,519	245,652	(23,266)	302,300
	112,971	290,943	156,534	467,546
NET LOSS	(₱407,288)	(₱386,799)	(₱1,871,375)	(₱3,778,238)
Attributable to				
Equity holders of the Parent Company (Note 34)	(₱358,857)	(₱303,094)	(₱1,781,639)	(₱3,670,610)
Noncontrolling interests	(48,431)	(83,705)	(89,736)	(107,628)
	(407,288)	(386,799)	(1,871,375)	(3,778,238)
Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent Company (Note 34)	(₱0.441)	(₱0.373)	(₱2.170)	(₱4.465)

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)	
	2022	2021	2022	2021
NET LOSS	(₱407,288)	(₱386,799)	(₱1,871,375)	(₱3,778,238)
OTHER COMPREHENSIVE INCOME (LOSS)				
Other comprehensive income (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)	(5,101)	–	(6,664)	–
	(5,101)	–	(6,664)	–
Other comprehensive income (loss) to be reclassified to profit and loss in subsequent periods:				
Exchange differences on translation of foreign operations	(383,487)	17,011	(359,162)	(101,614)
	(383,487)	17,011	(359,162)	(101,614)
OTHER COMPREHENSIVE INCOME (LOSS)	(388,588)	17,011	(365,826)	(101,614)
TOTAL COMPREHENSIVE LOSS	(₱795,876)	(₱369,788)	(₱2,237,201)	(₱3,879,852)
Attributable to:				
Equity holders of the Parent Company	(₱747,445)	(₱286,083)	(₱2,147,465)	(₱3,772,224)
Noncontrolling interests	(48,431)	(83,705)	(89,736)	(107,628)
	(₱795,876)	(₱369,788)	(₱2,237,201)	(₱3,879,852)

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, 2022 AND DECEMBER 31, 2021**

(Unaudited)

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company											
	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)	Share-based Payment plan (Note 22)	Retained Earnings (Note 22)		Total	Noncontrolling Interests (Notes 17 and 20)	Total Equity
	Common	Preferred						Appropriated	Unappropriated			
At December 31, 2021 Audited	₱872,124	₱200,000	₱4,745,399	(1,638,719)	₱207,219	₱77,869	₱-	₱-	₱8,691,759	₱13,155,651	(1,061,584)	₱12,094,067
Net loss	-	-	-	-	-	-	-	-	(1,781,639)	(1,781,639)	(89,736)	(1,871,375)
Other comprehensive income (loss)	-	-	-	-	135,538	(6,664)	-	-	-	128,874	-	128,874
Total comprehensive income (loss)	-	-	-	-	135,538	(6,664)	-	-	(1,781,639)	(1,652,765)	(89,736)	(1,742,501)
Sale of treasury shares	-	-	(594,551)	1,094,551	-	-	-	-	-	500,000	-	500,000
Share-based payment	-	-	-	-	-	-	296,401	-	-	296,401	-	296,401
Sales of FVOCI	-	-	-	-	-	-	-	-	6,100	6,100	-	6,100
At September 30, 2022 (Unaudited)	₱872,124	₱200,000	₱4,150,848	(₱544,168)	₱342,757	₱71,205	₱296,401	₱-	₱6,916,220	₱12,305,387	(₱1,151,320)	₱11,154,067
At December 31, 2020 (Audited)	₱872,124	₱200,000	₱4,745,399	(₱1,638,719)	₱244,980	₱71,712	₱-	₱16,200,000	(₱2,405,357)	₱18,290,139	(₱1,091,288)	₱17,198,851
Net income (loss)	-	-	-	-	-	-	-	-	(3,670,610)	(3,670,610)	(107,628)	(3,778,238)
Other comprehensive income	-	-	-	-	(101,614)	-	-	-	-	(101,614)	-	(101,614)
Total comprehensive income (loss)	-	-	-	-	(101,614)	-	-	-	(3,670,610)	(3,772,224)	(107,628)	(3,879,852)
At September 30, 2021 (Unaudited)	₱872,124	₱200,000	₱4,745,399	(₱1,638,719)	₱143,366	₱71,712	-	₱16,200,000	(6,075,967)	₱14,517,915	(1,198,916)	₱13,318,999

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)	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(₱1,714,841)	(₱3,310,692)
Adjustments to reconcile income before tax to net cash flows:		
Depreciation and amortization (Notes 10 and 11)	2,287,034	2,407,782
Amortization of:		
Program rights and other intangibles (Note 12)	621,411	1,010,202
Debt issue costs (Note 28)	7,224	(2,434)
Deferred charges (Note 26)	–	19
Gain on sale of noncurrent assets held for sale (Note 28)	(1,994,201)	–
Interest expense (Note 28)	830,583	710,080
Movements in accrued pension obligation and other employee benefits (Note 30)	450,640	576,699
Gain on sale of property and equipment (Notes 10 and 28)	(222,208)	(1,527,773)
Net unrealized foreign exchange loss	516,522	83,491
Impairment loss	12,621	–
Interest income (Notes 6 and 23)	(14,567)	(8,944)
Equity in net losses (gains) of associates and joint ventures (Note 14)	(511)	9,467
Dividend income	–	(7,245)
Working capital changes:		
Decrease (increase) in:		
Trade and other receivables	(671,308)	(1,445,051)
Other current assets	537,170	(300,104)
Inventories	37,405	38,434
Increase (decrease) in:		
Trade and other payables	1,078,886	1,658,947
Contract liabilities	(172,418)	56,181
Obligations for program rights	(126,264)	29,326
Other noncurrent liabilities	68,611	202,708
Cash generated from operations	1,531,789	181,093
Income taxes paid	(254,047)	(93,597)
Net cash provided by operating activities	1,277,742	87,496
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property and equipment (Notes 5 and 10)	(1,438,907)	(2,529,566)
Goodwill, program rights and other intangible assets (Notes 12 and 35)	(247,158)	(333,837)
Sale of FVOCI (Note 13)	900	1,252,996
Proceeds from sale of noncurrent assets held for sale	2,167,691	–
Proceeds from sale of property and equipment	340,966	679,357
Decrease in other noncurrent assets	(188,288)	(190,924)
Interest received	16,591	11,241
Decrease in short-term investments	(237)	862
Net cash provided by (used in) investing activities	651,558	(1,109,871)

(Forward)

Nine Months Ended September 30

(Unaudited)

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Long-term debt (Note 18)	(₱1,843,808)	(₱1,331,046)
Interest	(723,358)	(781,329)
Lease liabilities (Note 32)	(109,513)	(117,679)
Sale of treasury shares	500,000	–
Decrease in restricted cash	(464,961)	–
Net cash used in financing activities (Note 35)	(2,641,640)	(2,230,054)
EFFECTS OF EXCHANGE RATE CHANGES AND TRANSLATION		
ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	2,114	12,486
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(662,295)	(3,239,943)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,539,978	6,429,726
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	₱1,877,683	₱3,189,783

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. The Parent Company’s core business is television and radio broadcasting. Its subsidiaries and associates are involved in the following related businesses: cable and 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 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 until May 4, 2020.

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 “Resolution”). The denial of the Parent Company’s franchise application significantly affected the Company’s operations, specifically its free to air business. This resulted in a net loss of ₱13.5 billion for the year ended December 31, 2020. This has continued to affect the Parent Company’s financial standing for the year ended December 31, 2021, which resulted in a net loss of ₱5.7 billion. The Company’s current assets as of December 31, 2021 and 2020 amounted to ₱13,103 million and ₱18,683 million, respectively, and current liabilities as of December 31, 2021 and 2020 amounted to ₱14,010 million and ₱28,399 million, respectively. There are also several factors that can continue to significantly affect the planned activities of the Company to ensure the continuing operations of the Company, including the impact of COVID-19.

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 within the next 12 months 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 2021 audited annual consolidated financial statements, comprising the consolidated statements of financial position as at December 31, 2021 and 2020, 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, 2021, 2020 and 2019, issued and approved on April 28, 2022 (referred to as the “2021 audited annual consolidated financial statements”).

Changes in Accounting Policies and Disclosures

Several amendments and interpretations apply for the first time in 2022, 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, *Reference to the Conceptual Framework*.

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*.

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*.

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

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

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*.

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- Amendments to PFRS 9, *Financial Instruments, Fees in the “10 per cent” test for derecognition of financial liabilities*.

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*.

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

The 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, 2022 and December 31, 2021:

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest	
				2022	2021
Content Production and Distribution					
<i>Global:</i>					
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)(c) (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)}	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
ABS-CBN Global Hungary Kft. (ABS-CBN Hungary) ^{(i) (l)}	Budapest, Hungary	Holding company	USD	100.0	100.0
Makati Kft. ⁽ⁱ⁾	Budapest, Hungary	Holding company	USD	100.0	100.0
ABS-CBN International, Inc. (ABS-CBN International) ^{(i) (n)}	California, USA	Cable and satellite programming services	USD	100.0	100.0
ABS-CBN Australia Pty. Ltd. (ABS-CBN Australia) ^{(i) (k)}	Victoria, Australia	Cable and satellite programming services	Australian dollar (AUD)	100.0	100.0
ABS-CBN Canada, ULC (ABS-CBN Canada) ^{(i) (k)}	Canada	Cable and satellite programming services	Canadian dollar (CAD)	100.0	100.0
ABS-CBN Telecom North America, Inc. ^{(i) (k)}	California, USA	Telecommunications	USD	100.0	100.0
<i>Films and Music:</i>					
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
<i>Narrowcast</i>					
Creative Programs, Inc. (CPI) ^(v)	Philippines	Content development, publishing and programming services	Philippine peso	100.0	100.0
<i>Others:</i>					
ABS-CBN Europe Remittance Inc. ^{(d) (i) (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. ^{(i) (k) (y)}	California, USA	Services - money remittance	USD	100.0	100.0
ABS-CBN Canada Remittance Inc. ^{(i) (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 ^(f)	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. ^{(i) (m)}	Singapore	Services - support	Singapore dollar (SGD)	100.0	100.0
Professional Services for Television & Radio, Inc.	Philippines	Services - production	Philippine peso	100.0	100.0

(Forward)

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest	
				2022	2021
Grassfed Corporation	Philippines	Services - livestock	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
Callirrhoe, Inc.	Philippines	Holding company	Philippine peso	100.0	100.0
Eukelade Holding Corporation	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. ^(bb)	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
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
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)(bb)}	Philippines	Management of locations	Philippine peso	100.0	100.0
Play Innovations, Inc. (PII) ^(g) ^(bb)	Philippines	Theme park	Philippine peso	73.0	73.0
Play Innovations Hungary Kft. (Play Innovations) ^(j) ^(g)	Budapest, Hungary	Theme park	USD	73.0	73.0
Cable and Broadband					
Sky Vision Corporation (Sky Vision) ^(w) (see Note 4)	Philippines	Holding Company	Philippine peso	75.0	75.0
Sky Cable Corporation (Sky Cable) ^(w) (see Note 4)	Philippines	Cable television services	Philippine peso	59.4	59.4
Bisaya Cable Television Network, Inc. ^(h) ⁽ⁱ⁾ ^(w)	Philippines	Cable television services	Philippine peso	59.4	59.4
Bright Moon Cable Networks, Inc. ^(h) ^(w)	Philippines	Cable television services	Philippine peso	59.4	59.4
Cavite Cable Corporation ^(h) ^(w)	Philippines	Cable television services	Philippine peso	59.4	59.4
Cepsil Consultancy and Management Corporation ^(h) ^(w)	Philippines	Cable television services	Philippine peso	59.4	59.4
Davao Cableworld Network, Inc. ^(h) ^(o) ^(w)	Philippines	Cable television services	Philippine peso	59.4	59.4
HM Cable Networks, Inc. ^(h) ^(w)	Philippines	Cable television services	Philippine peso	59.4	59.4
HM CATV, Inc. ^(h) ^(w)	Philippines	Cable television services	Philippine peso	59.4	59.4
Hotel Interactive Systems, Inc. ^(h) ^(w)	Philippines	Cable television services	Philippine peso	59.4	59.4
Isla Cable TV, Inc. ^(h) ^(w)	Philippines	Cable television services	Philippine peso	59.4	59.4
Moonsat Cable Television, Inc. ^(h) ^(o) ^(w)	Philippines	Cable television services	Philippine peso	59.4	59.4
Pilipino Cable Corporation (PCC) ^(h) ^(w)	Philippines	Cable television services	Philippine peso	59.4	59.4
Satellite Cable TV, Inc. ^(h) ^(w)	Philippines	Cable television services	Philippine peso	59.4	59.4
Sun Cable Holdings, Incorporated (SCHI) ^(h) ^(w)	Philippines	Holding company	Philippine peso	59.4	59.4
Sun Cable Systems Davao, Inc. ^(h) ⁽ⁱ⁾ ^(w)	Philippines	Cable television services	Philippine peso	59.4	59.4
Sunvision Cable, Inc. ^(h) ^(w)	Philippines	Cable television services	Philippine peso	59.4	59.4
Tarlac Cable Television Network, Inc. ^(h) ^(w)	Philippines	Cable television services	Philippine peso	59.4	59.4
Telemondial Holdings, Inc. ^(h) ⁽ⁱ⁾ ^(w)	Philippines	Holding company	Philippine peso	59.4	59.4
JMY Advantage Corporation ^(h) ^(w)	Philippines	Cable television services	Philippine peso	56.4	56.4
Cebu Cable Television, Inc. ^(h) ^(o) ^(p) ^(w)	Philippines	Cable television services	Philippine peso	57.4	57.4
Suburban Cable Network, Inc. ^(h) ^(w)	Philippines	Cable television services	Philippine peso	54.9	54.9
Pacific CATV, Inc. (Pacific) ^(h) ^(o) ^(w)	Philippines	Cable television services	Philippine peso	58.0	58.0
First Ilocandia CATV, Inc. ^(h) ^(o) ^(w)	Philippines	Cable television services	Philippine peso	54.9	54.9
Mactan CATV Network, Inc. ^(h) ^(o) ^(p) ^(w)	Philippines	Cable television services	Philippine peso	56.6	56.6
Discovery Mactan Cable, Inc. ^(h) ^(s) ^(w)	Philippines	Cable television services	Philippine peso	41.6	41.6
Home-Lipa Cable, Inc. ^(h) ^(s) ^(w)	Philippines	Cable television services	Philippine peso	35.6	35.6

^(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 Sapiensis
- (r) With branch in Korea
- (s) A subsidiary of Sky Cable where Sky Cable effectively owns more than 50% interest
- (t) In liquidation
- (u) On July 7, 2017, the SEC approved the incorporation of ABS-CBN Themed Experiences. ABS-CBN Themed Experiences was established primarily to design, build, develop, manage, operate and maintain theme and amusement parks, hotels, restaurants, coffee shops, refreshment parlors and other attractions and facilities.
- (v) On September 18, 2018, the SEC approved the merger of CPI and ABS-CBN Publishing with the former being the surviving entity.
- (w) In 2012, ABS-CBN acquired additional interest in Sky Vision increasing its economic interest to 24.8%. On the same year, Lopez, Inc. also executed a proxy in favor of ABS-CBN assigning its voting rights in Sky Vision. As a result, ABS-CBN has a voting interest of 75% in Sky Vision since 2012. Sky Vision is the holding company of Sky Cable, where ABS-CBN has an economic interest of 57.4% in 2014. In 2015, ABS-CBN purchased additional shares in Sky Vision increasing its economic interest on Sky Vision and Sky Cable to 75% and 59.4%, respectively.
- (x) In 2014, CPI and Sky Cable entered into an agreement to form a joint venture company. Medianow, which was incorporated on August 22, 2014, is 78.7% effectively owned by the Company in 2014. As a result of the acquisition of additional interest in Sky Vision, economic interest on Medianow increased to 79.7% in 2015.
- (y) On June 30, 2018, ABS-CBN Europe Remittance Inc., ABS-CBN Global Remittance Inc. and ABS-CBN Canada Remittance Inc. ceased operations.
- (z) On March 12, 2019, the SEC approved the incorporation of Chosen Bun. Chose Bun was established primarily to raise, process, manufacture and package all kinds of food products; to establish, operate, manage and maintain restaurants, coffee shops, and refreshments parlors; to serve and cater foods, drinks, refreshments and other food or commodities.
- (aa) On June 18, 2019, the SEC approved the incorporation of Probabilistic Insights, Inc. Probabilistic Insights, Inc. was established primarily to provide software products and data science services including but not limited to management consulting, marketing services such as direct marketing, database marketing, workshop facilitation and marketing training.
- (bb) The Company decided to wind-down its food and beverage and experience operations in July 2020.

Future Changes in Accounting Policies

The standards, amendments and interpretations that are issued, but not yet effective as at September 30, 2022 are disclosed in the next section. The Company intends to adopt these standards, if applicable, when these become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's interim condensed consolidated financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

Effective beginning on or after January 1, 2025

- 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

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

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 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.

The Company continues to assess the impact of the new and amended accounting standards and interpretations effective subsequent to September 30, 2022 financial statements. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

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

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

As discussed in Note 1, the Resolution significantly affected the Parent Company's free-to-air business in the Philippines which resulted in a net loss of ₱5,670 million for the year ended December 31, 2021, negative operating cash flows of ₱3,890 million for the year ended December 31, 2021, current assets and current liabilities as of December 31, 2021 amounting to ₱13,103 million and ₱14,010 million, respectively. There are also several factors that can continue to significantly affect the planned activities of the Company to ensure the continuing operations of the Company, including the impact of COVID-19. These factors have affected and may continue to affect the Company's ability to settle its liabilities as they fall due within the next 12 months.

To mitigate the impact of the denial of the franchise application and of COVID-19:

1. The Company has and will continue to pursue partnerships with various reputable companies that will allow the Parent Company to share its Free-to-Air produced content nationwide.
2. The Company continues 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.
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.
4. The Parent Company continues to service its loan obligations with the banks in accordance with the standstill agreement.
5. 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.

After considering the events resulting from the Resolution and the responses of the Company to address these uncertainties, management assessed that the Company will be able to maintain its positive cash position and settle its liabilities as they fall due within 12 months from the end of the reporting period. Accordingly, the consolidated financial statements are prepared on a going concern basis.

Revenue from Contracts with Customers. The Company applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- 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.

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 Company's accounts.

Leases – Company as Lessee

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 fulfillment 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.

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 does not include the renewal period as part of the lease term for leases of office spaces and warehouses since these are not reasonably certain to be exercised and are subject to mutual agreement of both parties. 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

a. *Definition of Default and Credit-Impaired Financial Assets.* Under 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.

In light of COVID-19 pandemic, the Company reviewed the conduct of its impairment assessment and ECL methodology. The Company also reassessed the framework for macroeconomic overlay, incorporating pandemic scenarios to ensure that changes in economic conditions are captured in the ECL calculations.

Provision for ECL amounted to ₱164 million and ₱153 million for the nine months ended September 30, 2022 and 2021, respectively (see Notes 7 and 27). Trade and other receivables, net of allowance for ECL, amounted to ₱5.8 billion and ₱5.2 billion as at September 30, 2022 and December 31, 2021, respectively. Allowance for ECL amounted to ₱2.9 billion and ₱2.6 billion as at September 30, 2022 and December 31, 2021, respectively (see Note 7).

Estimated Useful Lives of Property and Equipment, Investment Properties and Intangible Assets. The useful life of each item of the Company's property and equipment, investment properties and intangible assets with finite life is estimated based on the period over which the asset is expected to be available for use. Estimation for property and equipment and investment properties is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets while for intangible assets with finite life, estimated life is based on the life of agreement covering such intangibles or based on expected future benefits. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of these assets. However, it is possible that future financial performance could be materially affected by changes in the estimates brought about by changes in the aforementioned factors. The amounts and timing of recording the depreciation and amortization for any year, with regard to the property and equipment, investment properties and intangible assets would be affected by changes in these factors and circumstances. A reduction in the estimated useful life of any of the property and equipment, investment properties or intangible assets would increase the recorded expenses and decrease noncurrent assets.

There were no changes in the estimated useful lives of property and equipment, other intangible assets and investment properties in September 30, 2022 and December 31, 2021.

The carrying values of depreciable property and equipment, investment properties and intangible assets with finite life are as follows (see Notes 10, 11 and 12):

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Property and equipment	₱19,318,169	₱19,546,200
Program rights	1,668,489	2,116,565
Movie in-process and filmed entertainment	1,025,830	991,222
Customer relationships	386,457	439,820
Cable channels	232,826	196,826
Story and publication, video rights, and record master	111,135	110,677
Production and distribution business - Middle East	2,980	3,000
Investment properties	1,362	1,294
Digital platforms	3	3

Amortization of Program Rights. The Company reviews its program rights inventory and plans for its usage across different platforms to maximize its benefits. The Company amortizes program rights based on usage or specific term.

Program rights amounted to ₱1.7 billion and ₱2.1 billion as at September 30, 2022 and December 31, 2021, respectively (see Note 12).

Impairment of Nonfinancial Assets. The Company assesses impairment on nonfinancial assets (enumerated in the following table other than inventories) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant under-performance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

The Company determined the consequences of the Resolution passed by the House Committee on Legislative Franchises denying the franchise application of the Parent Company and the lapse of the franchise of ABS-CBN Convergence, as impairment indicators on its nonfinancial assets, including, among others, the Parent Company's towers, transmission, television, radio, movie and auxiliary equipment, program rights and inventories.

The carrying values of nonfinancial assets as at September 30, 2022 and December 31, 2021 are as follows (see Notes 9, 10, 11, 12, 14 and 15):

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Property and equipment	₱25,547,780	₱26,285,854
Program rights	1,668,489	2,116,565
Movie in-process and filmed entertainment	1,025,830	991,222
Preproduction expenses	425,106	368,629
Customer relationships	386,457	439,820
Tax credits - net of allowance for impairment	321,815	380,701
Cable channels	232,826	232,826
Investments in associates and joint venture	122,286	121,775
Story and publication, video rights, and record master	111,137	110,677
Production and distribution business - Middle East	2,980	3,000
Investment properties	1,362	1,294
Digital platforms	3	3

The Company recognized impairment losses amounting to nil and ₱76 million, relating to its property and equipment, movie in-progress and filmed entertainment and tax credits, in September 30, 2022 and December 31, 2021, respectively (see Notes 10, 12 and 16).

Recoverability testing requires an estimation of the fair value of the cash-generating units to which certain nonfinancial assets are allocated. Certain nonfinancial assets have been allocated to one cash-generating unit which is also the operating entity. Estimating the recoverable amount of the cash-generating unit involves significant assumptions about the future results of the business such as revenue growth and gross margins in its cable and digital platform, advertising and syndication businesses, and discount rates which were applied to cash flow forecasts, including the impact of COVID-19. The cash flow forecasts were based on financial budgets approved by senior management of the Company covering a five-year period.

The impairment on nonfinancial assets is determined by comparing: (a) the carrying amount of the cash-generating unit; and (b) the higher of its fair value less cost of disposal or its value in use which is 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.

As of September 30, 2022 and December 31, 2021, the recoverable amount of certain assets was determined using its fair value less cost to sell or using income approach based on discounted cash flow techniques where expected cash flow from the use of the assets were projected and discounted using the appropriate discount rate reflective of the market expectations. The recoverable amount is most sensitive to the inputs used in the valuation which are lease income growth rate and discount rate.

The key assumptions used in the impairment test of nonfinancial assets to which the recoverable amount is most sensitive to are as follows:

a. Gross Revenue

On the average, gross revenue of the Parent Company over the next five years were projected to grow in line with the economy or with nominal Gross Domestic Product. This assumes that the market share of the Company in their respective industries will be flat on the assumption that the industries also grow at par with the economy. Historically, advertising spending growth had a direct correlation with economic growth. Perpetuity growth rates of 3.5% in 2021 and 3.3% in 2020 were assumed at the end of the five-year forecast period.

b. Operating Expenses

On the average, operating expenses were projected to increase at a single-digit growth rate and at a slower pace than revenue.

c. Gross Margins

Increased efficiencies over the next five years are expected to result in margin improvements.

d. Discount Rate

The discount rate used to arrive at the present value of future cash flows was the Parent Company's Weighted Average Cost of Capital (WACC). WACC was based on the appropriate weights of debt and equity, which were multiplied with the assumed costs of debt and equity.

The discount rates applied to the cash flow projections range from 7.2% to 8.0% in 2022 and 2021.

Estimation of net realizable values. Net realizable values of inventories are assessed regularly based on the prevailing selling prices of inventories less the estimated cost necessary to sell. Increase in the net

realizable value will increase the carrying amount of inventories but only to the extent of their original acquisition costs.

Merchandise inventories amounted to ₱349 million and ₱386 million as of September 30, 2022 and December 31, 2021, respectively. Inventory losses amounted to ₱5 million and ₱83 million in September 30, 2022 and December 31, 2021, respectively (see Note 8).

Recoverability of Goodwill, Cable Channels, Trademarks, Licenses and IP Block. The Company performs recoverability testing annually or more frequently when there are indications of impairment for goodwill and intangible assets with indefinite lives. Until December 31, 2018, the Company has identified that cable channels of CPI, trademarks, licenses and IP block have indefinite lives. Effective January 1, 2019, in view of the change in the expected pattern of economic benefits from the assets, the Company revised the estimated useful life and amortization method of cable channels from indefinite life to 10 years.

Recoverability testing requires an estimation of the value-in-use of the cash-generating units to which goodwill, cable channels, trademarks, licenses and IP block to operate wireless business are allocated.

The impairment on goodwill, cable channels, trademarks, licenses and IP block is determined by comparing: (a) the carrying amount of the cash-generating unit; and (b) the present value of the annual projected cash flows for five years and the present value of the terminal value computed under the discounted cash flow method.

The key assumptions used, after consideration of the impact of COVID-19, 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. The Company assumed average perpetuity growth rate of 3.5% in 2022 and 2021 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 7.2% to 8.0% in 2022 and 2021.

The carrying values of goodwill and intangible assets with indefinite useful lives as at September 30, 2022 and December 31, 2021 are as follows (see Note 12):

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Goodwill	₱4,781,669	₱4,743,970
Trademarks	1,111,784	1,111,784
IP block	37,804	37,804

Present Value of Pension Obligation and Other Employee Benefits. The cost of defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions such as discount rates and future salary increases, among others. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each financial reporting date. In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases are based on expected future inflation rates for the specific country.

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

Employee leave entitlements that is expected to be settled within one year from reporting date is classified as a current liability in the consolidated statement of financial position. Otherwise, this is classified as part of the noncurrent portion of other employee benefits liability. Accrued pension obligation and other employee benefits of the Company amounted to ₱7.5 billion and ₱7.0 billion as at September 30, 2022 and December 31, 2021, respectively (see Note 30).

Taxes. Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the diversity of the Company's businesses and the long-term nature and complexity of existing contractual agreements or the nature of the business itself, changes in differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities under which the Company operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile or to the operations of the Company.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management's assessment of the deferred tax assets to be recognized involves significant judgments and is based on assumptions regarding the entities' current performance, future plans for the business and tax planning strategies. Management exercised judgment on the financial forecast used in determining the forecasted taxable income of the entities, including the timing of reversal of future taxable and deductible temporary differences.

As at September 30, 2022 and December 31, 2021, the Company recognized gross deferred tax assets amounting to ₱1,522 million and ₱1,098 million, respectively. From this amount, ₱1,298 million and ₱857 million as at September 30, 2022 and December 31, 2021, respectively, relates to significant subsidiaries that incurred net losses and/or are in a capital deficiency position. Management has determined that there is sufficient taxable profit against which these recognized deferred tax assets will

be realized, after consideration of the impact of COVID-19. The Company did not recognize deferred tax assets from the Parent Company and certain subsidiaries amounting to ₱10,072 million and ₱9,917 million as at September 30, 2022 and December 31, 2021, respectively, as management believes that sufficient future taxable profit will not be available to allow these deferred tax assets to be utilized (see Note 29).

Provisions and Contingencies. The Company is currently involved in various legal proceedings and periodic examinations by tax authorities, which may result in taxation issues due to different interpretation and implementation of the relevant laws and regulations. Significant estimates and judgment are made by management regarding the outcome of these legal proceedings and tax examinations. The Company's estimate of the costs of the resolution of these claims has been developed in consultation with their external legal counsels and considering the correspondences with relevant tax authorities and any relevant historical and recent judgments issued by the court or tax authorities. Any change on these assumptions and the estimates may have a material impact on the Company's interim condensed consolidated financial statements (see Note 37).

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 32).

Seasonality of Operations

The Company's operations are not generally affected by any seasonality of cyclicity.

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, 2022, 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, 2022 (Unaudited)	December 31, 2021 (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, 2022 (Unaudited)	December 31, 2021 (Audited)
Sapientis Holdings Corporation and Subsidiaries	(₱2,417,198)	(₱2,416,545)
Sky Cable Corporation and Subsidiaries	1,849,119	1,921,071
ABS-CBN Theme Parks and Resorts Holdings, Inc. and Subsidiaries	(601,733)	(585,013)

Net Loss Attributable to Material Noncontrolling Interests

Company	Nine Months Ended September 30 (Unaudited)	
	2022	2021
Sky Cable Corporation and Subsidiaries	(₱79,534)	(₱94,938)
ABS-CBN Theme Parks and Resorts Holdings, Inc. and Subsidiaries	(9,083)	(11,274)
Sapientis Holdings Corporation and Subsidiaries	(654)	(1,359)

The summarized financial information of Sky Cable and Sipientis 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, 2022	December 31, 2021
	(Unaudited)	(Audited)
Cash and cash equivalents	₱537,876	₱718,694
Other current assets	2,012,175	2,195,148
Goodwill	4,491,817	4,491,817
Trademarks	1,111,784	1,111,784
Customer relationships	386,456	439,819
Other noncurrent assets	16,707,488	16,263,177
Current liabilities	(5,239,971)	(5,083,954)
Noncurrent liabilities	(8,187,167)	(7,410,109)

Summarized Consolidated Statements of Comprehensive Income

	Nine Months Ended September 30	
	(Unaudited)	
	2022	2021
Revenue	₱6,094,784	₱6,346,743
Cost of services	(4,834,197)	(5,147,155)
General and administrative expenses	(1,373,060)	(1,088,671)
Finance costs	(201,961)	(175,961)
Other income - net	54,703	152,083
Income (loss) before income tax	(259,731)	87,039
Provision for (benefit from) income tax	(73,813)	314,880
Net loss	(185,918)	(227,841)
Total comprehensive loss	(₱185,918)	(₱227,841)

Summarized Consolidated Statements of Cash Flows

	Nine Months Ended September 30	
	(Unaudited)	
	2022	2021
Operating	(₱360,568)	₱2,166,935
Investing	90,443	(2,361,950)
Financing	89,307	(1,217,340)
Net decrease in cash and cash equivalents	(₱180,818)	(₱1,412,355)

b. *Sapientis*

Summarized Consolidated Statements of Financial Position

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Cash and cash equivalents	₱1,506	₱2,584
Other current assets	952,321	951,862
Current liabilities	(5,956,911)	(5,955,358)
Noncurrent liabilities	(3,007,664)	(3,007,664)

Summarized Consolidated Statements of Comprehensive Income

	Nine Months Ended September 30	
	(Unaudited)	
	2022	2021
General and administrative expenses	(₱1,474)	(₱3,768)
Finance costs	-	(417)
Other income - net	(695)	(292)
Loss before income tax	(2,169)	(4,477)
Provision for income tax	3	5
Net loss	(2,172)	(4,482)
Total comprehensive loss	(₱2,172)	(₱4,482)

Summarized Consolidated Statements of Cash Flows

	Nine Months Ended September 30	
	(Unaudited)	
	2022	2021
Operating	(₱1,078)	₱889
Investing	-	1,739
Financing	-	(3,677)
Net decrease in cash and cash equivalents	(₱1,078)	(₱1,049)

c. *ABS-CBN Theme Parks*

Summarized Consolidated Statements of Financial Position

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Cash and cash equivalents	₱2,765	₱3,382
Other current assets	14,974	10,622
Current liabilities	(1,509,678)	(1,459,123)
Noncurrent liabilities	(5,452)	(18,597)

Summarized Consolidated Statements of Comprehensive Income

	Nine Months Ended September 30 (Unaudited)	
	2022	2021
General and administrative expenses	(P11,079)	(P18,424)
Finance costs	(22,674)	(22,551)
Other income - net	78	(390)
Loss before income tax	(33,675)	(41,365)
Benefit from income tax	–	20
Net loss	(33,675)	(41,385)
Total comprehensive loss	(P33,675)	(P41,385)

Summarized Consolidated Statements of Cash Flows

	Nine Months Ended September 30 (Unaudited)	
	2022	2021
Operating	(P617)	(P15,223)
Net decrease in cash and cash equivalents	(P617)	(P15,223)

5. Segment Information

Segment information is prepared on the following bases:

Business Segments

For management purposes, the Company is organized into two business activities – Content Production and Distribution and Cable and Broadband. This segmentation is the basis upon which the Company reports its primary segment information.

- Content production and distribution comprise entertainment, news and current affairs, global operations, film and music production, cable channels, publishing, content distribution through digital platforms, and live events and concerts. This consists of local and global content creation and distribution through television and radio broadcasting.
- Cable and Broadband includes cable television and broadband services in Metro Manila and in certain provincial areas in the Philippines.

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 content production and distribution and pay TV. 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 its produced content outside the Philippines.

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

Inter-segment Transactions

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

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

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

EBITDA and EBITDA margin are non-PFRSs measures.

The Company recognized impairment losses amounting to ₱12 million and nil for Content Production and Distribution for nine months ended September 30, 2022 and 2021, respectively (see Note 27).

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

	Nine Months Ended September 30	
	(Unaudited)	
	2022	2021
Consolidated EBITDA	₱2,030,626	₱704,361
Depreciation and amortization	(2,287,034)	(2,407,782)
Amortization of intangible assets**	(617,938)	(908,569)
Finance costs*	(837,807)	(707,646)
Interest income	14,567	8,944
Impairment loss	(17,255)	-
Provision for income tax	(156,534)	(467,546)
Consolidated net loss	(₱1,871,375)	(₱3,778,238)

*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, 2022 and 2021 and certain asset and liability information regarding business segments as of September 30, 2022 and December 31, 2021:

	Content Production and Distribution		Cable and Broadband		Eliminations		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021
Revenue								
External sales	P8,636,449	P6,574,920	P6,094,784	P6,346,743	P-	P-	P14,731,233	P12,921,663
Inter-segment sales	854,929	1,448,410	-	-	(854,929)	(1,448,410)	-	-
Revenue deductions	(417,924)	(176,621)	-	-	-	-	(417,924)	(176,621)
Total revenue	P9,073,454	P7,846,709	P6,094,784	P6,346,743	(P854,929)	(P1,448,410)	P14,313,309	P12,745,042
Results								
Operating results	(P4,023,554)	(P4,982,442)	(P112,473)	P110,917	P831,651	P464,733	(P3,304,376)	(P4,406,792)
Finance costs	(675,317)	(733,458)	(201,961)	(175,961)	32,217	194,782	(845,061)	(714,637)
Foreign exchange gains (losses) – net	(773,092)	(223,994)	(87,124)	(7,221)	821,600	339,737	(38,616)	108,522
Interest income	37,187	48,470	9,597	5,525	(32,217)	(45,051)	14,567	8,944
Equity in net gains (losses) of associates and joint ventures	511	(9,467)	-	-	-	-	511	(9,467)
Other income – net	2,827,506	2,030,910	132,230	153,779	(501,602)	(481,951)	2,458,134	1,702,738
Income tax	(230,347)	(152,666)	73,813	(314,880)	-	-	(156,534)	(467,546)
Net income (loss)	(P2,837,106)	(P4,022,647)	(P185,918)	(P227,841)	P1,151,649	P472,250	(P1,871,375)	(P3,778,238)
EBITDA							P2,030,626	P704,361
EBITDA Margin							14%	5%
Assets and Liabilities								
Operating assets	P28,386,059	P29,576,873	P23,727,269	P23,850,193	(P2,305,603)	(P2,291,965)	P49,807,725	P51,135,101
Contract assets	32,107	35,472	-	-	-	-	32,107	35,472
Noncurrent assets held for sale	-	173,490	-	-	-	-	-	173,490
Investments in associates and joint ventures	17,496,310	15,801,696	1,562	1,562	(17,375,586)	(15,681,483)	122,286	121,775
Deferred tax assets	385,531	539,178	1,136,331	558,772	-	-	1,521,862	1,097,950
Total assets	P46,300,007	P46,126,709	P24,865,162	P24,410,527	P(19,186,489)	(17,973,448)	P51,483,980	P52,563,788
Operating liabilities	P16,060,018	P15,090,327	P7,362,860	P6,742,944	(P3,033,929)	(P3,268,510)	P20,388,949	P18,564,761
Contract liabilities	77,712	123,837	515,812	642,105	-	-	593,524	765,942
Interest-bearing loans and borrowings	13,834,881	15,628,343	4,881,708	4,897,514	(270,000)	(270,000)	18,446,589	20,255,857
Deferred tax liability	244,420	249,762	-	-	-	-	244,420	249,762
Lease liabilities	129,566	76,999	531,627	561,162	(4,762)	(4,762)	656,431	633,399
Total liabilities	P30,346,597	P31,169,268	P13,292,007	P12,843,725	(P3,308,691)	(3,543,272)	P40,329,913	40,469,721
Other Segment Information								
Capital expenditures:								
Property and equipment	P115,244	P404,892	P1,323,663	P3,132,446	P-	P-	P1,438,907	P3,537,338
Intangible assets	155,040	183,992	92,118	160,914	-	-	247,158	344,906
Depreciation and amortization	1,841,250	2,702,764	1,513,870	2,065,325	(446,675)	(224,447)	2,908,445	4,543,642
Noncash expenses other than depreciation and amortization	16,687	348,769	154,703	119,854	-	(311,742)	171,390	156,881

Geographical Segment Data

The following tables present revenue and expenditure for the nine months ended September 30, 2022 and 2021 and certain asset information regarding geographical segments as of September 30, 2022 and December 31, 2021:

	Philippines		United States		Others		Eliminations		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue										
External sales	₱11,689,267	₱10,588,785	₱2,238,725	₱1,508,484	₱803,241	₱824,394	₱-	₱-	₱14,731,233	₱12,921,663
Inter-segment sales	854,929	1,448,410	-	-	-	-	(854,929)	(1,448,410)	-	-
Revenue deductions	(417,924)	(176,621)	-	-	-	-	-	-	(417,924)	(176,621)
Total revenue	₱12,126,272	₱11,860,574	₱2,238,725	₱1,508,484	₱803,241	₱824,394	(₱854,929)	(₱1,448,410)	₱14,313,309	₱12,745,042
Assets										
Operating assets	₱43,709,340	₱46,707,139	₱3,211,439	₱2,098,564	₱5,192,549	₱4,621,363	(₱2,305,603)	(₱2,291,965)	₱49,807,725	₱51,135,101
Noncurrent assets held for sale	-	173,490	-	-	-	-	-	-	-	173,490
Contract assets	32,107	35,472	-	-	-	-	-	-	32,107	35,472
Investments in associates and joint ventures	17,497,872	15,803,258	-	-	-	-	(17,375,586)	(15,681,483)	122,286	121,775
Deferred tax assets – net	1,450,618	939,361	57,575	144,789	13,669	13,800	-	-	1,521,862	1,097,950
Total assets	₱62,689,937	₱63,658,720	₱3,269,014	₱2,243,353	₱5,206,218	₱4,635,163	(₱19,681,189)	(₱17,973,448)	₱51,483,980	₱52,563,788
Liabilities										
Operating liabilities	₱19,323,910	₱17,855,687	₱990,961	₱942,048	₱3,108,007	₱3,035,536	(₱3,033,929)	(₱3,268,510)	₱20,388,949	₱18,564,761
Contract liabilities	593,524	765,942	-	-	-	-	-	-	593,524	765,942
Interest-bearing loans and borrowings	18,716,589	20,525,857	-	-	-	-	(270,000)	(270,000)	18,446,589	20,255,857
Deferred tax liability	244,420	249,762	-	-	-	-	-	-	244,420	249,762
Lease liabilities	659,885	632,608	753	3,497	555	2,056	(4,762)	(4,762)	656,431	633,399
Total liabilities	₱39,538,328	₱40,029,856	₱991,714	₱945,545	₱3,108,562	₱3,037,592	(₱3,308,691)	(₱3,543,272)	₱40,329,913	₱40,469,721
Other Segment Information										
Capital expenditures:										
Property and equipment	₱1,438,907	₱3,503,325	₱-	₱23,671	₱-	₱10,342	₱-	₱-	₱1,438,907	₱3,537,338
Intangible assets	247,158	344,906	-	-	-	-	-	-	247,158	344,906

6. Cash and Cash Equivalents and Short-term Investments

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Cash on hand and in banks	₱1,653,058	₱1,914,780
Cash equivalents	224,625	625,198
	₱1,877,683	₱2,539,978

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 ₱11 million as at September 30, 2022 and December 31, 2021 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 ₱15 million and ₱9 million for the nine months ended September 30, 2022, and 2021, respectively.

7. Trade and Other Receivables

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Trade:		
Airtime	₱2,951,831	₱2,801,968
Subscriptions	2,135,932	2,101,071
Others	741,338	1,113,547
Due from related parties (see Note 23)	242,792	246,320
Advances to employees and talents (see Note 23)	892,485	646,923
Others	1,756,819	803,737
	8,721,197	7,713,566
Less allowance for ECL	2,899,535	2,561,841
	₱5,821,662	₱5,151,725

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

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

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

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

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

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

Other receivables include interest receivable and receivables related to the sale of Amcara Broadcasting Network, Inc. (Amcara) amounting to ₱259 million and is fully provided with allowance (see Note 14).

Allowance for ECL

Movements in the allowance for ECL are as follows:

	Trade			Nontrade	Total
	Airtime	Subscriptions	Others		
Balance at January 1, 2021	₱338,786	₱1,920,192	₱354,801	₱839,718	₱3,458,450
Provisions (Note 27)	–	147,711	7,748	3,941	159,400
Write-offs and others	(1,651)	(639,952)	(66,721)	(347,685)	(1,056,009)
Balance at December 31, 2021	342,088	1,427,951	295,828	495,974	2,561,841
Provisions (Note 27)	–	94,174	–	69,992	164,166
Write-offs and others	–	144,680	28,848	–	173,528
Balance at September 30, 2022	₱342,088	₱1,666,805	₱324,676	₱565,966	₱2,899,535

8. **Inventories**

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
At cost:		
Office supplies	₱4,933	₱4,933
At net realizable value:		
Merchandise inventories	219,422	364,269
Materials, supplies and spare parts	124,230	16,753
	₱348,585	₱385,955

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.

Total inventory costs recognized under "Cost of sales and services" amounted to ₱52 million and ₱4 million for the nine months ended September 30, 2022 and 2021, respectively (see Note 26).

The cost of inventories carried at net realizable value amounted to ₱1,149 million and ₱1,094 as at September 30, 2022 and December 31, 2021, respectively. Inventory losses amounted to ₱5 million and nil for the nine months ended September 30, 2022 and 2021, respectively (see Note 27). The Company has no reversal of inventory write-downs as at September 30, 2022 and 2021.

9. **Contract Cost Assets and Contract Liabilities**

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Contract cost assets (see Note 15)	₱32,107	₱35,472
Contract liabilities	593,524	765,942

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, 2021.

No impairment loss was recognized in 2021 and 2020.

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 ₱219 million for the year ended December 31, 2021. Contract liabilities are usually recognized as revenues within one year from receipt.

10. Property and Equipment

September 30, 2022 (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	P2,411,166	P14,384,550	P30,799,273	P13,621,257	P5,093,733	P2,106,933	P299,836	P68,716,748
Additions	–	6,858	1,326,772	15,815	89,462	–	–	1,438,907
Disposals/retirements	(14,800)	(31,016)	(289,115)	(119,225)	–	(22,349)	–	(476,505)
Reclassification	–	20,058	450,204	119,776	(587,037)	–	275,643	278,644
Translation adjustments	11,094	297	15,977	9,477	–	(24)	1,579	38,400
Balance at end of year	2,407,460	14,380,747	32,303,111	13,647,100	4,596,158	2,084,560	577,058	69,996,194
Accumulated Depreciation and Amortization								
Balance at beginning of year	64,522	9,317,323	21,737,760	9,771,835	766,871	542,300	230,283	42,430,894
Depreciation and amortization (see Notes 25, 26 and 27)	12,579	227,444	1,457,059	325,487	–	216,479	47,866	2,286,914
Disposals/retirements	(14,153)	(28,276)	(180,617)	(112,868)	–	(21,833)	–	(357,747)
Reclassification	–	1,917	–	8,813	–	–	140,147	150,877
Translation adjustments	–	139	(26,525)	(23,077)	–	(10,164)	(2,897)	(62,524)
Balance at end of year	62,948	9,518,547	22,987,677	9,970,190	766,871	726,782	415,399	44,448,414
Net Book Value	P2,344,512	P4,862,200	P9,315,434	P3,676,910	P3,829,287	P1,357,778	P161,659	P25,547,780

December 31, 2021 (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	P2,240,547	P13,549,916	P27,862,148	P13,560,712	P6,775,436	P2,104,292	P341,476	P66,434,527
Additions	–	44,290	2,146,594	334,391	856,094	7,343	10,177	3,398,889
Disposals/retirements	(54,148)	(79,467)	(33,472)	(862,999)	–	(5,939)	(52,102)	(1,088,127)
Reclassifications	219,496	869,089	884,251	565,042	(2,537,878)	–	–	–
Reclassification to noncurrent assets held for sale (Note 31)	–	–	(63,627)	–	–	–	–	(63,627)
Translation adjustments	5,271	722	3,379	24,111	81	1,237	285	35,086
Balance at end of year	2,411,166	14,384,550	30,799,273	13,621,257	5,093,733	2,106,933	299,836	68,716,748

December 31, 2021 (Audited – One Year)								
	Land and Land Improvements	Buildings and Improvements	Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Other Equipment	Construction in Progress	Right-of-use assets		Total
						Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Buildings and Improvements	
Accumulated Depreciation, Amortization and Impairment								
Balance at beginning of year	₱48,145	₱9,038,953	₱19,909,587	₱9,345,349	₱691,012	₱372,150	₱271,067	₱39,676,263
Depreciation and amortization (Notes 25, 26 and 27)	16,697	327,757	1,870,731	994,713	–	196,818	18,338	3,425,054
Disposals/retirements	(320)	(50,000)	(19,428)	(589,345)	–	(5,939)	(52,102)	(717,134)
Impairment (Note 27)	–	–	–	–	75,859	–	–	75,859
Reclassification to noncurrent assets held for sale (Note 31)	–	–	(26,064)	–	–	–	–	(26,064)
Translation adjustments	–	613	2,934	21,118	–	(20,729)	(7,020)	(3,084)
Balance at end of year	64,522	9,317,323	21,737,760	9,771,835	766,871	542,300	230,283	42,430,894
Net Book Value	₱2,346,644	₱5,067,227	₱9,061,513	₱3,849,422	₱4,326,862	₱1,564,633	₱69,553	₱26,285,854

Construction in progress pertains to cost of building the production facilities which is expected to be completed in 2022 to 2024.

To address the impact of the denial of the franchise application (as discussed in Note 1), the Company has entered into an agreement with its existing lenders to provide for the creation of mortgage and security interest over certain assets of the Company. The carrying value of assets mortgaged to secure the long-term debt of ABS-CBN as at September 30, 2022 and December 31, 2021 amounted to ₱6,753 million and ₱6,834 million, respectively (see Note 18).

Unamortized borrowing costs capitalized as part of property and equipment amounted to ₱1,772 million and ₱1,786 million as at September 30, 2022 and December 31, 2021, respectively. Borrowing costs capitalized in 2021 and 2020 amounted to nil.

The Company determined the consequences of the Resolution passed by the House Committee on Legislative Franchises denying the franchise application of the Parent Company and the lapse of the franchise of ABS-CBN Convergence, as impairment indicators on its nonfinancial assets. The Company recognized impairment losses amounting to ₱76 million, relating to its property and equipment in 2021 (see Note 27).

In 2022 and 2021, the Company sold certain property and equipment with carrying values of ₱119 million and ₱509 million, respectively. Gain on sale of properties amounted to ₱222 million and ₱184 million in 2022 and 2021, respectively (see Note 28).

11. Investment Properties

	September 30, 2022 (Unaudited – Nine Months)		
	Land	Building	Total
Cost:			
Balance at beginning of year	P–	P2,860	P2,860
Translation adjustments	–	423	423
Balance at end of year	–	3,283	3,283
Accumulated depreciation:			
Balance at beginning of year	–	1,566	1,566
Depreciation (Note 27)	–	120	120
Translation adjustments	–	235	235
Balance at end of year	–	1,921	1,921
Net book value	P–	P1,362	P 1,362

	December 31, 2021 (Audited – One Year)		
	Land	Building	Total
Cost:			
Balance at beginning of year	P135,928	P7,803	P143,731
Disposal	–	(5,426)	(5,426)
Reclassification to noncurrent assets held for sale (Note 31)	(135,928)	–	(135,928)
Translation adjustments	–	483	483
Balance at end of year	–	2,860	2,860
Accumulated depreciation:			
Balance at beginning of year	–	2,619	2,619
Depreciation (Note 27)	–	400	400
Disposal	–	(1,572)	(1,572)
Translation adjustments	–	119	119
Balance at end of year	–	1,566	1,566
Net book value	P–	P1,294	P1,294

The Parent Company owns a parcel of land for capital appreciation purposes costing P136 million. These properties are located in Scout Borromeo St. and Scout Bayoran St., Brgy. South Triangle, Diliman, Quezon City, and Sgt. Esguerra Avenue corners Scout Bayoran Street and Scout Borromeo Street, within Barangay South Triangle, Diliman, Quezon City. The fair value of the land, based on the latest appraisal reports dated February 14 and 20, 2020, amounted to P1.6 billion as determined by an independent appraiser accredited by the Philippine SEC 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. For Sales Comparison approach, the higher the rise per sqm., the higher the fair value. The significant unobservable input to valuation of the land is the price per square meter ranging from P115,000 to P250,000. The real estate was sold in 2022.

Direct operating expenses, which consist mainly of depreciation, amounted to P120 thousand and P298 thousand for the nine months ended September 30, 2022 and 2021, respectively.

12. Goodwill, Program Rights and Other Intangible Assets

	Goodwill	Program Rights	Movie In-Process and Filmed Entertainment	Story and Publication, Video Rights, and Record Master	Trademarks	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, 2021	₱4,743,970	₱2,116,565	₱991,222	₱110,677	₱1,111,784	₱439,820	₱232,826	₱3,000	₱396,682	₱37,807	₱10,184,353
Additions	–	113,219	40,959	862	–	–	–	–	92,118	–	247,158
Amortization (see Notes 25, 26 and 27)	–	(561,295)	(6,351)	(402)	–	(53,363)	–	–	–	–	(621,411)
Translation adjustments	37,699	–	–	–	–	–	–	(20)	–	–	37,679
Balance as at September 30, 2022	4,781,669	1,668,489	1,025,830	111,137	1,111,784	386,457	232,826	2,980	488,800	37,807	9,847,779
Less current portion	–	480,400	103,957	3,051	–	–	–	–	–	–	587,408
Noncurrent portion	₱4,781,669	₱1,188,089	₱921,873	₱108,086	₱1,111,784	₱386,457	₱232,826	₱2,980	₱488,800	₱37,807	₱9,260,371
Balance as at December 31, 2020	₱4,729,250	₱3,347,466	₱1,071,277	₱115,958	₱1,111,784	₱506,399	₱273,428	₱3,217	₱235,768	₱37,807	₱11,432,354
Additions	–	146,572	37,420	–	–	–	–	–	160,914	–	344,906
Amortization (see Notes 25, 26 and 27)	–	(888,251)	(117,475)	(5,281)	–	(66,579)	(40,602)	–	–	–	(1,118,188)
Impairment (see Note 27)	–	(489,222)	–	–	–	–	–	–	–	–	(489,222)
Translation adjustments	14,720	–	–	–	–	–	–	(217)	–	–	14,503
Balance as at December 31, 2021	4,743,970	2,116,565	991,222	110,677	1,111,784	439,820	232,826	3,000	396,682	37,807	10,184,353
Less current portion	–	617,136	82,194	2,466	–	–	–	–	–	–	701,796
Noncurrent portion	₱4,743,970	₱1,499,429	₱909,028	₱108,211	₱1,111,784	₱439,820	₱232,826	₱3,000	₱396,682	₱37,807	₱9,482,557

Goodwill

Goodwill arose from the following acquisitions and business combination:

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Sky Cable	₱4,491,817	₱4,491,817
ABS-CBN International*	289,852	252,153
	₱4,781,669	₱4,743,970

*Includes translation adjustments

Program Rights and Other Intangible Assets

Program rights include the acquired rights of the Company to air foreign and local films or programs for a certain period of time. As at September 30, 2022, the remaining useful life of program rights range from one to 24 years. Licenses with finite life include franchise of KidZania brand in the Philippines, acquired in 2012, by PII. License is fully impaired as of September 30, 2022 and December 31, 2021. In 2021, the Company cancelled its contract for certain program rights and recognized loss on extinguishment amounting to ₱80 million which is included in “Production costs” account in the interim condensed consolidated income statement (see Note 25).

The customer relationships acquired in a business combination relate to the core subscribers of the following:

- Sky Cable postpaid, prepaid and platinum, broadband and other subscribers at conversion date who have sustained their relationship with Sky Cable for more than a year
- Destiny Cable, Incorporated (DCI), Solid Broadband Corporation and UNI Cable TV, Inc. cable postpaid, prepaid and broadband subscribers
- Tri-Isys postpaid internet subscribers

The cable channels include Lifestyle Channel, Cinema One, and Myx Channel acquired by CPI from Sky Vision.

Production and distribution business for Middle East operations represent payments arising from the sponsorship agreement between Arab Digital Distribution (ADD) and ABS-CBN Middle East. This agreement grants the Company the right to operate in the Middle East with ADD as sponsor for a period of 25 years. The related contract expired in 2021 and management recognised impairment loss amounting to ₱38 million due to the uncertainty in contract renewal and adverse financial position of the major customer in 2020.

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

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Trademarks	₱1,111,784	₱1,111,784
IP Block	37,804	37,804
	₱1,149,588	₱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.

13. Financial Assets at Fair Value through Other Comprehensive Income

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Non-listed ordinary common and quoted club shares	₱34,095	₱41,658
	₱34,095	₱41,658

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.

In 2022 and 2021, the Company sold its investment in equity securities. In 2022, the fair value on the date of sale is ₱7 million and the accumulated gain recognized in other comprehensive income of ₱6.1 million was transferred to retained earnings. In 2021, the fair value on the date of sale is ₱473 million and the accumulated gain recognized in other comprehensive income of ₱446 million was transferred to retained earnings.

Movements in this account follow:

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Balance at beginning of year	₱41,658	₱61,846
Sale of investment	(900)	452,425
Unrealized fair value loss	(6,663)	(472,613)
Balance at end of year	₱34,095	₱41,658

14. Investments in Associates and Joint Ventures

Entity	Principal Activities	Percentage of Ownership	
		September 30, 2022	December 31, 2021
		(Unaudited)	(Audited)
Associates:			
Star Cinema Productions, Inc.	Services	45.0	45.0
The Flagship, Inc. (Flagship)	Services	40.0	40.0
Joint ventures:			
A CJ O Shopping Corporation (A CJ O)	Home shopping	50.0	50.0

Entity	Principal Activities	Percentage of Ownership	
		September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
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, 2022 (Unaudited)	December 31, 2021 (Audited)
Acquisition costs –		
Balance at beginning and end of year	₱853,049	₱853,049
Accumulated equity in net losses –		
Balance at beginning of year	(653,629)	(644,022)
Equity in net earnings (losses) during the year	511	(9,607)
Balance at end of year	(653,118)	(653,629)
Accumulated impairment loss –		
Balance at beginning of year	(77,645)	(47,645)
Impairment of investment in joint venture (see Note 27)	–	(30,000)
Balance at end of year	(77,645)	(77,645)
	₱122,286	₱121,775
Investments in:		
Joint ventures	₱19,108	₱18,597
Associates	103,178	103,178
	₱122,286	₱121,775

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, 2022 and December 31, 2021.

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.

On June 25, 2020, the stockholders and BOD of the Company approved a plan of liquidation and cessation of operations effective December 31, 2020. In November 2020, the Company discontinued its operations to prevent further losses.

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, 2022, Daum Kakao has returned capital of ₱364 million to the joint venturers.

Combined financial information of the joint ventures follows:

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Current assets	₱230,345	₱229,216
Noncurrent assets	67,243	67,243
Current liabilities	(117,180)	(117,122)
Net equity	₱180,408	₱179,337
Nine Months Ended September 30		
(Unaudited)		
	2022	2021
Revenue	₱1,233	₱1,308
Costs and expenses	(163)	(17,651)
Net income (loss)	₱1,070	(₱16,343)
Equity in net earnings (losses) of joint ventures	₱511	(₱8,157)

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, 2022 (Unaudited – Nine Months)				
	A C J O	ALA Sports	Daum Kakao	Total
Net assets of joint ventures	P89,558	P58,534	P32,316	P180,408
Interest of the Parent Company in the net assets of the joint ventures	50%	44%	50%	
	44,779	25,755	16,158	86,692
Accumulated impairment loss	(34,848)	(30,000)	(2,735)	(67,583)
Carrying amount of investments in joint ventures	P9,931	(P4,245)	P13,423	P19,109

December 31, 2021 (Audited – One Year)				
	A C J O	ALA Sports	Daum Kakao	Total
Net assets of joint ventures	P89,557	P58,137	P31,643	P179,337
Interest of the Parent Company in the net assets of the joint ventures	50%	44%	50%	
	44,779	25,580	15,822	86,180
Accumulated impairment loss	(34,848)	(30,000)	(2,735)	(67,583)
Carrying amount of investments in joint ventures	P9,931	(P4,420)	P13,087	P18,597

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, 2022 and 2021, the Company did not recognize equity in net income of Flagship because it is immaterial.

Investment in the other associate, Star Cinema Productions, Inc., has been reduced to zero due to accumulated equity in net losses. The net cumulative unrecognized net losses amounted to P17 million as at September 30, 2022 and 2021.

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

Combined financial information of associates follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Current assets	P138,670	P138,670
Noncurrent assets	26,886	26,886
Current liabilities	(62,378)	(62,378)
Net equity	P103,178	P103,178

15. Other Current Assets

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Creditable withholding and prepaid taxes	₱2,592,804	₱2,444,579
Restricted cash	155,407	620,368
Preproduction expenses	425,106	368,629
Advances to suppliers	341,908	408,542
Prepayments:		
Licenses	151,616	93,833
Rent	121,220	61,062
Subscription	25,739	34,751
Insurance	21,492	13,534
Transponder services	7,511	6,428
Contract cost assets (see Note 9)	32,107	35,472
Other prepayments	33,654	52,137
	₱3,908,564	₱4,139,335

Restricted cash pertains to funds intended for debt repayment and is not available for any disbursement transactions other than its specified purpose (see Note 18).

Advances to suppliers are generally applied against future billings within 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, 2022	December 31, 2021
	(Unaudited)	(Audited)
Tax credits - net of allowance for impairment	₱2,074,522	₱1,922,095
Deposits and bonds	363,244	360,015
Others	3,501	147,493
	₱2,441,267	₱2,429,603

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, 2022 and December 31, 2021.

Deposits and bonds pertain to advance payments which serves as either down payment or earnest money to show the Company's interest (reservation) in acquiring right of use over one's property or services from another property for a certain period of time.

17. Trade and Other Payables

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Trade	₱1,716,163	₱1,740,961
Accrued expenses:		
Production costs and other expenses	4,680,910	3,720,212
Salaries and other employee benefits (seenote 30)	1,832,255	1,277,988
Taxes	758,820	513,799
Interest	358,735	262,445
Customer deposits	1,009,317	1,400,163
Deposit for future subscription (see Notes 4 and 22)	1,360,416	1,360,416
Due to related parties (see Note 23)	33,963	44,481
Dividend payable	44,481	34,696
Others	296,972	252,016
	₱12,092,032	₱10,607,177

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, 2022 (Unaudited – Nine Months)			December 31, 2021 (Audited – One Year)		
	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion	Total
Parent Company	₱495,804	₱13,339,077	₱13,834,881	₱1,942,037	₱13,686,305	₱15,628,342
Sky Cable	49,620	4,562,088	4,611,708	62,845	4,564,670	4,627,515
	₱545,424	₱17,901,165	₱18,446,589	₱2,004,882	₱18,250,975	₱20,255,857

Parent Company

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

Term loans:	September 30, 2022 (Unaudited – Nine Months)			December 31, 2021 (Audited – One Year)		
	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion	Total
Loan agreements	₱495,804	₱13,339,077	₱13,834,881	₱1,942,037	₱13,686,305	₱15,628,342

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.
- (vi) On August 20, 2021, the Parent Company prepaid a portion of its principal with BPI and Unionbank amounting to ₱93.8 million and ₱114.4 million, respectively.
- (vii) On February 16, 2022, the Parent Company prepaid a portion of its principal with BPI and Unionbank amounting to ₱322.6 million and ₱396.8 million, respectively.

For the remainder of 2022, the proceeds from the sale of investment properties classified as noncurrent assets held for sale used to prepay a portion of its principal with BPI and Unionbank. Payments were made on June and August, 2022.

Based on the Company's assessment, the modifications in the contractual cash flows as a result of the actual and expected prepayments of its principal are not substantial. The difference of the net present value of the revised cash flows and the carrying amount of the original loan is recognized in the interim condensed consolidated statement of income amounting to ₱23.1 million.

The loan agreements contain provisions 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.

Part of the Parent Company's existing loan covenant with its creditors require it to possess a valid government license/franchise to operate certain businesses. The non-renewal of the franchise therefore had an adverse impact on the Parent Company's ability to comply with this loan provision (the "Franchise Expiration Default"). To address this, the Company entered into an agreement with its existing lenders in 2020 (the "Omnibus Security and Intercreditor Agreement") to provide for the creation of a mortgage and security interest over certain assets of the Company, the opening and maintenance of Debt Service Reserve Account, pre-payment of the ₱4.0 billion of its loans, and an amendment of existing loan agreements. The lenders agree that, upon satisfaction of the necessary conditions under the Omnibus Security and Intercreditor Agreement (the "Standstill Effective Date") and during the effectivity period of the standstill as specified in the Omnibus Security and Intercreditor Agreement, it shall not declare an event of default to the extent that it relates to the Franchise Expiration Default.

As of December 31, 2020, certain conditions under the Omnibus Security and Intercreditor Agreement were not satisfied. This resulted in the classification of the Parent Company's loans to current liabilities as of December 31, 2020 as provided for under PAS 1, *Presentation of Financial Statements*. The creditor banks executed the waiver for the financial ratio on May 14, 2021 and May 21, 2021. Moreover, on May 31, 2021, all the conditions specified under the Omnibus Security and Intercreditor Agreement were satisfied and accordingly, the Standstill Effective Date Notice was executed by all parties. These are considered as non-adjusting subsequent events for the interim condensed consolidated financial statements as of December 31, 2020.

As of December 31, 2021, the Parent Company received waivers from its creditor banks waiving the compliance with the relevant financial ratios for each of the quarters for the year ended December 31, 2021 and extends to each of the quarters in the year ending December 31, 2022. As a result of the receipt of these waivers as of December 31, 2021, the portion of the loans payable of the Parent Company which are payable in 2023 onwards were classified as non-current liabilities.

As of September 30, 2022, as a result of the execution of the Standstill Effective Date Notice and the receipt of waivers for the quarterly period starting from July 1, 2021 until December 31, 2022, the principal payment schedule remains as stipulated in the original loan agreements (i.e. the earliest maturity date is on 2025). Management believes that it will be able to satisfy the requirements of the creditor banks to retain the existing payment schedules, under the relevant loan agreements. The Omnibus Security and Intercreditor Agreement amended certain provisions of the loan agreements, which include, among others, the provision of collateral for the Parent Company's loans and changes in the affirmative and negative covenants in relation to sale of assets. The disclosure on the assets pledged as collateral are in Note 10. It also required maintaining debt reserve service account for debt repayment amounting to ₱155.4 million and ₱620.4 million as of September 30, 2022 and December 31, 2021, respectively (see Note 15).

Unamortized debt issue cost, presented as a deduction from the Company's outstanding loan, amounted to ₱36 million and ₱45 million as at September 30, 2022 and December 31, 2021, respectively.

Amortization of debt issue costs amounted to ₱9 million and ₱7 million for the nine months ended September 30, 2022 and 2021, respectively (see Note 28).

Breakdown of the Parent Company's term loans as at September 30, 2022 and December 31, 2021 follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Principal	₱13,871,306	₱15,673,573
Less unamortized transaction costs	36,425	45,231
	13,834,881	15,628,342
Less current portion	495,804	1,942,037
Noncurrent portion	₱13,339,077	₱13,686,305

Debt issue costs as at September 30, 2022 are amortized over the term of the loans using the effective interest method as follows:

Year	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Within one year	₱2,752	₱15,624
More than 1 year but less than 2 years	10,902	9,854
More than 2 years	22,771	19,753
	₱36,425	₱45,231

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

Year	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Within one year	₱255,393	₱1,957,661
More than 1 year but less than 2 years	281,421	233,921
More than 2 years	13,334,492	13,481,991
	₱13,871,306	₱15,673,573

Sky Cable

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

	September 30, 2022 (Unaudited – Nine Months)			December 31, 2021 (Audited – One Year)		
	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion	Total
Term loans:						
Unsubordinated loan	₱49,620	₱4,562,088	₱4,611,708	₱62,845	₱4,564,670	₱4,627,515
	₱49,620	₱4,562,088	₱4,611,708	₱62,845	₱4,564,670	₱4,627,515

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. Sky Cable fully paid the loan as of December 31, 2021.

c. Advances from STT

On December 23, 2021, STT granted Sky Cable a USD4.0million loan with an interest of 3.50% payable in 2 years. Debt issue costs incurred from this transaction amounted to ₱1.5 million and was deferred, and will be amortized until 2023 using the effective interest method. Interest expense amounted to ₱0.2 million in December 31, 2021.

As at September 30, 2022 and December 31, 2021, 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 ₱12 million and ₱15 million as at September 30, 2022 and December 31, 2021, respectively. Using the effective interest method, unamortized debt issue costs as at September 30, 2022 to be amortized are presented below:

Year	Amount
2022	₱1,237
2023	4,176
2024	2,887
2025 and onwards	3,552
	₱11,852

Amortization of debt issue costs amounted to (₱2) million and (₱13) million for the nine months ended September 30, 2022 and 2021, respectively (see Note 28).

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

Year	Amount
2022	₱34,409
2023	451,346
2024 and onwards	4,137,805

19. Obligations for Program Rights

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

The schedule of repayments as at September 30, 2022 and December 31, 2021 is as follows:

	September 30, 2022 (Unaudited – Nine Months)			December 31, 2021 (Audited – One Year)		
	Gross Value	Unamortized Discount	Carrying Value	Gross Value	Unamortized Discount	Carrying Value
Within one year	₱1,060	₱643	₱417	₱131,120	₱6,353	₱124,767
More than one year to four years	161,485	–	161,485	159,084	–	159,084
	₱162,545	₱643	₱161,902	₱290,204	₱6,353	₱283,851

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. In 2017, Sampaquita and Sky Cable agreed to retain the interest rate at 0% for the next three-year 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.

The carrying value of the convertible note amounted to ₱184 million and ₱173 million as at September 30, 2022 and December 31, 2021, respectively.

Accretion of the convertible note recognized as part of interest expense in the interim condensed consolidated statements of income amounted to ₱11 million for nine months ended September 30, 2022 and 2021 (see Note 28).

21. Other Noncurrent Liabilities

	September 30, 2022	September 31, 2021
	(Unaudited)	(Audited)
Customers' deposits	₱269,507	₱272,580
Deferred credits	69,853	9,674
Others	50,654	33,807
	₱390,014	₱316,061

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, 2022 and December 31, 2021 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 5,265 and 5,975 as at September 30, 2022 and December 31, 2021, 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, 2022 and December 31, 2021.

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 nil.

In 2022, the Company has share-based payment amounting to ₱296.4 million

ABS-CBN Stock Purchase Plan and Executive Stock Purchase Plan (SPP). From January 22, 2018 to February 9, 2018, the Parent Company offered to eligible participants its SPP 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 SPP 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 SPP subscription from participants of 11,391,500 common shares. As of September 30, 2022, remaining SPP subscription from participants is at 2,914,177 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, 2022, there are no exercisable shares under SPP.

The SPP 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.

In February 2022, the Company has provided an Employee Stock Plan that allowed employees to own shares of the Company as compensation for voluntary pay cuts that they took to help the Company in the past years.

Retained Earnings

Unappropriated retained earnings available for dividend distribution is adjusted to exclude the Parent Company's accumulated equity in net earnings of subsidiaries, associates and joint ventures amounting to ₱19,494 million and ₱18,983 million for the nine months ended September 30, 2022 and December 31, 2021, respectively.

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

On February 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. On May 27, 2021, the Company's BOD approved the release from appropriation, retained earnings of ₱16,200 million set aside for capital expenditures.

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, 2022 and December 31, 2021 are as follows:

	Treasury Shares	PDRs Convertible to Common Shares	Total	Amount
Balance at beginning of year	21,322,561	27,828,645	49,151,206	₱1,638,719
Sale of treasury shares	(21,322,561)	–	(21,322,561)	(1,094,551)
Balance at end of year	₱–	27,828,645	27,828,645	₱544,168

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.

On January 20, 2022, the Board approved the sale of its treasury shares and PDRs held by ABS-CBN, to interested qualified institutional buyers. On January 21, 2022, a block sale of 21,322,561 ABS-CBN common shares and 11,507,379 PDRs was completed at a price of ₱15.23 for each common share and for each PDR. The purchaser for the common shares and PDRs was ABS-CBN's principal shareholder, Lopez, Inc. at a total purchase price of ₱500 million.

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 10% 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)	
		2022	2021
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	₱64,367	₱63,339
Expenses and charges paid for by the Parent Company which are reimbursed by the concerned related parties	Rent and utilities	1,467	14,681

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, 2022 (Unaudited)	December 31, 2021 (Audited)
Due from (see Note 7)					
Iloilo-Negros Air Express Company (INAEC)	Affiliate under common control	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	₱87,472	₱103,004
ALA Sports	Joint Venture	30 days upon receipt of billings; noninterest-bearing	Unsecured, with impairment of ₱1.6 million in 2021	77,274	80,128
ABS-CBN Lingkod Kapamilya**	Corporate social responsibility sector of ABS-CBN	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	23,017	23,491
A C J O	Joint Venture	30 days upon receipt of billings; noninterest-bearing	Unsecured, with impairment of ₱0.2 million in 2021	15,676	12,986
First Philippine Holdings Corporation (FPHC)	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	8,407	3,964
Star Cinema	Associate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	8,343	8,343
Goldlink	Affiliate under common control	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	5,609	2,897
Lopez, Inc.	Parent	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	8,344	716
Rockwell Land Corporation (Rockwell Land)	Affiliate under common control	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	-	1,870
Knowledge Channel Foundation, Inc.	Affiliate under common control	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	2,980	2,929
ABS-CBN Holdings Corporation (Forward)	Stockholder	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	31	315

	Relationship*	Terms	Conditions	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
First Gas Power Corp.	Affiliate under common control	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, with impairment of ₱0.3 million in 2021	1,315	1,315
Others	Affiliates under common control	30 days upon receipt; noninterest-bearing	Unsecured, no impairment	2,784	2,822
Total				₱242,792	₱246,320

*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, 2022 (Unaudited)	December 31, 2021 (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	12,786	12,786
Others	Affiliates	30 days upon receipt of billings; noninterest-bearing	Unsecured	4,487	5,220
Total				₱33,963	₱34,696

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

- a. The Parent Company owns the program rights being aired in UHF Channel 23 of Amcara. Prior to the issuance of cease and desist order of NTC, the Parent Company has an existing blocktime agreement with Amcara for its provincial operations.
- b. Advances to employees and talents amounted to ₱892 million and ₱647 million as at September 30, 2022 and December 31, 2021, respectively (see Note 7).
- c. The Parent Company has advances to ALA Sports amounting to ₱77 million and ₱80 million as at September 30, 2022 and December 31, 2021, respectively.
- d. Other transactions with related parties include cash advances for working capital requirements.

The Company's Board of Directors reviews and approves those material transactions with related parties which are 10% or higher than the Company's total assets, 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. In 2021, the Company recognized provision for ECL relating to amounts owed by related parties amounting to ₱2 million. For the nine months ended September 30, 2022, 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)	
	2022	2021
Compensation (see Notes 25, 26 and 27)*	₱800,725	₱688,135
Share-based payment**	171,995	–
Termination benefits	132,072	161,009
Pension benefits (see Note 30)	32,143	28,283
Vacation leaves and sick leaves	25,098	25,142
	₱1,162,033	₱902,569

*This excludes the implemented payout from January 2021 to January 2022.

**This pertains to the 2022 Employee Stock Plan that allowed employees to own ABS-CBN shares as compensation for voluntary pay cuts that they took to help the Company.

24. Revenues

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

	Nine Months Ended September 30	
	(Unaudited)	
	2022	2021
Subscription revenue	₱7,514,120	₱7,959,817
Advertising revenue	4,863,185	3,771,271
Installation service revenue	148,463	29,188
Service fee revenue	46,304	31,770
Royalty income	44,525	82,263
Income from film exhibition	50,457	34,999
Sponsorship revenue	37,850	18,534
Sale of goods	14,728	8,800
Ancillary rights and other revenues	1,283,077	601,734
Total revenue from contracts with customers	14,002,709	12,538,376
Channel lease and other rental income	310,600	206,666
Total revenues	₱14,313,309	₱12,745,042

25. Production Costs

	Nine Months Ended September 30	
	(Unaudited)	
	2022	2021
Personnel expenses and talent fees (see Notes 23 and 30)	₱2,590,730	₱2,131,055
Facilities-related expenses (see Notes 23 and 31)	807,813	578,006
Amortization of program rights (see Note 12)	433,598	731,367
Depreciation and amortization (see Note 10)	430,853	520,626
Travel and transportation	248,908	187,734
Set requirements	252,866	148,634
License and royalty	78,542	31,664
(Forward)		

Nine Months Ended September 30
(Unaudited)

	2022	2021
Catering and food expenses	107,319	81,311
Other program expenses (see Note 23)	568,810	964,805
	₱5,519,439	₱5,375,202

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)

	2022	2021
Facilities-related expenses (see Notes 23 and 31)	₱1,892,442	₱1,912,621
Depreciation and amortization (see Note 10)	1,460,829	1,384,932
Personnel expenses (see Notes 23 and 30)	1,028,271	1,113,093
Bandwidth costs	562,317	482,008
Programming costs	314,874	579,690
Taxes and licenses	134,364	70,522
Amortization of program rights (see Note 12)	127,697	123,148
Transportation and travel	68,374	29,604
License fees and royalties	27,316	41,627
Stationery and office supplies	16,455	47,915
Catering and food expenses	5,885	2,831
Amortization of other intangible assets (see Note 12)	3,280	4,121
Freight and delivery	2,926	3,123
Set requirements	1,235	11,424
Inventory costs (see Note 8)	768	3,624
Amortization of deferred charges (see Note 15)	-	19
Others (see Note 23)	202,831	227,877
	₱5,849,864	₱6,038,179

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)	
	2022	2021
Inventory costs (see Note 8)	₱51,426	₱-
Others	9,109	17,867
	₱60,535	₱17,867

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

27. General and Administrative Expense

	Nine Months Ended September 30	
	(Unaudited)	
	2022	2021
Personnel expenses (see Notes 22, 23 and 30)	₱3,391,776	₱2,692,448
Contracted services	614,326	458,668
Facilities related expenses (see Notes 23 and 31)	465,946	456,769
Depreciation and amortization (see Notes 10 and 11)	395,352	502,224
Taxes and licenses	294,805	358,405
Transportation and travel	180,610	8,053
Provision for ECL (see Note 7)	164,166	153,085
Advertising and promotion (see Note 9)	141,349	106,596
Research and survey	132,355	201,419
Amortization of other intangible assets (see Note 12)	53,363	49,933
Donations and contributions	42,341	21,170
Entertainment, amusement and recreation	31,551	35,213
Provision for impairment loss	12,614	-
Provision for inventory obsolescence (see Note 8)	4,641	-
Others	262,652	676,603
	₱6,187,847	₱5,720,586

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

Others consists mainly of amortization of other deferred charges, catering and food expenses, stationery and office supplies, noncapitalized fixed assets, and dues, subscription and periodicals.

28. Other Income and Expenses

Finance Costs

	Nine Months Ended September 30 (Unaudited)	
	2022	2021
Interest expense (see Notes 18, 20 and 31)	₱830,583	₱710,080
Amortization of debt issue costs (see Note 18)	7,224	(2,434)
Bank service charges	7,254	6,991
	₱845,061	₱714,637

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

	Nine Months Ended September 30 (Unaudited)	
	2022	2021
Long-term debt (see Note 18)	₱790,134	₱671,022
Lease liability (see Note 32)	29,514	28,535
Convertible note (see Note 20)	10,935	10,523
	₱830,583	₱710,080

Other Income

	Nine Months Ended September 30 (Unaudited)	
	2022	2021
Gain on sale of investment properties	₱1,994,201	₱-
Gain on sale of property and equipment and other assets	222,208	1,527,773
Leasing operations (see Note 31)	103,648	92,238
Dividend income	-	7,245
Others - net (see Notes 20 and 21)	138,077	75,482
	₱2,458,134	₱1,702,738

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, 2022 (Unaudited)	December 31, 2021 (Audited)
Deferred tax assets - net:		
Accrued pension obligation and other employee benefits	₱322,296	₱270,295
Allowance for ECL	430,183	396,307
<i>(Forward)</i>		

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Excess of the purchase price over the fair value of net assets acquired	115,197	(268,423)
NOLCO	262,342	217,435
Lease liabilities	152,936	114,018
Accrued expenses	88,358	173,678
Contract liabilities	65,086	90,360
MCIT	22,170	20,393
Allowance for inventory obsolescence	20,268	19,402
Net unrealized foreign exchange (gain) loss	(22,050)	3,218
Customers' deposits	17,814	18,780
Allowance for impairment loss on property and equipment	2,684	2,684
Unearned revenue	9,528	912
Others	35,050	38,891
	₱1,521,862	₱1,097,950
Deferred tax liabilities -		
Capitalized interest, duties, and taxes	₱172,117	₱177,459
Imputed discount	70,447	70,447
Right-of-use asset - net	1,856	1,856
	₱244,420	₱249,762

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, 2022	December 31, 2021
	(Unaudited)	(Audited)
NOLCO	₱17,262,486	₱16,579,004
Allowance for ECL	11,818,308	11,807,830
Accrued pension obligation and others	8,086,861	5,665,268
Contract liabilities	312,035	2,619,702
Allowance for decline in value of inventories	733,407	733,407
Unearned revenue	599,081	460,483
Allowance for impairment loss	1,012,873	1,496,258
Lease liabilities	73,679	65,853
MCIT	87,697	46,318
Allowance for impairment loss on property and equipment	39,421	53,873

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 ₱593 million have expired in 2021. NOLCO amounting to ₱518 million and ₱128 million were claimed as deduction against taxable income in September 30, 2022 and December 31, 2021, respectively.

MCIT amounting to ₱175 million have expired and were written off in 2021.

MCIT amounting to ₱110 million can be claimed as tax credit against future RCIT as follows:

<u>Year Paid</u>	<u>Expiry Dates</u>	<u>Amount</u>
2019	December 31, 2022	₱7,403
2020	December 31, 2023	12,921
2021	December 31, 2024	35,032
2022	December 31, 2025	54,511
		₱109,867

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2021, the Group has incurred NOLCO before taxable year 2021 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

<u>Year Incurred</u>	<u>Availment Period</u>	<u>Amount</u>
2019	2020 to 2022	₱338,539

As of December 31, 2021, the Group has incurred NOLCO in taxable year 2021 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

<u>Year Incurred</u>	<u>Availment Period</u>	<u>Amount</u>
2020	2021 to 2025	₱12,893,359
2021	2022 to 2026	3,447,488
2022	2023 to 2027	966,670

As at September 30, 2022 and December 31, 2021, deferred tax liability on undistributed earnings of ABS-CBN Global, holding company of the Parent Company’s foreign subsidiaries, amounting to ₱812 million and ₱1,023 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)	
	2022	2021
Statutory tax rate	25%	25%
Additions to (reduction in) income taxes resulting from the tax effects of:		
Interest income subjected to final tax	0	0
Nondeductible interest expense	(12)	(4)
Change in unrecognized deferred tax assets and others	(26)	(26)
Effective tax rates	(13%)	(5%)

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.

CREATE bill

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following were the key changes to the Philippine tax law pursuant to the CREATE Act which had an impact on the Company:

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations.
- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax was repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 was considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 was computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT, 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Company would have been subjected to lower minimum corporate income tax rate of 1% effective July 1, 2020.

- Based on the provisions of Revenue Regulations (RR) No. 05-2021 dated April 08, 2021 issued by the BIR, the prorated CIT rate of the Company for CY2020 is 27.5%. It resulted in lower provision for current income tax for the year ended December 31, 2020, and higher creditable withholding taxes as of December 31, 2020 by ₱3.5 million. The effect of CREATE was reflected in the Parent Company and respective subsidiaries’ 2020 annual income tax return.

However, for financial reporting purposes, the changes were recognized in the 2021 financial statements.

Registration with the PEZA

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

On January 28, 2016, the PEZA approved the application of ABS-CBN Studios, Inc. for registration as an IT Export Enterprise for IT-enabled film and television content production at Barangay Sto. Cristo and Kaybanban, San Jose del Monte City, Bulacan which is an IT park to be known as “Horizon IT Park”.

On January 22, 2018, the PEZA approved the application of Rosetta Holdings Corporation for registration as an Ecozone Developer to establish, develop, administer, manage and operate the Horizon IT Park.

Registration with the Board of Investments

On April 8, 2015, the Board of Investments approved PII’s project as a New Operator of Tourism Entertainment Complex – Educational Theme Park and was granted income tax holiday for four years beginning April 2015. Total income tax holiday incentives availed by PII amounted to ₱3 million for the year ended December 31, 2019.

30. Pension and Other Employee Benefits

Accrued pension obligation and other employee benefits consist of:

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Pension obligation	₱5,878,170	₱5,555,875
Other employee benefits	1,606,397	1,454,392
	₱7,484,567	₱7,010,267

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

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Current (see Note 17)	₱182,965	₱159,306
Noncurrent	7,301,602	6,850,961
	₱7,484,567	₱7,010,267

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 and latest actuarial valuation report is as of December 31, 2021.

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)	
	2022	2021
Current service cost	₱141,084	₱183,359
Net interest cost	66,493	79,731
Net pension expense	₱207,577	₱263,090

Accrued Pension Obligation

	September 30,	December 31,
	2022	2021
	(Unaudited)	(Audited)
Present value of obligation	₱6,352,327	₱6,144,753
Fair value of plan assets	(474,157)	(588,878)
Accrued pension obligation	₱5,878,170	₱5,555,875

Income tax effect of re-measurement losses on defined benefit plan presented in OCI amounted to ₱93 million as at December 31, 2021.

The Parent Company and Sky Cable expects no contribution to be made to the retirement fund in 2022.

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

	September 30,	December 31,
	2022	2020
	(Unaudited)	(Audited)
Investment in fixed/floating rate treasury note	₱146,255	₱146,237
Investment in government securities and bonds	11,189	11,189
Investment in stocks	313,937	428,677
Others	2,776	2,775
	₱474,157	₱588,878

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

	December 31, 2021
Discount rate	4.89%-5.18%
Future salary rate increases	3.0%-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 99% and 1% as at September 30, 2022 and December 31, 2021, 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, 2022 and December 31, 2021 are as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Fixed Income:		
Short-term	₱3,457	₱3,439
Equities:		
Investment in shares of stock and other securities of related parties	307,623	422,362
	₱311,080	₱425,801

Short-term Fixed Income. Short-term fixed income investment includes investments in short term UITF including money market funds and short-term funds in 2022 and 2021.

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, 2022 (Unaudited – Nine Months)			
	Number of Shares	Cost	Fair Value	Unrealized Loss
ABS-CBN Holdings PDRs	34,903,160	₱1,515,862	₱330,658	(₱1,202,205)
ABS-CBN Common	501,320	24,052	3,965	(20,086)
	35,404,480	₱1,539,914	₱307,623	(₱1,232,291)

December 31, 2021 (Audited – One Year)				
	Number of Shares	Cost	Fair Value	Unrealized Gain (Loss)
ABS-CBN Holdings PDRs	34,903,160	₱1,515,862	₱416,045	(₱1,099,817)
ABS-CBN Common	501,320	24,052	6,317	(17,735)
	35,404,480	₱1,539,914	₱422,362	(₱1,117,552)

As at September 30, 2022 and December 31, 2021, the value of each ABS-CBN PDRs held by the retirement fund is at ₱8.70 and ₱11.92, respectively.

Total loss from investments in shares of stock and other securities of related parties amounted to ₱1,232 million and ₱1,086 million in 2022 and 2021, respectively.

Sky Cable and PCC

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

The fair value of Sky Cable's plan assets as at September 30, 2022 and December 31, 2021 are as follows:

	September 30, 2022 (Unaudited)	December 31, 2020 (Audited)
Short-term fixed income	₱2,775	₱2,775
Investment in medium and long-term fixed income:		
Government securities	142,799	142,799
Corporate bonds and debt securities	11,189	11,189
Unit investment trust fund	511	511
Preferred shares	5,803	5,803
	₱163,077	₱163,077

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, 2022 and December 31, 2021.

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 1.82% to 6.25% as at September 30, 2022 and December 31, 2021. These securities are fully guaranteed by the government of the Republic of the Philippines. Total loss from investments in government securities amounted to ₱1 million as at September 30, 2022 and December 31, 2021, respectively.

Investment in Corporate Bonds. These pertain to ₱11 million unsecured bonds with terms ranging from 5 to 10 years as at September 30, 2022 and December 31, 2021. Yield to maturity rate ranges from 3.29% to 7.51% with gains of ₱90 thousand in 2022 and 2021.

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)	
	2022	2021
Current service cost	₱113,259	₱97,221
Interest cost	38,746	71,539
Net benefit expense	₱152,005	₱168,760

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

	September 30,	December 31,
	2022	2021
	(Unaudited)	(Audited)
Defined benefit obligation at beginning of year	₱1,454,392	₱1,550,836
Current service cost	113,259	90,580
Interest cost	38,746	51,661
Actuarial loss	-	(177,443)
Benefits paid	-	(61,242)
Defined benefit obligation at end of year	₱1,606,397	₱1,454,392

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:

	2021
	Increase (Decrease) in
	Defined Benefit Obligation
Discount rate:	
Increase by 1%	(₱458,769)
Decrease by 1%	454,983
Future salary increases:	
Increase by 1%	₱479,275
Decrease by 1%	(502,840)

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

Year	December 31,
	2021
One year	839,088
More than one year but less than five years	1,916,645
More than five years but less than ten years	3,997,240
Beyond ten years	11,415,906

The average duration of the defined benefit obligation at the end of the period ranges from 13 to 22 years.

31. Noncurrent Assets Held for Sale

In 2021, the Company classified certain transmitter equipment and land under investment properties amounting to ₱37 million and ₱136 million, respectively, as noncurrent assets held for sale (see Notes 10 and 11). In February 2022, the Company sold its transmitter equipment for ₱99 million. In June 2022, the Company sold its investment properties for ₱951 million.

Noncurrent assets held for sale are included as part of “Content Production and Distribution” business segment in December 31, 2021 (see Note 5).

32. 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 ₱235 million and ₱277 million for the nine months ended September 30, 2022 and 2021, respectively.

Purchase Commitments

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

<u>Year</u>	<u>Amount*</u>
Within one year	₱280,924
After one year but not more than five years	58,371

**Includes variable fees based on the number of active subscribers as at September 30, 2022.*

Network Sharing Agreement

On May 28, 2013, ABS-CBN announced its network sharing agreement with Globe Telecom, Inc. (Globe). This partnership enables ABS-CBN to deliver ABS-CBN content and offer traditional telecommunication services on mobile devices. Through the network-sharing agreement, Globe will provide capacity and coverage on its existing cellular mobile telephony network to ABS-C on a

nationwide basis. The parties may also share assets such as servers, towers, and switches. The network sharing agreement with Globe expired on November 30, 2018 and was no longer renewed.

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, 2022	December 31, 2021
	(Unaudited)	(Audited)
Within one year	₱1,380	₱5,424
After one year but not more than five years	3,874	3,874
	₱5,254	₱9,298

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, 2022	December 31, 2020
	(Unaudited)	(Audited)
Cost –		
Balance at beginning of year	₱2,406,769	₱2,445,768
Additions	–	17,520
Disposals	(22,349)	(58,041)
Reclassifications	275,643	–
Translation adjustments	1,555	1,522
Balance at end of year	2,661,618	2,406,769
Accumulated Depreciation –		
Balance at beginning of year	772,583	643,217
Depreciation	264,345	215,156
Disposal	(21,833)	(58,041)
Reclassifications	140,147	–
Translation adjustments	(13,061)	(27,749)
Balance at end of year	1,142,181	772,583
Net Book Value	₱1,519,437	₱1,634,186

The rollforward analysis of lease liability follows:

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Balance at beginning of year	₱633,399	₱946,322
Additions	126,651	10,177
Interest expense	29,514	37,717
Interest paid	(29,514)	(37,717)
Termination	–	(43,180)
Payments	(109,513)	(284,948)
Translation adjustments	5,894	5,028
Balance at end of year	656,431	633,399
Less current portion	200,674	172,727
	₱455,757	₱460,672

33. 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 in as at September 30, 2022 and December 31, 2021.

The Company's approach focuses on efficiently allocating internally generated cash for operational requirements and investments to grow the existing business.

34. 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, 2022 and December 31, 2021. There are no material unrecognized financial assets and liabilities as at September 30, 2022 and December 31, 2021.

	September 30, 2022 (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)	₱303,673	₱293,305	₱–	₱–	₱293,305
Financial assets at FVOCI	34,095	34,095	–	–	34,095
	₱337,768	₱327,400	₱–	₱–	₱327,400

September 30, 2022 (Unaudited – Nine Months)					
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Liabilities					
Other financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	P18,446,589	P18,026,886	P-	P-	P18,026,886
Obligations for program rights	161,902	162,545	-	162,545	-
Convertible note	183,629	214,195	-	-	214,195
Customers' deposits (included as part of "Other noncurrent liabilities")	269,507	257,457	-	-	257,457
	P19,061,627	P18,661,083	P-	P162,545	P18,498,538

December 31, 2021 (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 interim condensed consolidated statements of financial position)	P307,891	P298,530	P-	P-	P298,530
Financial assets at FVOCI	41,658	41,658	-	41,658	-
	P349,549	P340,188	P-	P41,658	P298,530
Financial Liabilities					
Other financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	P20,255,857	P21,500,414	P-	P-	P21,500,414
Obligations for program rights	283,851	290,204	-	290,204	-
Convertible note	172,693	192,753	-	-	192,753
Customers' deposits (included as part of "Other noncurrent liabilities")	272,580	241,735	-	-	241,735
	P20,984,981	P22,225,106	P-	P290,924	P21,934,902

Fair Value of Financial Instruments

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

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

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

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

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

	Fair Value Assumptions
Term loans	Estimated fair value is based on the discounted value of future cash flows using the applicable risk-free rates for similar types of loans adjusted for credit risk. The interest rates used to

discount the future cash flows have ranged from 1.0% to 4.8% in 2022 and 2021.

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 2022 and 2021, 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 2.7% to 4.2% in 2022 and 2021.

There were no transfers between levels in the fair value hierarchy as at September 30, 2022 and December 31, 2021.

Offsetting of Financial Assets and Financial Liabilities

There is no offsetting of financial assets and financial liabilities as at September 30, 2022 and December 31, 2021.

35. 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)	
	2022	2021
Net loss attributable to equity holders of the Parent Company	(P1,781,639)	(P3,670,610)
Dividends on preferred shares	(4,000)	(4,000)
(a) Net loss attributable to common equity holders of the Parent Company	(P1,785,639)	(P3,674,610)
(b) Weighted average number of shares outstanding:		
At beginning and end of year	822,972,436	822,972,436
Basic/diluted EPS (a/b)	(P2.170)	(P4.465)

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

36. Note to Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities:

	January 1, 2022	Cash flows	Noncash changes	September 30, 2022
Term loans	P20,255,857	(P1,843,808)	34,540	18,446,589
Lease liabilities	633,399	(109,513)	132,545	656,431
Interest payable (Note 17)	262,445	(723,358)	819,648	358,735
Dividends payable (Note 17)	44,481	-	-	44,481
Deposits for future subscription (Note 17)	1,360,416	-	-	1,360,416
Total liabilities from financing activities	P22,556,598	(2,676,679)	P986,733	P20,866,652

	January 1, 2021	Net cash flows	Noncash changes	December 31, 2021
Term loans	P21,487,254	(P1,261,535)	P30,138	P20,255,857
Lease liabilities	946,322	(284,948)	(27,975)	633,399
Interest payable (Note 17)	239,139	(1,116,002)	1,139,308	262,445
Dividends payable (Note 17)	44,481	-	-	44,481
Deposits for future subscription (Note 17)	1,360,416	-	223	1,360,639
Total liabilities from financing activities	P24,077,612	(P2,662,485)	P1,141,694	P22,556,821

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

37. Contingent Liabilities and Other Matters

- a. 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, 2022, the hearing of this case is ongoing 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.
- b. 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.

38. Other Matters

COVID-19 Outbreak

The COVID-19 not only affected the health of people but also had severe effects to the economy and various businesses. The pandemic has affected the Company in terms of economic and social aspects

and work from home set up brought about by the government-imposed lockdown and alert levels in the country.

Refer to Notes 1 and Note 3 for additional discussions of how management considered the impact of COVID-19 to certain financial statement accounts.

Exhibit 1 – Aging of Accounts Receivable

As of September 30, 2022 (Unaudited)

	Neither Past Due nor Impaired	Past Due but not Impaired		Impaired	Allowance	Total
		Less than 30	30 Days and Over			
Trade receivables:						
Airtime	₱1,711,806	₱106,666	₱791,271	₱342,088	(₱342,088)	₱2,609,743
Subscriptions	293,608	16,638	158,881	1,666,805	(1,666,805)	469,127
Others	85,811	34,811	296,040	324,676	(324,676)	416,662
Nontrade receivables	326,440	253,921	1,505,029	563,914	(563,914)	2,085,390
Due from related parties	–	–	240,740	2,052	(2,052)	240,740
	₱2,417,665	₱412,036	₱2,991,961	₱2,899,535	(₱2,899,535)	₱5,821,662

As of December 31, 2021 (Audited)

	Neither Past Due nor Impaired	Past Due but not Impaired		Impaired	Allowance	Total
		Less than 30	30 Days and Over			
Trade receivables:						
Airtime	₱1,233,989	₱276,752	₱949,139	₱342,088	(₱342,088)	₱2,459,880
Subscriptions	261,150	31,526	380,444	1,427,951	(1,427,951)	673,120
Others	27,099	26,531	764,089	295,828	(295,828)	817,719
Nontrade receivables	385,583	16,992	554,163	493,922	(493,922)	956,738
Due from related parties	–	–	244,268	2,052	(2,052)	244,268
	₱1,907,821	₱351,801	₱2,892,103	₱2,561,841	(₱2,561,841)	₱5,151,725

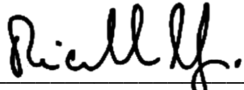
SIGNATURES

For the SEC 17-Q Third Quarter 2022 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:



RICARDO B. TAN, Jr.

Group Chief Financial Officer

Date: November 14, 2022