CR04219-2021

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
   Mar 31, 2021
2. SEC Identification Number
   1803
3. BIR Tax Identification No.
   000406761000
4. Exact name of issuer as specified in its charter
   ABS-CBN Corporation
5. Province, country or other jurisdiction of incorporation or organization
   Metro Manila
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   ABS-CBN Broadcasting Center, Sgt. Esguerra Ave. cor. Mother Ignacia Street Quezon City
   Postal Code
   1103
8. Issuer's telephone number, including area code
   (632)34152272
9. Former name or former address, and former fiscal year, if changed since last report
   Not Applicable
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	854,353,968

11. Are any or all of registrant's securities listed on a Stock Exchange?
    ◉ Yes ◯ No
    If yes, state the name of such stock exchange and the classes of securities listed therein:
    Philippine Stock Exchange - Common Shares
12. Indicate by check mark whether the registrant:

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

    ◉ Yes ◯ No

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

    ◉ Yes ◯ No

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	Mar 31, 2021
Currency (indicate units, if applicable)	PHP, in thousands

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Mar 31, 2021	Dec 31, 2020
Current Assets	16,600,193	18,682,887
Total Assets	56,100,492	58,926,177
Current Liabilities	27,960,530	28,399,335
Total Liabilities	40,837,801	41,727,326
Retained Earnings/(Deficit)	11,843,982	13,717,500
Stockholders' Equity	15,262,691	17,121,708
Stockholders' Equity - Parent	16,346,935	18,212,996
Book Value per Share	17.86	20.06

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	3,920,172	8,635,808	3,920,172	8,635,808
Gross Expense	5,773,588	9,145,109	5,773,588	9,145,109
Non-Operating Income	194,479	219,374	194,479	219,374
Non-Operating Expense	241,719	329,442	241,719	329,442
Income/(Loss) Before Tax	-1,900,656	-619,370	-1,900,656	-619,370
Income Tax Expense	42,968	131,802	42,968	131,802
Net Income/(Loss) After Tax	-1,943,624	-751,172	-1,943,624	-751,172
Net Income Attributable to Parent Equity Holder	-1,950,661	-763,301	-1,950,661	-763,301
Earnings/(Loss) Per Share (Basic)	-2.37	-0.93	-2.37	-0.93
Earnings/(Loss) Per Share (Diluted)	-2.37	-0.93	-2.37	-0.93

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	-17.64	-3.89
Earnings/(Loss) Per Share (Diluted)	-17.64	-3.89

Other Relevant Information
Amendment includes the corrected P/L figures in PSE disclosure form

Filed on behalf by:

Name	Ricardo Tan, Jr.

Designation	Group Chief Financial Officer

COVER SHEET

SEC Registration Number

							1	8	0	3

Company Name

ABS-CBN CORPORATION AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
IR@abs-cbn.com	**(632) 3415-2272**	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
6,105	**June 25**	**March 31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ricardo B. Tan, Jr.	**Rick_Tan@abs-cbn.com**	**(632) 3415-2272**	

Contact Person's Address

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

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

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

1. For the fiscal year ended: **March 31, 2021**

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

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

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

6. [ ] (SEC Use Only)
   Industry Classification Code:

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

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

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

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

Title of Each Class	Number of Shares of Stock Issued
Common Stock, P1.00 par value	**875,797,029 shares**
Preferred Stock, P0.20 par value	**1,000,000,000 shares**

Short-term & Long-term debt (current & non-current) **₱20.4 billion**

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

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

12. Check whether the issuer:

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

    Yes [✓]   No [ ]

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

    Yes [✓]   No [ ]

ABS-CBN CORPORATION
QUARTERLY REPORT

PART I - FINANCIAL INFORMATION

1. Management's Discussion and Analysis of Financial Condition and Results of Operations
2. Financial Statements
   - 2.1 Consolidated Statements of Financial Position
   - 2.2 Consolidated Statements of Income
   - 2.3 Consolidated Statements of Comprehensive Income
   - 2.4 Consolidated Statements of Changes in Equity
   - 2.5 Consolidated Statements of Cash Flows
   - 2.6 Notes to Financial Statements
   - 2.6.1 Business Segment and Geographical Segment Results (Note 5)
   - 2.6.2 Rollforward of Property and Equipment (Note 10)

PART II - OTHER FINANCIAL INFORMATION

EXHIBIT 1 – Aging of Accounts Receivables

SIGNATURES

ANNEX A

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

The following is a discussion and analysis of ABS-CBN Corporation and Subsidiaries' ("ABS-CBN" or the "Company") financial performance for the three-month periods ended March 31, 2021 and 2020.

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

The table below summarizes the results of operations for the three-month period ended March 31, 2021.

	1Q 2021	1Q 2020	Variance	
			Amount	%
Consolidated Revenues	**₱3,920**	**₱8,636**	**(₱4,716)**	**(54.6)**
Advertising Revenues	929	4,281	(3,352)	(78.3)
Consumer Sales	2,991	4,378	(1,364)	(31.3)
Sale of Services	*2,991*	*3,959*	*(968)*	*(24.5)*
Sale of Goods	-	*396*	*(396)*	*(100.0)*
Costs and Expenses	**5,774**	**9,145**	**(3,372)**	**(36.9)**
Production Costs	1,900	3,419	(1,520)	(44.4)
Cost of Sales and Services	2,017	2,641	(625)	(23.7)
General and Administrative Expenses (GAEX)	1,857	3,084	(1,227)	(39.8)
Financial Costs – net	**134**	**169**	**(35)**	**(20.5)**
Equity in Net Loss of Associates and Joint Ventures	**3**	**-**	**3**	**(1,216.2)**
Other Income – net	**(90)**	**(59)**	**(31)**	**53.5**
Net Income (Loss)	**(₱1,944)**	**(₱751)**	**(₱1,192)**	**158.7**
EBITDA	**(₱605)**	**₱785**	**(₱1,389)**	**(177.1)**

<u>Consolidated Revenues</u>

For the three-month period ended March 31, 2021, ABS-CBN generated consolidated revenues of ₱3.9 billion from advertising and consumer sales, ₱4.7 billion or 54.6% lower year-on-year.

Advertising revenues decreased by ₱3.4 billion or 78.3% lower, attributable to absence of the Company in the Free-to-Air advertising space following the cease-and-desist order issued by NTC on the Company's broadcast operations on May 5, 2020 and the eventual adoption of a Resolution denying the franchise application of the Company by the House Committee on Legislative Franchises on July 10, 2020. Consumer sales was similarly affected by the cease-and-desist order as this prohibited the Company in engaging in Sky Cable's DTH services and distribution of TV Plus Boxes. In addition, the impact of the COVID-19 outbreak resulted to the Company ceasing various ancillary operations such as Heroes Burger, Kidzania Manila and Studio XP. These unfortunate events resulted to a decrease in consumer revenues of ₱1.4 billion.

Comparative revenue mix is as follows:

	1Q 2021	1Q 2020
Advertising revenues	24%	50%
Consumer sales	76%	50%

Consolidated Costs and Expenses
Direct costs and expenses amounted to ₱5.8 billion, or a 36.9% decrease year-on-year.

In compliance by the Company on the directive by the Office of the President of the Philippines imposing stringent social distancing measures on March 15, 2020, the Company ceased production of content the same day. This cease on production was further extended after the cease-and-desist order issued by the NTC to the Company. The Company decided to align the number of programs based on the partnerships closed by the Company with various Free-to-Air operators. This alignment resulted to a reduction on production cost amounting to ₱1.5 billion or 44.4%

Due to the cumulative impact of the COVID-19 outbreak and the cease-desist order issued by the NTC, the Company was forced to cease its Food & Beverage, Live Experiences, TV Plus and Direct-to-Home business operations. This in turn resulted to reduction on cost of sales and services of ₱625 million or 23.7% decrease year-on-year.

Following the events of the franchise denial and the impact of COVID-19, the Company enforced stringent cost cutting measures to further manage the Company's financial performance. The Company's GAEX decreased by ₱1.2 billion or 39.8% compared to the previous year.

Net Loss and EBITDA
The Company incurred a ₱1.9 billion net loss for the three-month period ended March 31, 2021. EBITDA decreased to (₱605 million), a 177.1% decrease year-on-year.

Business Segments

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

Content Production and Distribution

- Entertainment
- News
- Global
- Film & Music
- Cable Networks
- Digital
- Live Events
- Themeparks *(Ceased in 2020)*
- Home Shopping *(Ceased in 2020)*
- Licensing & merchandising *(Ceased in 2020)*

Sky Cable

- Cable TV
- Broadband

The following analysis presents results of operations of the Company's business segments for the three-month period ended March 31, 2021:

Segment	Operating Revenue		Net Income	
	Q1 2021	**Q1 2020**	**Q1 2021**	**Q1 2020**
Content Production and Distribution	₱1,769	₱6,102	(₱1,976)	(₱849)
Cable & Broadband	2,151	2,534	32	98

A. Content Production and Distribution

Despite the non-renewal of the Company's franchise, ABS-CBN remained committed in producing meaningful and quality content to continue to be of service to the Filipino worldwide. The Company continued to look for ways to reach as many Filipino families as it could. A light was shed in reaching this goal came when the Company launched its Kapamilya Channel on cable TV last June 13, 2020, and its digital streaming channel "Kapamilya Online Live" on August 1, 2020, showcasing entertainment and news programs of ABS-CBN. On October 6, 2020, a new milestone was again reached by ABS-CBN where it was able to secure a partnership with Zoe Broadcasting to blocktime ABS-CBN's programs under the Channel 11 "A2Z". These initiatives allowed ABS-CBN to be welcomed back to Filipino households worldwide. Launching these platforms allowed the Company to generate ₱673 million in revenues during the 1st quarter of 2021.

The Company furthered its international reach by merging its proprietary digital application to "IwantTFC", and ungeoblocking of entertainment and news content in various regions across the world. The Company also distributed over 180 titles to various territories in Asia, Africa, Middle East and Europe as well as various Over-the-Top platforms generating over ₱56 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 ₱2.5 billion, despite the absence of DTH services.

Capital Expenditures

Capital expenditures and program rights acquisitions amounted to ₱691 million as of March 31, 2021.

Statement of Financial Position Accounts

As at March 31, 2021, total consolidated assets stood at ₱56.1 billion, 4.8% lower than total assets of ₱58.9 billion as of December 31, 2020.

Shareholders' equity decreased to ₱15.3 billion or 11.3% in March 31, 2021 compared to the previous year.

The company's net debt-to-equity ratio was at 1.10x and 0.88x as of March 31, 2021 and December 31, 2020, respectively.

EXHIBIT 1 – Aging of Accounts Receivable

As of March 31, 2021 (Unaudited)

	Neither Past Due nor Impaired	Past Due but not Impaired		Impaired	Allowance	Total
		Less than 30	30 Days and Over			
Trade receivables:						
Airtime	**₱537,137**	**₱174,659**	**₱1,954,378**	**₱347,267**	**(₱347,267)**	**₱2,666,174**
Subscriptions	**251,675**	**123,743**	**626,535**	**1,932,824**	**(1,932,824)**	**1,001,953**
Others	**130,711**	**80,565**	**344,352**	**354,721**	**(354,721)**	**555,628**
Nontrade receivables	**144,599**	**113,134**	**811,606**	**574,347**	**(574,347)**	**1,069,339**
Due from related parties	**–**	**–**	**81,780**	**–**	**–**	**81,780**
	₱1,064,122	**₱492,101**	**₱3,818,651**	**₱3,209,159**	**(₱3,209,159)**	**₱5,374,874**

As of December 31, 2020 (Audited)

	Neither Past Due nor Impaired	Past Due but not Impaired		Impaired	Allowance	Total
		Less than 30	30 Days and Over			
Trade receivables:						
Airtime	₱561,289	₱175,516	₱1,764,124	₱343,739	(₱343,739)	₱2,500,929
Subscriptions	342,184	5,881	921,762	1,920,192	(1,920,192)	1,269,827
Others	141,149	100,121	396,853	354,801	(354,801)	638,123
Nontrade receivables	145,572	113,134	827,706	574,347	(574,347)	1,086,412
Due from related parties	–	–	67,839	–	–	67,839
	₱1,190,194	₱394,652	₱3,978,284	₱3,193,079	(₱3,193,079)	₱5,563,130

SIGNATURES

For the SEC 17-Q First Quarter 2021 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: DocuSigned by:

A9DDB3A6A2D44FD...

RICARDO B. TAN, Jr.

Group Chief Financial Officer
Date: June 7, 2021

ABS–CBN Corporation and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements March 31, 2021
and for the Three Months Ended March 31, 2021 and 2020
(With Comparative Audited Consolidated Statements of Financial Position as at December 31, 2020)

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

							1	8	0	3

COMPANY NAME

A B S - C B N   C O R P O R A T I O N   A N D
S U B S I D I A R I E S

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A C F S	C R M D	N / A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
IR@abs-cbn.com	(632) 3415 - 2272	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
6,105	June 25	March 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ricardo B. Tan	Rick_Tan@abs-cbn.com	(632) 3415-2272	–

CONTACT PERSON's ADDRESS

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

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

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

ABS-CBN CORPORATION AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)

(Amounts in Thousands)

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱3,690,041**	₱6,429,726
Short-term investments (Note 6)	**10,706**	11,680
Trade and other receivables (Notes 7 and 23)	**5,374,874**	5,563,130
Inventories (Note 8)	**497,443**	524,905
Program rights and other intangible assets (Note 12)	**1,162,616**	1,011,070
Other current assets (Notes 9, 15 and 23)	**5,864,513**	5,142,376
Total Current Assets	**16,600,193**	18,682,887
Noncurrent Assets		
Property and equipment (Notes 10, 18 and 31)	**26,494,754**	26,758,264
Goodwill, program rights and other intangible assets - net of current portion (Note 12)	**9,998,688**	10,421,284
Financial assets at fair value through other comprehensive income (FVOCI) (Note 13)	**61,846**	61,846
Investment properties (Notes 11 and 18)	**141,066**	141,112
Investments in associates and joint ventures (Note 14)	**158,480**	161,382
Deferred tax assets (Note 29)	**1,693,715**	1,715,052
Other noncurrent assets (Notes 7, 16 and 23)	**951,750**	984,350
Total Noncurrent Assets	**39,500,299**	40,243,290
TOTAL ASSETS	**₱56,100,492**	₱58,926,177
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 4, 17, 23 and 30)	**₱9,899,978**	₱9,789,772
Contract liabilities (Note 9)	**933,720**	793,936
Income tax payable	**248,201**	218,521
Obligations for program rights (Note 19)	**570,539**	233,560
Current lease liabilities (Note 31)	**290,394**	310,088
Interest-bearing loans and borrowings (Notes 10, 11 and 18)	**16,017,698**	17,053,458
Total Current Liabilities	**27,960,530**	28,399,335
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Notes 10, 11 and 18)	**4,404,532**	4,433,796
Obligations for program rights - net of current portion (Note 19)	**–**	360,996
Accrued pension obligation and other employee benefits (Note 30)	**6,905,711**	6,958,955
Deferred tax liabilities (Note 29)	**353,730**	353,639
Noncurrent lease liabilities (Note 31)	**636,630**	636,234
Convertible note (Note 20)	**247,948**	243,477
Other noncurrent liabilities (Note 21)	**328,720**	340,894
Total Noncurrent Liabilities	**12,877,271**	13,327,991
Total Liabilities	**40,837,801**	41,727,326

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 22):		
Common	**₱872,124**	₱872,124
Preferred	**200,000**	200,000
Additional paid-in capital	**4,745,399**	4,745,399
Treasury shares and Philippine depository receipts convertible to common shares (Note 22)	**(1,638,719)**	(1,638,719)
Exchange differences on translation of foreign operations	**252,437**	244,980
Fair value reserves on financial assets at FVOCI (Note 13)	**71,712**	71,712
Retained earnings (Note 22)	**11,843,982**	13,717,500
Equity attributable to equity holders of the Parent Company	**16,346,935**	18,212,996
Noncontrolling Interests (Note 4)	**(1,084,244)**	(1,091,288)
Total Equity	**15,262,691**	17,121,708
TOTAL LIABILITIES AND EQUITY	**₱56,100,492**	₱79,244,536

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Amounts in Thousands, Except Per Share Amounts)

	Three Months Ended March 31 (Unaudited)	
	2021	2020
REVENUES (Notes 23, 24 and 31)	**₱3,920,172**	₱8,635,808
PRODUCTION COSTS (Notes 10, 12, 23, 25, 30 and 31)	**(1,899,639)**	(3,419,372)
COST OF SERVICES (Notes 8, 10, 12, 15, 23, 26, 30 and 31)	**(2,009,698)**	(2,373,318)
COST OF SALES (Notes 8, 10, 23, 26, 30 and 31)	**(6,911)**	(268,069)
GROSS PROFIT	**3,924**	2,575,049
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 7, 8, 10, 11, 12, 22, 23, 27, 30 and 31)	**(1,857,340)**	(3,084,350)
FINANCE COSTS (Notes 18, 20 and 28)	**(238,810)**	(329,702)
INTEREST INCOME (Note 6)	**3,185**	94,708
FOREIGN EXCHANGE GAINS - net	**101,326**	66,059
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES (Note 14)	**(2,909)**	260
OTHER INCOME - net (Notes 15, 21, 28 and 31)	**89,968**	58,606
LOSS BEFORE INCOME TAX	**(1,900,656)**	(619,370)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 29)		
Current	**76,371**	139,199
Deferred	**(33,403)**	(7,397)
	42,968	131,802
NET LOSS	**(₱1,943,624)**	(₱751,172)
Attributable to		
Equity holders of the Parent Company (Note 34)	**(₱1,950,661)**	(₱763,301)
Noncontrolling interests	**7,044**	12,129
	(₱1,943,617)	(₱751,172)
Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent Company (Note 34)	**(₱2.375)**	(₱0.932)

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)

	Three Months Ended March 31 (Unaudited)	
	2021	2020
NET LOSS	**(₱1,943,617)**	(₱751,172)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss not to be reclassified to profit and loss in subsequent periods:		
Fair value adjustments on financial assets at FVOCI - net of tax (Note 13)	**–**	(44,553)
	–	(44,553)
Other comprehensive income to be reclassified to profit and loss in subsequent periods:		
Exchange differences on translation of foreign operations	**7,457**	206,325
	7,457	206,325
OTHER COMPREHENSIVE INCOME	**7,457**	161,772
TOTAL COMPREHENSIVE LOSS	**(₱1,936,160)**	(₱589,400)
Attributable to:		
Equity holders of the Parent Company	**(₱1,943,204)**	(₱601,529)
Noncontrolling interests	**7,044**	12,129
	(₱1,936,160)	(₱589,400)

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED MARCH 31, 2021 AND DECEMBER 31, 2020

(Unaudited)

(Amounts in Thousands)

	Attributable to the Equity Holders of the Parent Company										
	Capital Stock (Note 22)		**Additional Paid-in Capital**	**Treasury Shares and Philippine Depository Receipts Convertible to Common Shares** (Note 22)	**Exchange Differences in Translation of Foreign Operations**	**Fair Value Reserves on Financial Assets At FVOCI** (Note 13)	**Retained Earnings** (Note 22)		**Total**	**Noncontrolling Interests** (Notes 17 and 20)	**Total Equity**
	Common	**Preferred**					**Appropriated**	**Unappropriated**			
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)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,950,661)**	**(1,950,661)**	**7,044**	**(1,943,617)**
Other comprehensive oss	**–**	**–**	**–**	**–**	**7,457**	**–**	**–**		**7,457**	**–**	**7,457**
Total comprehensive income (loss)	**–**	**–**	**–**	**–**	**7,457**	**–**	**–**	**(1,950,661)**	**(1,943,204)**	**7,044**	**(1,936,160)**
At March 31, 2021 (Unaudited)	**₱872,124**	**₱200,000**	**₱4,745,399**	**(₱1,638,719)**	**₱252,437**	**₱71,712**	**₱16,200,000**	**(₱4,356,018)**	**₱16,346,935**	**(₱1,084,244)**	**₱15,262,691**
At December 31, 2019 (Audited)	₱872,124	₱200,000	₱4,745,399	(₱1,638,719)	₱550,689	₱172,920	₱16,200,000	₱110,914,963	₱32,017,376	(₱926,171)	₱31,091,205
Net income (loss)	–	–	–	–	–	–	–	(763,301)	(763,301)	12,129	(751,172)
Other comprehensive income (loss)	–	–	–	–	206,325	(44,553)	–	–	161,772	–	161,772
Total comprehensive income (loss)	–	–	–	–	206,325	(44,553)	–	(763,301)	(601,529)	12,129	(589,400)
At March 31, 2020 (Unaudited)	₱872,124	₱200,000	₱4,745,399	(₱1,638,719)	₱757,014	₱128,367	₱16,200,000	₱10,151,662	₱31,415,847	(₱914,042)	₱30,501,805

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)

	Three Months Ended March 31 (Unaudited)	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱1,900,649)**	(₱619,370)
Adjustments to reconcile income before tax to net cash flows:		
Depreciation and amortization (Notes 10 and 11)	**765,901**	824,627
Amortization of:		
Program rights and other intangibles (Note 12)	**504,117**	765,523
Debt issue costs (Note 28)	**4,501**	4,545
Deferred charges (Note 26)	**19**	90
Interest expense (Note 28)	**232,305**	321,089
Net unrealized foreign exchange loss	**101,561**	51,347
Movements in accrued pension obligation and other employee benefits (Note 30)	**(53,244)**	(286,902)
Gain on sale of property and equipment (Notes 10 and 28)	**(43,183)**	(1,602)
Interest income (Notes 6 and 23)	**(3,185)**	(94,708)
Equity in net losses (gains) of associates and joint ventures (Note 14)	**2,902**	(260)
Working capital changes:		
Decrease (increase) in:		
Other current assets	**(712,249)**	(568,876)
Trade and other receivables	**217,117**	930,300
Inventories	**27,472**	48,679
Increase (decrease) in:		
Contract liabilities	**176,844**	(174,761)
Trade and other payables	**59,287**	668,597
Obligations for program rights	**(27,049)**	(129,825)
Other noncurrent liabilities	**(12,083)**	(67,925)
Cash generated from (used in) operations	**(659,616)**	1,670,568
Income taxes paid	**(46,691)**	(153,167)
Net cash provided by (used in) operating activities	**(706,307)**	1,517,401
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property and equipment (Notes 5 and 10)	**(686,323)**	(667,792)
Goodwill, program rights and other intangible assets (Notes 12 and 35)	**(230,621)**	(359,998)
Proceeds from sale of property and equipment	**224,238**	111,325
Decrease in other noncurrent assets	**(18,906)**	(569,206)
Interest received	**5,480**	30,195
Decrease in short-term investments	**974**	1,988,663
Net cash provided by (used in) investing activities	**(705,158)**	533,187

(Forward)

	Three Months Ended March 31 (Unaudited)	
	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Long-term debt (Note 18)	**(₱1,069,741)**	(₱98,286)
Interest	**(257,855)**	(272,714)
Lease liabilities (Note 35)	**(20,233)**	(71,958)
Net cash used in financing activities (Note 35)	**(1,347,829)**	(442,958)
EFFECTS OF EXCHANGE RATE CHANGES AND TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**19,609**	19,778
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,739,685)**	1,630,001
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**6,429,726**	12,169,917
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱3,690,041**	₱13,799,918

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

1. **Corporate Information**

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

On May 5, 2020, the National Telecommunications Commission (NTC) issued a Cease and Desist Order (CDO) to the Parent Company, prohibiting its continuing broadcast operations effective immediately.

On June 30, 2020, the NTC issued a CDO to the Parent Company to cease its digital TV transmission in Metro Manila using channel 43

On July 10, 2020, the House Committee on Legislative Franchises (regular and ex-officio members) voted to adopt a resolution denying the franchise application of the Parent Company (the "Resolution"). The core operation of the Parent Company depends on the legislative franchise and therefore is a key determinant of the Parent Company's ability to continue as a going concern. This resolution affected the Company's Media, Network and Studio Entertainment operations as it prevents the Parent Company from engaging in the free-to-air business in the Philippines under the Parent Company's legislative franchise. This resulted in a net loss of ₱13,531 million and negative operating cash flows of ₱2,405 million for the year ended December 31, 2020, and current assets and current liabilities as of December 31, 2020 amounting to ₱18,683 million and ₱28,399 million, respectively. There are also several factors, including the impact of COVID-19, that can continue to significantly affect the planned activities of the Company to ensure its continuing operations. These factors have affected and can continue to affect the Company's future compliance with certain provisions of its existing loan covenants.

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, the Company was still in the process of completing certain conditions in the Omnibus Security and Intercreditor Agreement. On May 31, 2021, all the conditions specified in the Omnibus Security and Intercreditor Agreement were satisfied and accordingly, the Standstill Effective Date Notice was executed by all parties. See Note 18 for additional discussions on the Parent Company's loan agreements.

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 2020 audited annual consolidated financial statements, comprising the consolidated statements of financial position as at December 31, 2020 and 2019, 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, 2020, 2019 and 2018, issued and approved on June 3, 2021 (referred to as the "2020 audited annual consolidated financial statements").

Changes in Accounting Policies and Disclosures

Several other amendments and interpretations apply for the first time in 2021, 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 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2.*

  The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

  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 March 31, 2021 and December 31, 2020:

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest 2021	Effective Interest 2020
Content Production and Distribution					
Global:					
ABS-CBN Global Ltd. (ABS-CBN Global)[(a) (j)]	Cayman Islands	Holding company	United States dollar (USD)	**100.0**	100.0
ABS-CBN Europe Ltd. (ABS-CBN Europe)[(b)(c) (j)]	United Kingdom	Cable and satellite programming services	Great Britain pound (GBP)	**100.0**	100.0
ABS-CBN Japan, Inc. (ABS- CBN Japan)[(d) (j) €]	Japan	Cable and satellite programming services	Japanese yen (JPY)	**100.0**	100.0
ABS-CBN Middle East FZ-LLC (ABS-CBN Middle East)[(b) (j)]	Dubai, UAE	Cable and satellite programming services	United Arab Emirates dirham (AED)	**100.0**	100.0
ABS-CBN Global Hungary Kft. (ABS-CBN Hungary) [(j)]	Budapest, Hungary	Holding company	USD	**100.0**	100.0
Makati Kft. [(j)]	Budapest, Hungary	Holding company	USD	**100.0**	100.0
ABS-CBN International, Inc. (ABS-CBN International)[(j) (n)]	California, USA	Cable and satellite programming services	USD	**100.0**	100.0
ABS-CBN Australia Pty. Ltd. (ABS-CBN Australia)[(j) (k)]	Victoria, Australia	Cable and satellite programming services	Australian dollar (AUD)	**100.0**	100.0
ABS-CBN Canada, ULC (ABS-CBN Canada)[(j) (k)]	Canada	Cable and satellite programming services	Canadian dollar (CAD)	**100.0**	100.0
ABS-CBN Telecom North America, Inc.[(j) (k)]	California, USA	Telecommunications	USD	**100.0**	100.0
Films and Music:					
ABS-CBN Film Productions, Inc. (ABS-CBN Films)	Philippines	Movie production	Philippine peso	**100.0**	100.0
Cinescreen, Inc. (Cinescreen) [(f)]	Philippines	Theater operator	Philippine peso	**100.0**	100.0
Narrowcast					
Creative Programs, Inc. (CPI) [(v)]	Philippines	Content development, publishing and programming services	Philippine peso	**100.0**	100.0
Others:					
ABS-CBN Europe Remittance Inc.[(d) (j) (y)]	United Kingdom	Services - money remittance	GBP	**100.0**	100.0
E-Money Plus, Inc.[(b)]	Philippines	Services - money remittance	Philippine peso	**100.0**	100.0
ABS-CBN Global Remittance Inc.[(j) (k) (y)]	California, USA	Services - money remittance	USD	**100.0**	100.0
ABS-CBN Canada Remittance Inc.[(j) (n) (y)]	Canada	Services - money remittance	CAD	**100.0**	100.0
ABS-CBN Center for Communication Arts, Inc.[(e)]	Philippines	Educational/training	Philippine peso	**100.0**	100.0
ABS-CBN Global Cargo Corporation[(t)]	Philippines	Non-vessel operations common carrier	Philippine peso	**100.0**	100.0
ABS-CBN Integrated and Strategic Property Holdings, Inc.	Philippines	Real estate	Philippine peso	**100.0**	100.0
ABS-CBN Shared Service Center PTE. Ltd.[(j) (m)]	Singapore	Services - support	Singapore dollar (SGD)	**100.0**	100.0
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 2021	2020
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 Sapientis*
[r] *With branch in Korea*
[s] *A subsidiary of Sky Cable where Sky Cable effectively owns more than 50% interest*
[t] *In liquidation*
[u] *On July 7, 2017, the SEC approved the incorporation of ABS-CBN Themed Experiences. ABS-CBN Themed Experiences was established primarily to design, build, develop, manage, operate and maintain theme and amusement parks, hotels, restaurants, coffee shops, refreshment parlors and other attractions and facilities.*
[v] *On September 18, 2018, the SEC approved the merger of CPI and ABS-CBN Publishing with the former being the surviving entity.*
[w] *In 2012, ABS-CBN acquired additional interest in Sky Vision increasing its economic interest to 24.8%. On the same year, Lopez, Inc. also executed a proxy in favor of ABS-CBN assigning its voting rights in Sky Vision. As a result, ABS-CBN has a voting interest of 75% in Sky Vision since 2012. Sky Vision is the holding company of Sky Cable, where ABS-CBN has an economic interest of 57.4% in 2014. In 2015, ABS-CBN purchased additional shares in Sky Vision increasing its economic interest on Sky Vision and Sky Cable to 75% and 59.4%, respectively.*
[x] *In 2014, CPI and Sky Cable entered into an agreement to form a joint venture company. Medianow, which was incorporated on August 22, 2014, is 78.7% effectively owned by the Company in 2014. As a result of the acquisition of additional interest in Sky Vision, economic interest on Medianow increased to 79.7% in 2015.*
[y] *On June 30, 2018, ABS-CBN Europe Remittance Inc., ABS-CBN Global Remittance Inc. and ABS-CBN Canada Remittance Inc. ceased operations.*
[z] *On March 12, 2019, the SEC approved the incorporation of Chosen Bun. Chose Bun was established primarily to raise, process, manufacture and package all kinds of food products; to establish, operate, manage and maintain restaurants, coffee shops, and refreshments parlors; to serve and cater foods, drinks, refreshments and other food or commodities.*
[aa] *On June 18, 2019, the SEC approved the incorporation of Probabilistic Insights, Inc. Probabilistic Insights, Inc. was established primarily to provide software products and data science services including but not limited to management consulting, marketing services such as direct marketing, database marketing, workshop facilitation and marketing training.*
[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 March 31, 2021 are disclosed in the next section. The Company intends to adopt these standards, if applicable, when these become effective.

Effective beginning on or after January 1, 2022

- 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.

- 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.

- 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.

- *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.

  - 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.

  - 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.

Effective beginning on or after January 1, 2023

- 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.

- PFRS 17, *Insurance Contracts.*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure.

  This standard is not applicable to the Company.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.* The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The Company continues to assess the impact of the new and amended accounting standards and interpretations effective subsequent to March 31, 2021 interim condensed consolidated 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, key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are consistent with those applied in the most recent annual financial statements.

<u>Judgments</u>
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 Company's Media, Networks, and Studio Entertainment operations, specifically the Parent Company's free-to-air business in the Philippines which resulted in a net loss of ₱13,531 million and negative operating cash flows of ₱2,404 million for the year ended December 31, 2020, and current assets and current liabilities as of December 31, 2020 amounting to ₱18,683 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 factors have affected and may continue to affect the Company's future compliance with certain provisions of its existing loan covenants (see Note 18).

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 it's 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 takes into consideration the probable shift of consumer behavior in terms of accessing content, as well as, the ever-changing technology available to the public. The Company has also implemented the un-geoblocking of digital content for various regions overseas to allow more consumers to have free and easy access to the Company's contents. Likewise, the Company takes into consideration the impact of COVID-19 in other business segments.
4. 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.
5. The Parent Company will closely coordinate with its creditor banks and negotiate for waivers of certain covenants as the need arises. 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.
6. 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.

<u>Estimates and Assumptions</u>
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 ₱40 million and ₱103 million for the three months ended March 31, 2021 and 2020, respectively (see Notes 7 and 27). Trade and other receivables, net of allowance for ECL, amounted to ₱5.4 billion and ₱5.6 billion as at March 31, 2021 and December 31, 2020, respectively. Allowance for ECL amounted to ₱3.2 billion as at March 31, 2021 and December 31, 2020 (see Note 7).

Recoverability of Goodwill, Cable Channels, Trademarks, Licenses and IP Block. The Company performs recoverability testing annually or more frequently when there are indications of impairment for goodwill and intangible assets with indefinite lives. Until December 31, 2018, the Company has identified that cable channels of CPI, trademarks, licenses and IP block have indefinite lives. Effective January 1, 2019, in view of the change in the expected pattern of economic benefits from the assets, the Company revised the estimated useful life and amortization method of cable channels from indefinite life to 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. A 1-4% perpetuity growth rate was assumed at the end of the five-year forecast period.

a. Operating Expenses

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

b. Gross Margins

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

c. 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 8.0% to 9.5% in 2021 and 2020.

Similar to the impact on nonfinancial assets of the lapse of the ABS-CBN Convergence's legislative franchise, the Company recognized impairment losses on its goodwill and license – wireless business amounting to ₱577 million and ₱985 million in 2019 (see Note 12).

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

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

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

Employee leave entitlements that is expected to be settled within one year from reporting date is classified as a current liability in the consolidated statement of financial position. Otherwise, this is classified as part of the noncurrent portion of other employee benefits liability. Accrued pension obligation and other employee benefits of the Company amounted to ₱7.1 billion and ₱7.0 billion as March 31, 2021 and December 31, 2020, respectively (see Note 30).

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

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

Leases - Estimating the Incremental Borrowing Rate (Effective January 1, 2019). The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating) (see Note 31).

Seasonality of Operations

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

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 March 31, 2020, the PDR instruments remain unissued.

Material Noncontrolling Interests
Financial information of subsidiaries that have material noncontrolling interests is provided below.

Proportion of Equity Interest Held by Noncontrolling Interests

Company	Place of Incorporation	Percentage **March 31, 2021** (Unaudited)	December 31, 2020 (Audited)
Sky Cable Corporation and Subsidiaries	Philippines	**40.6%**	40.6%
Sapientis Holdings Corporation and Subsidiaries	Philippines	**30.7%**	30.7%

Accumulated Earnings (Losses) of Material Noncontrolling Interests

Company	**March 31, 2021** (Unaudited)	December 31, 2020 (Audited)
Sapientis Holdings Corporation and Subsidiaries	**(₱2,468,217)**	(₱2,516,768)
Sky Cable Corporation and Subsidiaries	**1,845,080**	1,835,110
ABS-CBN Theme Parks and Resorts Holdings, Inc. and Subsidiaries	**(480,067)**	(428,308)

Net Income (Loss) Attributable to Material Noncontrolling Interests

	Three Months Ended March 31 (Unaudited)	
Company	**2021**	2020
Sky Cable Corporation and Subsidiaries	**₱12,639**	₱36,046
ABS-CBN Theme Parks and Resorts Holdings, Inc. and Subsidiaries	**(3,942)**	(8,933)
Sapientis Holdings Corporation and Subsidiaries	**(1,657)**	(14,984)

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

a. Sky Cable

Summarized Consolidated Statements of Financial Position

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash and cash equivalents	**₱1,239,479**	₱2,210,729
Other current assets	**2,860,251**	2,711,920
Goodwill	**4,491,817**	4,491,817
Trademarks	**1,111,784**	1,111,784
Customer relationships	**489,754**	506,399
Other noncurrent assets	**15,565,121**	15,622,703
Current liabilities	**(6,266,491)**	(7,179,925)
Noncurrent liabilities	**(7,452,735)**	(7,468,392)

Summarized Consolidated Statements of Comprehensive Income

	Three Months Ended March 31 (Unaudited)	
	2021	2020
Revenue	**₱2,150,719**	₱2,533,968
Cost of services	**(1,666,644)**	(1,890,710)
General and administrative expenses	**(409,967)**	(459,226)
Finance costs	**(66,814)**	(78,233)
Other income - net	**35,061**	31,376
Income before income tax	**42,355**	137,175
Provision for income tax	**10,410**	44,672
Net income	**31,945**	92,503
Total comprehensive income	**₱31,945**	₱92,503

Summarized Consolidated Statements of Cash Flows

	Three Months Ended March 31 (Unaudited)	
	2021	2020
Operating	**₱719,944**	₱561,586
Investing	**(584,857)**	(544,861)
Financing	**(1,106,337)**	(183,796)
Net decrease in cash and cash equivalents	**(₱971,250)**	(₱167,071)

b. Sapientis

Summarized Consolidated Statements of Financial Position

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash and cash equivalents	**₱1,709**	₱8,211
Other current assets	**867,687**	849,756
Current liabilities	**(6,037,767)**	(6,015,409)
Noncurrent liabilities	**(3,007,755)**	(3,007,664)

Summarized Consolidated Statements of Comprehensive Income

	Three Months Ended March 31 (Unaudited)	
	2021	2020
Cost of services	**₱–**	(₱1,705)
General and administrative expenses	**(5,195)**	(30,176)
Noncash expenses	**–**	(16,981)
Finance costs	**(212)**	(295)
Other income – net	**36**	–
Loss before income tax	**(5,371)**	(49,157)
Provision for (benefit from) income tax	**53**	(315)
Net loss	**(5,424)**	(48,842)
Total comprehensive loss	**(₱5,424)**	(₱48,842)

Summarized Consolidated Statements of Cash Flows

	Three Months Ended March 31 (Unaudited)	
	2021	2020
Operating	**₱1,909**	(₱35,004)
Investing	**(804)**	(232,947)
Financing	**(2,011)**	268,245
Net increase (decrease) in cash and cash equivalents	**(₱906)**	₱294

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.

As result of the events disclosed in Note 1, the Company ceased various operating businesses and has formed two reportable segments namely, Content Production and Distribution and Cable and Broadband. The Company has further restated the 2020 comparative information to conform with the 2020 reporting segmentation.

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

	Three Months Ended March 31 (Unaudited)	
	2021	2020
Consolidated EBITDA	**(₱618,659)**	₱784,572
Depreciation and amortization	**(765,901)**	(824,627)
Amortization of intangible assets**	**(282,468)**	(348,389)
Finance costs*	**(236,806)**	(325,634)
Interest income	**3,185**	94,708
Provision for (benefit from) income tax	**(42,968)**	(131,802)
Consolidated net income (loss)	**(₱1,943,617)**	(₱751,172)

**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 three months ended March 31, 2021 and 2020 and certain asset and liability information regarding business segments as of March 31, 2021 and December 31, 2020:

	Content Production and Distribution		Cable and Broadband		Eliminations		Consolidated	
	2021	2020	**2021**	2020	**2020**	2019	**2020**	2019
Revenue								
External sales	**₱1,819,185**	₱6,294,799	**₱2,150,719**	₱2,533,968	**₱–**	₱–	**₱3,969,904**	₱8,828,767
Inter-segment sales	**476,406**	1,143,308	**–**	–	**(476,406)**	(1,143,308)	**–**	–
Revenue deductions	**(49,732)**	(291,911)	**–**	–	**–**	98,952	**(49,732)**	(192,959)
Total revenue	**₱2,245,859**	₱7,146,196	**₱2,150,719**	₱2,533,968	**(₱476,406)**	(₱1,044,356)	**₱3,920,172**	₱8,635,808
Results								
Operating results	**(₱2,057,423)**	(₱514,510)	**₱74,108**	₱184,032	**₱129,899**	(₱178,823)	**(₱1,853,416)**	(₱509,301)
Finance costs	**(236,840)**	(317,212)	**(66,814)**	(78,233)	**64,844**	65,743	**(238,810)**	(329,702)
Foreign exchange gains (losses) - net	**63,729**	302,868	**7,097**	1,372	**30,500**	(238,181)	**101,326**	66,059
Interest income	**16,240**	106,090	**1,879**	4,451	**(14,934)**	(15,833)	**3,185**	94,708
Equity in net earnings (losses) of associates and joint ventures	**73,542**	260	**–**	–	**(76,444)**	–	**(2,902)**	260
Other income - net	**206,871**	199,158	**26,085**	25,553	**(142,988)**	(166,105)	**89,968**	58,606
Income tax	**(32,558)**	(87,130)	**(10,410)**	(44,672)	**–**	–	**(42,968)**	(131,802)
Net income (loss)	**(₱1,966,439)**	(₱310,476)	**₱31,945**	₱92,503	**(₱9,123)**	(₱533,199)	**(₱1,943,617)**	(₱751,172)
EBITDA							**(₱618,659)**	₱784,572
EBITDA Margin							**(16%)**	9%
Assets and Liabilities								
Operating assets	**₱33,018,815**	₱35,457,299	**₱24,412,484**	₱24,478,669	**(₱3,183,002)**	(₱2,886,225)	**₱54,248,297**	₱57,049,743
Investments in associates and joint ventures	**16,076,185**	15,957,614	**1,562**	1,562	**(15,919,267)**	(15,797,794)	**158,480**	161,382
Deferred tax assets	**605,104**	433,848	**1,123,399**	1,315,992	**(34,788)**	(34,788)	**1,693,715**	1,715,052
Total assets	**₱49,700,104**	₱51,848,761	**₱25,537,445**	₱25,796,223	**(₱19,137,057)**	(₱18,718,807)	**₱56,100,492**	₱58,926,177
Operating liabilities	**₱14,529,356**	₱14,881,647	**₱7,260,971**	₱6,710,426	**(₱3,589,230)**	(₱3,408,838)	**₱18,201,097**	₱18,183,235
Contract liabilities	**64,392**	64,392	**869,328**	692,484	**–**	–	**933,720**	756,876
Interest-bearing loans and borrowings	**15,959,347**	16,033,607	**5,005,439**	5,996,203	**(542,556)**	(542,556)	**20,422,230**	21,487,254
Deferred tax liability	**353,730**	353,639	**–**	–	**–**	–	**353,730**	353,639
Lease liabilities	**159,509**	173,468	**772,277**	777,616	**(4,762)**	(4,762)	**927,024**	946,322
Total liabilities	**₱31,066,334**	₱31,506,753	**₱13,908,015**	₱14,176,729	**(₱4,136,548)**	(₱3,956,156)	**₱40,837,801**	₱41,727,326
Other Segment Information								
Capital expenditures:								
Property and equipment	**₱106,849**	₱1,101,867	**₱579,474**	₱3,233,871	**₱–**	₱–	**₱686,323**	₱4,335,738
Intangible assets	**165,200**	967,086	**65,421**	51,935	**–**	–	**230,621**	1,019,021
Depreciation and amortization	**930,433**	5,189,742	**473,211**	1,979,908	**(133,626)**	(1,409,098)	**1,270,018**	5,760,552
Noncash expenses other than depreciation and amortization	**7,124**	372,862	**37,341**	786,670	**–**	–	**44,465**	1,159,532

Geographical Segment Data

The following tables present revenue and expenditure for the nine months ended March 31, 2021 and 2020 and certain asset information regarding geographical segments as of March 31, 2021 and December 31, 2020:

	Philippines		United States		Others		Eliminations		Consolidated	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Revenue										
External sales	**₱3,206,546**	₱7,690,636	**₱466,962**	₱642,150	**₱296,396**	₱495,981	**₱–**	₱–	**₱3,969,904**	₱8,828,767
Inter-segment sales	**476,406**	1,143,308	**–**	–	**–**	–	**(476,406)**	(1,143,308)	**–**	–
Revenue deductions	**(49,732)**	(291,911)	**–**	–	**–**	–	**–**	98,952	**(49,732)**	(192,959)
Total revenue	**₱3,633,220**	₱8,542,033	**₱466,962**	₱642,150	**₱296,396**	₱495,981	**(₱476,406)**	(₱1,044,356)	**₱3,920,172**	₱8,635,808
Assets										
Operating assets	**₱51,677,799**	₱54,268,951	**₱1,672,621**	₱1,511,933	**₱4,025,773**	₱4,101,334	**(₱3,183,002)**	(₱2,886,225)	**₱54,193,191**	₱56,995,993
Contract assets	**55,106**	53,750	**–**	–	**–**	–	**–**	–	**55,106**	53,750
Investments in associates and joint ventures	**16,077,747**	15,959,176	**–**	–	**–**	–	**(15,919,267)**	(15,797,794)	**158,480**	161,382
Deferred tax assets - net	**1,561,152**	1,585,052	**137,777**	143,880	**29,574**	20,908	**(34,788)**	(34,788)	**1,693,715**	1,715,052
Total assets	**₱69,371,804**	₱71,866,929	**₱1,810,398**	₱1,655,813	**₱4,055,347**	₱4,122,242	**(₱19,137,057)**	(₱18,718,807)	**₱56,100,492**	₱58,926,177
Liabilities										
Operating liabilities	**₱17,946,961**	₱17,505,656	**₱353,819**	₱451,536	**₱3,489,547**	₱3,634,881	**(₱3,589,230)**	(₱3,408,838)	**₱18,201,097**	₱18,183,235
Contract liabilities	**933,720**	756,876	**–**	–	**–**	–	**–**	–	**933,720**	756,876
Interest-bearing loans and borrowings	**20,964,786**	22,029,810	**–**	–	**–**	–	**(542,556)**	(542,556)	**20,422,230**	21,487,254
Deferred tax liability	**353,730**	353,639	**–**	–	**–**	–	**–**	–	**353,730**	353,639
Lease liabilities	**779,132**	943,944	**6,698**	6,995	**145,956**	145	**(4,762)**	(4,762)	**927,024**	946,322
Total liabilities	**₱40,978,329**	₱41,589,925	**₱360,517**	₱458,531	**₱3,635,503**	₱3,635,503	**(₱4,136,548)**	(₱3,956,156)	**₱40,837,801**	₱41,727,326
Other Segment Information										
Capital expenditures:										
Property and equipment	**₱686,013**	₱4,331,634	**₱310**	₱3,430	**₱–**	₱674	**₱–**	₱–	**₱686,323**	₱4,335,738
Intangible assets	**230,621**	1,019,021	**–**	–	**–**	–	**–**	–	**230,621**	1,019,021

6. Cash and Cash Equivalents and Short-term Investments

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash on hand and in banks	**₱3,089,251**	₱3,548,320
Cash equivalents	**600,780**	2,881,406
	₱3,690,031	₱6,429,726

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 and ₱12 million as at March 31, 2010 and December 31, 2020, respectively, and with maturities of more than three months but less than one year are classified as "Short-term investments" in the consolidated statements of financial position.

Interest earned from cash and cash equivalents and short-term investments amounted to ₱3 million and ₱95 million for the three months ended March 31 2021, and 2020, respectively.

7. Trade and Other Receivables

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade:		
Airtime	**₱3,013,441**	₱2,844,668
Subscriptions	**2,934,777**	3,190,019
Others	**910,349**	992,924
Due from related parties (see Note 23)	**81,780**	67,839
Advances to employees and talents (see Note 23)	**1,143,106**	1,076,449
Others	**500,580**	584,310
	8,584,033	8,756,209
Less allowance for ECL	**3,209,159**	3,193,079
	₱5,374,874	₱5,563,130

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

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

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

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

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

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

Other receivables include interest receivable.

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

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Less than 30 days	**₱89,452**	₱89,615
31 to 90 days	**85,576**	84,673
	₱175,028	₱174,288

Allowance for ECL

Movements in the allowance for ECL are as follows:

	Trade				
	Airtime	Subscriptions	Others	Nontrade	Total
Balance at January 1, 2020	₱342,847	₱1,516,872	₱361,842	₱296,536	₱2,518,097
Provisions (see Note 27)	892	864,326	660	279,788	1,145,666
Write-offs and others	–	(461,006)	(7,701)	(1,977)	(470,684)
Balance at December 31, 2020	343,739	1,920,192	354,801	574,347	3,193,079
Provisions (see Note 27)	**3,528**	**36,436**	**–**	**–**	**39,964**
Write-offs and others	**–**	**(23,804)**	**(80)**	**–**	**(23,884)**
Balance at March 31, 2021	**₱347,267**	**₱1,932,824**	**₱354,721**	**₱574,347**	**₱3,209,159**

8. Inventories

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
At cost:		
Office supplies	**₱4,933**	₱1,647
At net realizable value:		
Merchandise inventories	**457,745**	464,454
Materials, supplies and spare parts	**34,765**	58,804
	₱497,443	₱524,905

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.

Cost of sales related to digital boxes amounting to nil and ₱265 million for the three months ended March 31, 2021 and 2020, respectively, is recorded as part of "Inventory costs" under the "Cost of sales" account in the interim condensed consolidated statements of income (see Note 26). Total inventory costs recognized under "Cost of sales and services" amounted to ₱1 million and ₱297 million for the three months ended March 31, 2021 and 2020, respectively (see Note 26).

The cost of inventories carried at net realizable value amounted to ₱1,106million as at March 31, 2021 and 2020. Inventory losses amounted to nil for the three months ended March 31, 2021 and 2020 (see Note 27).

9. Contract Cost Assets and Contract Liabilities

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Contract cost assets (see Note 15)	**₱55,106**	₱53,750
Contract liabilities	**933,720**	793,936

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 ₱27 million for the year ended December 31, 2020 (see Note 27).

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 ₱212 million for the year ended December 31, 2020. Contract liabilities are usually recognized as revenues within one year from receipt.

10. Property and Equipment

				March 31, 2021 (Unaudited – Three Months)				
						Right-of-use assets		
	Land and Land Improvements	**Buildings and Improvements**	**Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment**	**Other Equipment**	**Construction in Progress**	**Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment**	**Buildings and Improvements**	**Total**
Cost								
Balance at beginning of year	**₱2,240,547**	**₱13,549,916**	**₱27,862,148**	**₱13,560,712**	**₱6,775,436**	**₱2,104,292**	**₱341,476**	**₱66,434,527**
Additions	**2,864**	**2,177**	**427,446**	**89,382**	**164,454**	**–**	**–**	**686,323**
Disposals/retirements	**–**	**–**	**(678)**	**(272,866)**	**–**	**–**	**–**	**(273,544)**
Reclassifications	**–**	**324**	**–**	**68,780**	**(69,104)**	**–**	**–**	**–**
Translation adjustments	**(1,966)**	**(112)**	**(1,179)**	**(7,606)**	**(30)**	**226**	**270**	**(10,397)**
Balance at end of year	**2,241,445**	**13,552,305**	**28,287,737**	**13,438,402**	**6,870,756**	**2,104,518**	**341,746**	**66,836,909**
Accumulated Depreciation and Amortization								
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 (see Notes 25, 26 and 27)	**1,804**	**76,049**	**430,121**	**223,284**	**–**	**28,467**	**6,078**	**765,803**
Disposals/retirements	**–**	**382**	**43,422**	**(136,293)**	**–**	**–**	**–**	**(92,489)**
Translation adjustments	**–**	**(97)**	**(750)**	**(6,473)**	**–**	**(18)**	**(84)**	**(7,422)**
Balance at end of year	**49,949**	**9,115,287**	**20,382,380**	**9,425,867**	**691,012**	**400,599**	**277,061**	**40,342,155**
Net Book Value	**₱2,191,496**	**₱4,437,018**	**₱7,905,357**	**₱4,012,535**	**₱6,179,744**	**₱1,703,919**	**₱64,685**	**₱26,494,754**

				December 31, 2020 (Audited – One)				
						Right-of-use assets		
	Land and Land Improvements	Buildings and Improvements	Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Other Equipment	Construction in Progress	Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Buildings and Improvements	Total
Cost								
Balance at beginning of year	₱2,224,315	₱13,018,483	₱25,768,241	₱12,877,039	₱8,248,022	₱856,056	₱1,023,253	₱64,015,409
Additions	–	27,421	1,434,926	597,569	979,181	1,238,947	57,694	4,335,738
Disposals/retirements	(1,016)	(399,773)	(380,835)	(258,999)	(70,341)	(15,084)	(687,729)	(1,813,777)
Reclassifications	21,928	925,664	1,062,237	370,907	(2,380,736)	–	–	–
Translation adjustments	(4,680)	(21,879)	(22,421)	(25,804)	(690)	24,373	(51,742)	(102,843)
Balance at end of year	2,240,547	13,549,916	27,862,148	13,560,712	6,775,436	2,104,292	341,476	66,434,527
Accumulated Depreciation, Amortization and Impairment								
Balance at beginning of year	41,726	8,709,026	18,354,583	8,557,848	268,622	239,073	370,790	36,541,668
Depreciation and amortization (see Notes 25, 26 and 27)	7,491	425,608	1,949,397	970,237	–	117,344	120,128	3,590,205
Disposals/retirements	(1,016)	(121,100)	(372,952)	(235,158)	–	(7,773)	(203,919)	(941,918)
Impairment (see Note 27)	–	28,859	–	73,252	422,390	–	–	524,501
Translation adjustments	(56)	(3,440)	(21,441)	(20,832)	–	23,506	(15,932)	(38,193)
Balance at end of year	48,145	9,038,953	19,909,587	9,345,349	691,012	372,150	271,067	39,676,263
Net Book Value	₱2,192,402	₱4,510,963	₱7,952,561	₱4,215,363	₱6,084,424	₱1,732,142	₱70,409	₱26,758,264

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

Certain property and equipment of Sky Cable and PCC with a carrying value of ₱492 million as at December 31, 2009 were pledged as collateral to secure the long-term debt of Sky Cable. As part of the refinancing of the restructured long-term debt of Sky Cable in 2010, creditors of Sky Cable, executed a deed of release of property from indenture lien and cancellation of mortgage. As at March 31, 2021, the cancellation of mortgage annotations with the remaining register of deeds located in some provinces is still in process (see Note 18).

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 March 31, 2021 and December 31, 2020 amounted to ₱7,254 million (see Note 18).

Unamortized borrowing costs capitalized as part of property and equipment amounted to ₱1,857 million and ₱1,814 million as at March 31, 2021 and December 31, 2020, respectively. Borrowing costs capitalized in 2021 and 2020 amounted to ₱50 million and ₱200 million, respectively. Borrowing cost capitalization rates in 2021 and 2020 are 5.335%.

The Company determined the consequences of the Resolution passed by the House Committee on Legislative Franchises denying the franchise application of the Parent Company and the lapse of the franchise of ABS-CBN Convergence, as impairment indicators on the its nonfinancial assets. The Company recognized impairment losses amounting to ₱525 million, relating to its property and equipment in 2020.

11. **Investment Properties**

	March 31, 2021 (Unaudited – Three Months)		
	Land	**Building**	**Total**
Cost:			
Balance at beginning of year	**₱135,928**	**₱7,803**	**₱143,731**
Translation adjustments	**–**	**79**	**79**
Balance at end of year	**135,928**	**7,882**	**143,810**
Accumulated depreciation:			
Balance at beginning of year	**–**	**2,619**	**2,619**
Depreciation (see Note 27)	**–**	**98**	**98**
Translation adjustments	**–**	**27**	**27**
Balance at end of year	**–**	**2,744**	**2,744**
Net book value	**₱135,928**	**₱5,138**	**₱141,066**

	December 31, 2020 (Audited – One Year)		
	Land	Building	Total
Cost:			
Balance at beginning of year	₱171,644	₱43,961	₱215,605
Disposal	(33,874)	(33,874)	(67,748)
Translation adjustments	(1,842)	(2,284)	(4,126)
Balance at end of year	135,928	7,803	143,731
Accumulated depreciation:			
Balance at beginning of year	–	16,913	16,913
Depreciation (see Note 27)	–	1,563	1,563
Disposal	–	(14,890)	(14,890)
Translation adjustments	–	(967)	(967)
Balance at end of year	–	2,619	2,619
Net book value	₱135,928	₱5,184	₱141,112

The Parent Company owns a parcel of land for capital appreciation purposes costing ₱136 million as at March 31, 2021 and December 31, 2020. The fair value of the land, based on the latest appraisal reports dated February 14 and 20, 2020, amounted to ₱1.6 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.

Land and building with carrying value of ₱57 million as at December 31, 2019, pertain to a parcel of land purchased by ABS-CBN International, with a two-storey house constructed thereon, located in Redwood City, California, USA. The real property, which was acquired in July 2008 at a purchase price of US$1.4 million (₱67 million), was intended to be held by ABS-CBN International as investment properties. To fund the acquisition, ABS-CBN International obtained a loan from Citibank, North America amounting to US$1 million (₱50 million) for which the property was pledged as collateral (see Note 18). The real estate was sold on November 25, 2020.

Rental income derived from the investment properties amounted to nil and ₱656 thousand for the three months ended March 31, 2021 and March 31, 2020, respectively. Direct operating expenses, which consist mainly of depreciation, amounted to ₱98 thousand and ₱426 thousand for the three months ended March 31, 2021 and March 31, 2020, 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, 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	**–**	**5,498**	**159,702**	**–**	**–**	**–**	**–**	**–**	**65,421**	**–**	**230,621**
Amortization (see Notes 25, 26 and 27)	**–**	**(265,823)**	**(220,083)**	**(1,566)**	**–**	**(16,645)**	**–**	**–**	**–**	**–**	**(504,117)**
Translation adjustments	**2,508**	**–**	**–**	**–**	**–**	**–**	**–**	**(62)**	**–**	**–**	**2,446**
Balance as at March 31, 2021	**4,731,758**	**3,087,141**	**1,010,896**	**114,392**	**1,111,784**	**489,754**	**273,428**	**3,155**	**301,189**	**37,807**	**11,161,304**
Less current portion	**–**	**1,149,049**	**11,056**	**2,511**	**–**	**–**	**–**	**–**	**–**	**–**	**1,162,616**
Noncurrent portion	**₱4,731,758**	**₱1,938,092**	**₱999,840**	**₱111,881**	**₱1,111,784**	**₱489,754**	**₱273,428**	**₱3,155**	**₱301,189**	**₱37,807**	**₱9,998,688**
Balance as at December 31, 2019	₱4,742,164	₱4,421,023	₱1,072,891	₱121,353	₱1,111,784	₱563,636	₱367,974	₱47,743	₱183,833	₱38,957	₱12,671,358
Additions	–	107,682	811,231	48,173	–	–	–	–	51,935	–	1,019,021
Amortization (see Notes 25, 26 and 27)	–	(1,181,239)	(736,777)	(53,568)	–	(57,237)	(94,546)	(6,324)	–	(1,150)	(2,130,841)
Impairment (see Note 27)	–	–	(76,068)	–	–	–	–	(37,943)	–	–	(114,011)
Translation adjustments	(12,914)	–	–	–	–	–	–	(259)	–	–	(13,173)
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
Less current portion	–	859,244	149,300	2,526	–	–	–	–	–	–	1,011,070
Noncurrent portion	₱4,729,250	₱2,488,222	₱921,977	₱113,432	₱1,111,784	₱506,399	₱273,428	₱3,217	₱235,768	₱37,807	₱10,421,284

Goodwill

Goodwill arose from the following acquisitions and business combination:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Sky Cable	**₱4,491,817**	₱4,491,817
ABS-CBN International*	**239,941**	237,433
	₱4,731,758	₱4,729,250

**Includes translation adjustments*

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

	Trademarks	**IP Block**	**Total**
Balance as at December 31, 2020	**₱1,111,784**	**₱37,804**	**₱1,149,588**
Additions	**–**	**–**	**–**
Balance as at March 31, 2021	**₱1,111,784**	**₱37,804**	**₱1,149,588**

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

13. Financial Assets at Fair Value through Other Comprehensive Income

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Quoted equity securities	**₱25,317**	₱25,317
Non-listed ordinary common and quoted club shares	**36,529**	36,529
	₱61,846	₱61,846

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 2020, the Parent Company sold various of its investment in equity securities. The fair value on the date of sale is ₱236 million and the accumulated gain recognised in other comprehensive income of ₱136 million was transferred to retained earnings.

Quoted equity securities generated dividends amounting to nil and ₱7.9 million March 31, 2021 and December 31, 2020, respectively.

Movements in this account follow:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of year	**₱61,846**	₱263,126
Sale of investment	**–**	(100,131)
Unrealized fair value loss	**–**	(101,149)
Balance at end of year	**₱61,846**	₱61,846

14. Investments in Associates and Joint Ventures

		Percentage of Ownership	
Entity	Principal Activities	**March 31, 2021** (Unaudited)	December 31, 2020 (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
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:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Acquisition costs –		
Balance at beginning and end of year	**₱853,049**	₱1,035,049
Return of investment in joint venture	–	(182,000)
Balance at end of year	**853,049**	853,049
Accumulated equity in net losses –		
Balance at beginning of year	**(644,022)**	(596,388)
Equity in net losses during the year	**(2,902)**	(47,634)
Balance at end of year	**(646,924)**	(644,022)
Accumulated impairment loss –		
Balance at beginning of year	**(47,645)**	(12,797)
Impairment of investment in joint venture	–	(34,848)
Balance at end of year	**(47,645)**	(47,645)
	₱158,480	₱161,382

Investments in:		
Joint ventures	**₱55,302**	₱58,204
Associates	**103,178**	103,178
	₱158,480	₱161,382

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 March 31, 2021 and December 31, 2020..

a. Investments in Joint Ventures

i. A CJ O

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

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 August 20, 2020 Daum Kakao has returned capital of ₱364 million to the joint venturers.

Combined financial information of the joint ventures follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Current assets	**₱219,457**	₱250,824
Noncurrent assets	**70,250**	73,758
Current liabilities	**(94,878)**	(120,262)
Noncurrent liabilities	**(1,991)**	(5,681)
Net equity	**₱192,838**	₱198,639

	Three Months Ended March 31 (Unaudited)	
	2021	2020
Revenue	**₱1,145**	₱112,175
Costs and expenses	**(6,946)**	(111,903)
Net income (loss)	**(₱5,801)**	₱272
Equity in net earnings (losses) of joint ventures	**(₱2,902)**	₱260

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

	March 31, 2021 (Unaudited – Three Months)			
	A CJ O	**ALA Sports**	**Daum Kakao**	**Total**
Net assets of joint ventures	**₱102,468**	**₱58,894**	**₱31,476**	**₱192,838**
Interest of the Parent Company in the net assets of the joint ventures	**50%**	**44%**	**50%**	
	51,234	**25,913**	**15,738**	**92,885**
Accumulated impairment loss	**(34,848)**	**–**	**(2,735)**	**(37,583)**
Carrying amount of investments in joint ventures	**₱16,386**	**₱25,913**	**₱13,003**	**₱55,302**

	December 31, 2020 (Audited – One Year)			
	A CJ O	ALA Sports	Daum Kakao	Total
Net assets of joint ventures	₱108,394	₱58,875	₱31,370	₱198,639
Interest of the Parent Company in the net assets of the joint ventures	50%	44%	50%	
	54,197	25,905	15,685	95,787
Accumulated impairment loss	(34,848)	–	(2,735)	(37,583)
Carrying amount of investments in joint ventures	₱19,349	₱25,905	₱12,950	₱58,204

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 three months ended March 31, 2021 and 2020, the Company did not recognize equity in net income of Flagship because it is immaterial.

Investment in the other associate, Star Cinema Productions, Inc., has been reduced to zero due to accumulated equity in net losses. The net cumulative unrecognized net losses amounted to ₱17 million as at March 31, 2021 and 2020.

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

Combined financial information of associates follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Current assets	**₱101,085**	₱101,085
Noncurrent assets	**26,886**	26,886
Current liabilities	**(62,378)**	(62,378)
Net equity	**₱65,593**	₱65,593

15. Other Current Assets

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Creditable withholding and prepaid taxes	**₱3,594,289**	₱3,215,324
Restricted cash	**702,858**	695,471
Advances to suppliers	**660,772**	674,858
Preproduction expenses	**270,006**	236,906
Prepayments:		
Rent	**211,558**	57,513
Licenses	**132,195**	109,152
Subscription	**51,854**	66,268
Insurance	**24,677**	6,428
Transponder services	**6,428**	3,564
Contract cost assets (see Note 9)	**55,106**	53,750
Other prepayments	**154,770**	23,142
	₱5,864,513	₱5,142,376

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

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Tax credits - net of allowance for impairment	**₱490,834**	₱478,831
Deposits and bonds	**431,554**	428,353
Others (see Note 23)	**29,362**	77,166
	₱951,750	₱984,350

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 March 31, 2021 and December 31, 2020.

17. Trade and Other Payables

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade	**₱1,504,994**	₱1,175,965
Accrued expenses:		
Production costs and other expenses	**3,553,408**	3,584,739
Salaries and other employee benefits (see Note 30)	**1,352,181**	1,741,210
Taxes	**580,296**	354,249
Interest	**209,118**	239,139
Customer deposits	**942,741**	947,391
Deposit for future subscription (see Notes 4 and 22)	**1,360,447**	1,360,416
Due to related parties (see Note 23)	**60,619**	33,180
Dividend payable	**44,481**	44,481
Others	**291,693**	309,002
	₱9,899,978	₱9,789,772

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

	March 31, 2020 (Unaudited – Three Months)			December 31, 2020 (Audited – One Year)		
Borrower	**Current Portion**	**Noncurrent Portion**	**Total**	Current Portion	Noncurrent Portion	Total
Parent Company	**₱15,959,348**	**₱–**	**₱15,959,348**	₱16,033,608	₱–	₱16,033,608
Sky Cable	**58,350**	**4,404,532**	**4,462,882**	1,019,850	4,433,796	5,453,646
	₱16,017,698	**₱4,404,532**	**₱20,422,230**	₱17,053,458	₱4,433,796	₱21,487,254

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

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Term loans:		
Loan agreements	**₱15,959,348**	₱16,033,608
	₱15,959,348	₱16,033,608

a. *Loan Agreements*

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

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

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

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

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

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

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

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

(ii) On March 7, 2014, the Company secured a ₱1 billion loan from Philippine American Life and General Insurance Company to partially finance its capital expenditure requirements and general working capital requirements. The loan has a term of ten years and a fixed rate of 5.40% per annum. Transaction cost incurred in availing the loan amounted to ₱5 million. This was prepaid in November 2019 resulting to a loss of ₱2.5 million.

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

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

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

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

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. As of March 31, 2021 and December 31, 2020, the Parent Company was not able to comply with a certain financial ratio as required in the loan agreement.

As discussed in Note 1, the non-renewal of the Parent Company's franchise resulted in the Franchise Expiration Default under the loan agreement. The Company entered into the Omnibus Security and Intercreditor Agreement with its lenders to address this, which includes 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, the Company was still in the process of completing certain conditions in the Omnibus Security and Intercreditor Agreement.

The matters above resulted in the classification of the Parent Company's loans to current liabilities as of March 31, 2021 and 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. As of June 3, 2021, as a result of the execution of the Standstill Effective Date Notice and the receipt of waivers for the quarters ended March 31, 2021 and December 31, 2020, the principal payment schedule remains as stipulated in the original loan agreements (i.e. the earliest maturity date is on 2025). The Parent Company will closely coordinate with its creditor banks and negotiate for waivers of certain covenants as the need arises. 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 (see Note 15).

Unamortized debt issue cost, presented as a deduction from the Company's outstanding loan, amounted to ₱79 million and ₱82 million as at March 31, 2021 and December 31, 2020, respectively.

Amortization of debt issue costs amounted to ₱4 million for the three months ended March 31, 2021 and March 31, 2020 (see Note 28).

b. *Bonds Payable*

On January 23, 2014, the Philippine SEC approved the Parent Company's offering of debt securities in the aggregate principal amount of up to ₱10 billion to be issued in one or two tranches, as approved by the BOD on November 29, 2013. The first tranche comprised of fixed rate bonds amounting to ₱5 billion and an overallotment option of ₱1 billion with BDO Capital & Investment Corporation, BPI Capital and Hongkong and Shanghai Banking Corporation as joint-issue managers. The term of the bonds is seven years with a fixed interest rate of 5.335% per annum. Interest on the bonds shall be payable quarterly in arrears starting on May 10, 2014 for the first interest payment date.

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

On August 13, 2019, the Parent Company exercised its early redemption option on the ₱6 billion retail bonds. As a result, the Parent Company incurred ₱78 million in prepayment cost and accelerated deferred financing costs lodged under "Finance costs" in the consolidated statements of income.

Breakdown of the Parent Company's term loans as at March 31, 2021 and December 31, 2020 follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Principal	**₱16,038,080**	₱16,115,685
Less unamortized transaction costs	**78,732**	82,077
	15,959,348	16,033,608
Less current portion	**15,959,348**	16,033,608
Noncurrent portion	**₱–**	₱–

Debt issue costs as at March 31, 2021 are amortized over the term of the loans using the effective interest method as follows:

Year	**March 31, 2021** (Unaudited)	December 31, 2020 (Audited)
Within one year	₱78,732	₱82,077

Amortization of debt issue costs for the three months ended March 31, 2021 and 2020, amounted to ₱4 million (see Note 28).

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

Year	**March 31, 2021** (Unaudited)	December 31, 2020 (Audited)
Within one year	**₱16,038,080**	₱16,115,68

Sky Cable

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

	March 31, 2021 (Unaudited – Three Months)			December 31, 2020 (Audited – One Year)		
	Current Portion	**Noncurrent Portion**	**Total**	Current Portion	Noncurrent Portion	Total
Term loans:						
Unsubordinated loan	**₱58,350**	**4,404,532**	**₱4,462,882**	₱67,441	₱4,433,796	₱4,501,237
Loan agreement	–	–	–	952,409	–	952,409
	₱58,350	**4,404,532**	**₱4,462,882**	₱1,019,850	₱4,433,796	₱5,453,646

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.

On January 26, 2021, Sky Cable made a full payment on its principal amounting to ₱952 million to Rizal Commercial Banking Corporation.

As at March 31, 2021 and December 31, 2020, 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 ₱17 million and ₱19 million as at March 31, 2021 and December 31, 2020, respectively. Using the effective interest method, unamortized debt issue costs as at March 31, 2021 will be amortized as follows:

Year	Amount
2020	₱2,653
2021	4,070
2022	4,175
2023 and onwards	6,439
	₱17,337

Amortization of debt issue costs amounted ₱1 million for the three months ended March 31, 2020 and 2020 (see Note 28).

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

Year	Amount
2021	₱156,316
2022	233,921
2023 and onwards	15,647,843
	₱16,038,080

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

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

On November 25, 2020, the ABS-CBN International fully prepaid its principal with Citibank, North America amounting to ₱50 million.

Play Innovations
Play Innovations, Inc. availed of various short-term loans from BPI to finance the construction of Kidzania theme park. The principal amount of the loans totaled ₱240 million as at December 31, 2019 bearing an annual fixed interest rate of 6%.

On June 18, 2020, the Play Innovations, Inc. fully settled its short-term loan with BPI amounting to ₱240 million.

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 March 31, 2021 and December 31, 2020 is as follows:

	March 31, 2021 (Unaudited – Three Months)			December 31, 2020 (Audited – One Year)		
	Gross Value	**Unamortized Discount**	**Carrying Value**	Gross Value	Unamortized Discount	Carrying Value
Within one year	**₱585,978**	**₱15,439**	**₱570,539**	₱246,167	₱12,607	₱233,560
More than one year to three years	–	–	–	367,349	6,353	360,996
	₱585,978	**₱15,439**	**₱570,539**	₱613,516	₱18,960	₱594,556

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 ₱248 million and ₱243 million as at March 31, 2021 and December 31, 2020, respectively.

Accretion of the convertible note recognized as part of interest expense in the interim condensed consolidated statements of income amounted to ₱4 million for three months ended March 31, 2021 and 2020 (see Note 28).

21. Other Noncurrent Liabilities

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Customers’ deposits	**₱293,622**	₱300,056
Deferred credits	**2,573**	2,573
Others	**32,525**	38,265
	₱328,720	₱340,894

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 March 31, 2021 and December 31, 2020 are as follows:

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

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

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

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

The Parent Company's total number of common stockholders is 6,105 and 6,452 as at March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020.

Share-based Payment Transactions

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

The primary terms of the grant are as follows:

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

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

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

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

Total number of options exercisable under ESPP is as follows:

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

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

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

On February 28, 2018, the Company accepted the total ABSP subscription from participants of 11,391,500 common shares. As of March 31, 2020, remaining ABSP subscription from participants is at 10,700,177 common shares.

The primary terms of the grant are as follows:

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

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

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

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

As at March 31, 2021, there are no exercisable shares under ABSP.

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

Retained Earnings

Unappropriated retained earnings available for dividend distribution is adjusted to exclude the Parent Company's accumulated equity in net earnings of subsidiaries, associates and joint ventures amounting to ₱74 million and ₱989 million for the three months ended March 31, 2021 and March 31, 2020, 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 March 31, 2021 and December 31, 2020 are as follows:

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

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

23. Related Party Transactions

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

The Company's BOD has the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations. The BOD approves material related party transactions prior to entering into said transactions should it be determined that all related party transactions within the 12-month period meet the aggregate threshold for material related party transactions which is 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:

		Three Months Ended March 31 (Unaudited)	
	Nature	**2021**	2020
Associate and Joint Venture			
Revenue of Parent Company and subsidiaries from other related parties	Rent and utilities, print revenue and other services	**₱–**	₱18,453
Expenses and charges paid for by the Parent Company which are reimbursed by A CJ O	Rent and utilities	**–**	9,574
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	**30,288**	40,820
Expenses and charges paid for by the Parent Company which are reimbursed by the concerned related parties	Rent and utilities	**10,197**	6,481

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	**March 31, 2021** (Unaudited)	December 31, 2020 (Audited)
Due from (see Note 7)					
INAEC	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**₱104,564**	₱97,531
ALA Sports	Joint Venture	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**80,709**	80,745
ABS-CBN Lingkod Kapamilya**	Corporate social responsibility sector of ABS-CBN	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**25,648**	29,417
A CJ O	Joint Venture	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**12,979**	3,453
Star Cinema	Associate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**8,343**	8,343
ABS-CBN Holdings Corporation	Stockholder	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**6,793**	6,380
Goldlink	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**4,238**	–
Knowledge Channel Foundation, Inc.	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**2,929**	2,929
First Gas Power Corp.	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**1,540**	1,540
Daum Kakao	Joint venture	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**1,315**	1,315

(Forward)

	Relationship*	Terms	Conditions	**March 31, 2021** (Unaudited)	December 31, 2020 (Audited)
Lopez, Inc.	Parent	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**524**	472
Rockwell Land Corporation (Rockwell Land)	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**357**	16
First Philippine Holdings Corporation (FPHC)	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**–**	3,886
Others	Affiliates	30 days upon receipt; noninterest-bearing	Unsecured, no impairment	**97,212**	97,183
Less: ECL				**265,371**	265,371
Total				**₱81,780**	₱67,839

**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	**March 31, 2021** (Unaudited)	December 31, 2020 (Audited)
Due to (see Note 17)					
First Philippine Holdings Corporation (FPHC)	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured	**₱29,042**	₱–
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	**2,101**	3,704
Total				**₱60,619**	₱33,180

**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 ₱1,143 million and ₱1,076 million as at March 31, 2021 and December 31, 2020, respectively (see Note 7).

c. The Parent Company has advances to ALA Sports amounting to ₱81 million as at March 31, 2021 and December 31, 2020.

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

The Company's Board of Directors reviews and approves material transactions with related parties, ensuring that these transactions are in the best interest of the Corporation, after considering all the relevant facts and circumstances available.

<u>Terms and Conditions of Transactions with Related Parties</u>
Except for transactions identified in the previous section as interest-bearing, outstanding balances as at financial reporting date are generally unsecured, interest-free and settlement occurs in cash, and are collectible or payable on demand. For the three months ended March 31, 2021 and December 31, 2020, 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

	Three Months Ended March 31 (Unaudited)	
	2021	2020
Compensation (see Notes 25, 26 and 27)	**₱271,509**	₱332,327
Pension benefits (see Note 30)	**10,440**	16,309
Termination benefits	**23,002**	31,186
Vacation leaves and sick leaves	**77,239**	17,660
	₱382,190	₱397,482

24. **Revenues**

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

	Three Months Ended March 31 (Unaudited)	
	2021	2020
Subscription revenue	**₱2,713,288**	₱ 3,458,252
Advertising revenue	**929,195**	4,280,915
Installation service revenue	**40,743**	37,918
Royalty income	**27,048**	16,305
Service fee revenue	**15,743**	4,119
Income from film exhibition	**5,527**	138,274
Sale of goods	**1,758**	395,846
Sponsorship revenue	**1,209**	69,550
Admission revenue / ticket sales	**–**	19,007
Ancillary rights and other revenues	**138,865**	203,334
Total revenue from contracts with customers	**3,873,376**	8,623,520
Channel lease and other rental income	**46,796**	12,288
Total revenues	**₱3,920,172**	₱8,635,808

25. **Production Costs**

	Three Months Ended March 31 (Unaudited)	
	2021	2020
Personnel expenses and talent fees (see Notes 23 and 30)	**₱672,921**	₱1,546,571
Amortization of program rights (see Note 12)	**219,734**	274,885
Depreciation and amortization (see Note 10)	**154,576**	191,774
Facilities-related expenses (see Notes 23 and 31)	**136,949**	572,316
Travel and transportation	**77,626**	186,673
Set requirements	**60,690**	132,251
Catering and food expenses	**33,914**	54,708
License and royalty	**22,714**	16,428
Other program expenses (see Note 23)	**520,515**	443,766
	₱1,899,639	₱3,419,372

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:

	Three Months Ended March 31 (Unaudited)	
	2021	2020
Facilities-related expenses (see Notes 23 and 31)	**₱594,595**	₱696,075
Depreciation and amortization (see Note 10)	**455,236**	449,044
Personnel expenses (see Notes 23 and 30)	**352,557**	417,209
Programming costs	**234,641**	344,421
Bandwidth costs	**170,298**	192,101
Amortization of program rights (see Note 12)	**46,089**	52,650
Transportation and travel	**23,282**	27,264
Taxes and licenses	**14,333**	18,167
Stationery and office supplies	**16,707**	13,998
License fees and royalties	**16,467**	9,627
Set requirements	**10,429**	3,248
Catering and food expenses	**1,990**	2,244
Freight and delivery	**1,276**	5,331
Inventory costs (see Note 8)	**847**	29,813
Amortization of deferred charges (see Note 15)	**19**	90
Amortization of other intangible assets (see Note 12)	**–**	1,048
Installation costs	**–**	14
Others (see Note 23)	**70,932**	110,974
	₱2,009,698	₱2,373,318

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:

	Three Months Ended March 31 (Unaudited)	
	2021	2020
Inventory costs (see Note 8)	**₱–**	₱267,340
Others	**6,911**	729
	₱6,911	₱268,069

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

27. General and Administrative Expenses

	Three Months Ended March 31 (Unaudited)	
	2021	2020
Personnel expenses (see Notes 22, 23 and 30)	**₱1,019,848**	₱1,538,272
Contracted services	**180,010**	224,251
Facilities related expenses (see Notes 23 and 31)	**160,676**	269,270
Depreciation and amortization (see Notes 10 and 11)	**156,089**	183,809
Taxes and licenses	**58,544**	119,152
Research and survey	**40,942**	71,886
Provision for ECL (see Note 7)	**39,964**	102,606
Advertising and promotion (see Note 9)	**17,913**	73,464
Amortization of other intangible assets (see Note 12)	**16,645**	19,806
Entertainment, amusement and recreation	**11,901**	33,843
Donations and contributions	**7,409**	38,147
Transportation and travel	**3,109**	147,161
Inventory losses (see Note 8)	**–**	47
Others	**144,290**	262,636
	₱1,857,340	₱3,084,350

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

	Three Months Ended March 31 (Unaudited)	
	2021	2020
Interest expense (see Notes 18, 20 and 31)	**₱232,305**	₱321,089
Amortization of debt issue costs (see Note 18)	**4,501**	4,545
Bank service charges	**2,004**	4,068
	₱238,810	₱329,702

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

	Three Months Ended March 31 (Unaudited)	
	2021	2020
Long-term debt (see Note 18)	**₱222,769**	₱277,033
Lease liability (see Note 31)	**5,065**	39,666
Convertible note (see Note 20)	**4,471**	4,390
	₱232,305	₱321,089

Other Income

	Three Months Ended March 31 (Unaudited)	
	2021	2020
Leasing operations (see Note 31)	**₱32,413**	₱35,266
Gain on sale of property and equipment	**43,184**	1,602
Others - net (see Notes 20 and 21)	**14,372**	21,738
	₱89,969	₱58,606

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:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Deferred tax assets - net:		
Accrued pension obligation and other employee benefits	**₱650,877**	v616,345
Allowance for ECL	**588,887**	687,234
NOLCO	**170,566**	262,851
Contract liabilities	**145,309**	114,313
Excess of the purchase price over the fair value of net assets acquired	**(140,824)**	(258,795)
Accrued expenses	**115,590**	77,366
Lease liabilities	**91,325**	95,012
MCIT	**26,320**	30,861
Customers' deposits	**20,164**	25,277
Allowance for inventory obsolescence	**18,486**	21,635
Allowance for impairment loss on property and equipment	**2,317**	2,780
Unearned revenue	**2,124**	3,993
Net unrealized foreign exchange loss	**1,184**	31,825
Others	**1,390**	4,355
	₱1,693,715	₱1,715,052
Deferred tax liability -		
Capitalized interest, duties, and taxes	**₱283,283**	₱221,498
Imputed discount	**70,447**	84,536
Lease liabilities	**–**	47,605
	₱353,730	₱353,639

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

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Allowance for ECL	**₱10,890,215**	₱10,887,970
Accrued pension obligation and others	**7,039,309**	5,191,740
NOLCO	**4,659,532**	14,641,705
Allowance for decline in value of inventories	**778,232**	778,232
MCIT	**349,016**	222,477
Unearned revenue	**309,827**	477,750
Contract liabilities	**261,314**	203,923
Allowance for impairment loss on property and equipment	**92,444**	92,444
Allowance for impairment loss on investment	**68,839**	68,839
Lease liabilities	**355**	61,805

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 ₱201 million have expired in 2020. NOLCO amounting to ₱68 million and ₱91 million were claimed as deduction against taxable income in March 31, 2021 and December 31, 2020, respectively.

MCIT amounting to ₱38 million have expired and were written off in 2020. MCIT amounting to ₱49 million were claimed as deduction against taxable income in 2020.

MCIT amounting to ₱375 million can be claimed as tax credit against future RCIT as follows:

Year Paid	Expiry Dates	Amount
2018	December 31, 2021	**₱182,801**
2019	December 31, 2022	**22,256**
2020	December 31, 2023	**48,281**
2021	December 31, 2026	**121,998**
		₱375,336

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, 2020, the Group has incurred NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year Incurred	Availment Period	Amount
2018	2019 to 2021	**₱565,621**
2019	2020 to 2022	**854,711**
		₱1,420,332

As of December 31, 2020, the Group has incurred NOLCO in taxable year 2020 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:

Year Incurred	Availment Period	Amount
2020	2021 to 2025	**₱1,118,811**
2021	2022 to 2026	**2,802,653**
		₱3,921,464

As at March 31, 2021 and December 31, 2020, deferred tax liability on undistributed earnings of ABS-CBN Global, holding company of the Parent Company's foreign subsidiaries, amounting to ₱812 million and ₱785 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:

	Three Months Ended March 31 (Unaudited)	
	2021	2020
Statutory tax rate	**25%**	30%
Additions to (reduction in) income taxes resulting from the tax effects of:		
Interest income subjected to final tax	**0**	15
Nondeductible interest expense	**(4)**	(5)
Change in unrecognized deferred tax assets and others	**(24)**	(62)
Effective tax rates	**(3%)**	(21%)

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 takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have 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 is 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 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be 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%. This will result 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 will be reflected in the Parent Company and respective subsidiaries' 2020 annual income tax return. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements.

- There is no impact in the recognized provision for deferred tax for the year then ended December 31, 2020 since no deferred tax assets were recognized in excess of the recognized deferred tax liabilities during the year.

<u>Registration with the PEZA</u>
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.

<u>Registration with the Board of Investments</u>
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.

30. Pension and Other Employee Benefits

Accrued pension obligation and other employee benefits consist of:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Pension obligation	**₱5,400,641**	₱5,498,092
Other employee benefits	**1,664,245**	1,550,836
	₱7,064,886	₱7,048,928

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

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Current (see Note 17)	**₱159,175**	₱89,973
Noncurrent	**6,905,711**	6,958,955
	₱7,064,886	₱7,048,928

a. Pension Plan

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

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

Net Pension Expense

	Three Months Ended March 31 (Unaudited)	
	2021	2020
Current service cost	**₱132,443**	₱111,067
Net interest cost	**51,275**	63,346
Net pension expense	**₱183,718**	₱174,413

Accrued Pension Obligation

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Present value of obligation	**₱6,180,262**	₱6,466,823
Fair value of plan assets	**(779,621)**	(968,731)
Accrued pension obligation	**₱5,400,641**	₱5,498,092

Income tax effect of re-measurement losses on defined benefit plan presented in OCI amounted to ₱87 million as at December 31, 2020.

The Parent Company and Sky Cable expects no contribute to be made to the retirement fund in 2021.

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

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Investment in fixed/floating rate treasury note	**₱388,481**	₱223,644
Investment in government securities and bonds	**16,265**	22,605
Investment in stocks	**374,195**	717,780
Others	**680**	4,702
	₱779,621	₱968,731

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

	December 31, 2020
Discount rate	**3.45%-4.05%**
Future salary rate increases	**4.0%-6.4%**

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 59% and 41% as at March 31, 2021 and 88% and 12% as at December 31, 2020, 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 March 31, 2021 and December 31, 2020 are as follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Fixed Income:		
Short-term	**₱251,919**	₱93,899
Equities:		
Investment in shares of stock and other securities of related parties	**366,363**	712,100
	₱618,282	₱805,999

Short-term Fixed Income. Short-term fixed income investment includes time deposit, special deposit account and special savings account with interest ranging from 3.5% to 3.75% in 2021 and 2020.

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.

	March 31, 2021 (Unaudited – Three Months)			
	Number of Shares	**Cost**	**Fair Value**	**Unrealized Loss**
ABS-CBN Holdings PDRs	**34,903,160**	**1,515,862**	**360,899**	**(1,154,963)**
ABS-CBN Common	**501,320**	**240,52**	**5,464**	**(18,588)**
	35,404,480	**₱1,516,154**	**₱366,363**	**(₱1,173,551)**

	December 31, 2019 (Audited – One Year)			
	Number of Shares	Cost	Fair Value	Unrealized Gain (Loss)
ABS-CBN Holdings PDRs	34,903,160	₱1,515,862	₱439,780	(₱1,076,082)
ABS-CBN Common	501,320	24,052	5,855	(18,197)
Lopez Holdings	65,996,580	227,173	245,507	18,334
Rockwell Land	13,609,433	27,433	20,958	(6,475)
	115,010,551	₱1,794,520	₱712,100	(₱1,082,420)

As at March 31, 2021 and December 31, 2020, the value of each ABS-CBN PDRs held by the retirement fund is at ₱10.34 and ₱12.60, respectively.

Total loss from investments in shares of stock and other securities of related parties amounted to ₱1,174 million and ₱1,082 million in 2021 and 2020, 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 March 31, 2021 and December 31, 2020 are as follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Short-term fixed income	**₱679**	₱6,516
Investment in medium and long-term fixed income:		
Government securities	**136,562**	127,931
Corporate bonds and debt securities	**16,265**	22,605
Unit investment trust fund	**4,708**	2,575
Investment in shares of stock of First Gen Corporation (First Gen)	**1,110**	1,080
Preferred shares	**2,015**	2,025
	₱161,339	₱162,732

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 March 31, 2021 and December 31, 2020.

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

Investment in Government Securities. Investment in government securities include treasury bills and fixed-term treasury notes bearing interest ranging from 2.45% to 6.25% as at March 31, 2021 and December 31, 2020. These securities are fully guaranteed by the government of the Republic of the Philippines. Total gain from investments in government securities amounted to ₱41 thousand and ₱3 million as at March 31, 2021 and December 31, 2020, respectively.

Investment in Corporate Bonds. These pertain to ₱16 million and ₱22 million unsecured bonds with terms ranging from 5 to 10 years as at March 31, 2021 and December 31, 2020. Yield to maturity rate ranges from 4.6% to 7.5% with gains (losses) of ₱31 thousand and (₱64) thousand in 2021 and 2020, respectively.

Investment in Debt Securities. This refers to a ₱1 million unsecured subordinated note with a term of 5 years and yield to maturity of 6.7% as at March 31, 2021 and December 31, 2020, respectively. Accrued interest receivable amounted to ₱80 thousand as at March 31, 2021.

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

Total cost and fair value of investments in shares of stock of First Gen amounted to ₱1 million as at March 31, 2021 and December 31, 2020. Total gain (loss) from these investments amounted to (₱10 thousand) and 80 thousand in 2021 and 2020, respectively.

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

b. Other Employee Benefits

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

Net Benefit Expense

	Three Months Ended March 31 (Unaudited)	
	2021	2020
Current service cost	**₱49,524**	₱45,852
Interest cost	**23,846**	29,968
Net benefit expense	**₱73,370**	₱75,820

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

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Defined benefit obligation at beginning of year	**₱1,550,836**	₱2,054,986
Current service cost	**49,524**	133,736
Interest cost	**23,846**	95,385
Actuarial loss	**−**	(29,238)
Benefits paid	**40,039**	(704,033)
Defined benefit obligation at end of year	**₱1,664,245**	₱1,550,836

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:

	2020
	Increase (Decrease) in Defined Benefit Obligation
Discount rate:	
Increase by 1%	**(₱311,052)**
Decrease by 1%	**359,923**
Future salary increases:	
Increase by 1%	**₱370,784**
Decrease by 1%	**(326,484)**

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

Year	**December 31, 2020**
One year	**641,755**
More than one year but less than five years	**1,833,988**
More than five years but less than ten years	**3,316,015**
Beyond ten years	**12,165,353**

The average duration of the defined benefit obligation at the end of the period ranges from 14 to 22 years.

31. **Commitments**

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

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

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

ABS-CBN International's subscription revenue earned from subscribers that have migrated to DirecTV amounted to ₱73 million and ₱111 million for the three months ended March 31, 2021 and December 31, 2020 respectively.

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

Year	Amount*
Within one year	₱555,782
After one year but not more than five years	547,944

**Includes variable fees based on the number of active subscribers as at March 31, 2021.*

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:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Within one year	**₱3,981**	₱5,308
After one year but not more than five years	**281**	281
	₱4,262	₱5,589

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:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Cost –		
Balance at beginning of year	**₱2,445,768**	₱1,879,309
Additions	**–**	1,296,641
Disposals	**–**	(702,813)
Translation adjustments	**496**	(27,369)
Balance at end of year	**2,446,264**	2,445,768
Accumulated Depreciation –		
Balance at beginning of year	**643,217**	609,863
Depreciation	**34,545**	237,472
Disposal	**–**	(211,692)
Translation adjustments	**(102)**	7,574
Balance at end of year	**677,660**	643,217
Net Book Value	**₱1,768,604**	₱1,802,551

The rollforward analysis of lease liability follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of year	**₱946,322**	₱1,083,366
Additions	**–**	688,377
Interest expense	**5,065**	66,039
Interest paid	**(5,065)**	(66,039)
Payments	**(20,233)**	(789,281)
Translation adjustment	**935**	(36,140)
Balance at end of year	**927,024**	946,322
Less current portion	**290,394**	310,088
Noncurrent portion	**₱636,630**	₱636,234

32. Financial Risk Management Objectives and Policies

Capital Management

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

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios and strong credit ratings while viably supporting its business to maximize shareholder value. No changes were made in capital management objectives, policies or processes in as at March 31, 2020 and December 31, 2020.

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

33. Financial Assets and Financial Liabilities

The following tables set forth the carrying amounts and estimated fair values of interim condensed consolidated financial assets and liabilities recognized as at March 31, 2020 and December 31, 2020. There are no material unrecognized financial assets and liabilities as at March 31, 2020 and December 31, 2020.

	March 31, 2021 (Unaudited – Three 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)	**₱350,258**	**₱340,897**	**₱–**	**₱–**	**₱340,897**
Financial assets at FVOCI	**61,846**	**61,846**	**25,317**	**–**	**36,529**
	₱412,104	**₱402,743**	**₱25,317**	**₱–**	**₱377,426**
Financial Liabilities					
Other financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	**₱24,422,230**	**₱23,429,352**	**₱–**	**₱–**	**₱23,429,352**
Obligations for program rights	**570,539**	**585,978**	**–**	**585,978**	**–**
Convertible note	**247,948**	**268,008**	**–**	**–**	**268,008**
Customers' deposits (included as part of "Other noncurrent liabilities")	**293,622**	**262,777**	**–**	**–**	**262,777**
	₱25,534,339	**₱24,546,115**	**₱–**	**₱585,978**	**₱23,960,137**

	December 31, 2020 (Audited – Twelve Months)				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
Financial assets at amortized cost:					
Deposits (included under "Other noncurrent assets" account in the consolidated statements of financial position)	₱350,808	₱341,447	₱–	₱–	₱341,447
Financial assets at FVOCI	61,846	61,846	25,317	–	36,529
	₱412,654	₱403,293	₱25,317	₱–	₱377,976
Financial Liabilities					
Other financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	₱26,026,599	₱28,214,833	₱–	₱–	₱28,214,833
Obligations for program rights	744,906	780,334	–	780,334	
Convertible note	238,305	258,365	–	–	258,365
Customers' deposits (included as part of "Other noncurrent liabilities")	377,283	346,438	–	–	346,438
	₱27,387,093	₱29,599,970	₱–	₱780,334	₱28,819,636

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

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

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

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

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

	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 3.1% to 4.4% in 2021 and 2020.

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 2021 and 2020, fair value was computed based on the discounted value of future cash flows using the applicable BVAL rate plus 1% credit spread, respectively.

Customers' Deposits. The fair values were calculated by discounting the expected future cash flows using the applicable BVAL rates ranging from 3.8% to 3.9% in 2021 and 2020.

There were no transfers between levels in the fair value hierarchy as at March 31, 2021 and December 31, 2020.

Offsetting of Financial Assets and Financial Liabilities
There is no offsetting of financial assets and financial liabilities as at March 31, 2021 and December 31, 2020.

34. **EPS Computations**

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

The following table presents information necessary to calculate EPS:

	Three Months Ended March 31 (Unaudited) 2021	2020
Net loss attributable to equity holders of the Parent Company	**(₱1,950,661)**	**(₱763,301)**
Dividends on preferred shares	**(4,000)**	**(4,000)**
(a) Net loss attributable to common equity holders of the Parent Company	**(₱1,954,661)**	**(₱767,301)**
(b) Weighted average number of shares outstanding:		
At beginning and end of year	**822,972,436**	**822,972,436**
Basic/diluted EPS (a/b)	**(₱2.375)**	**(₱0.932)**

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

35. Note to Consolidated Statements of Cash Flows

	Three Months Ended March 31 (Unaudited) 2021	2020
Noncash investing activities:		
Acquisitions of program rights on account	**₱–**	**₱130,764**

Changes in liabilities arising from financing activities:

	January 1, 2021	Cash flows	Noncash changes	March 31, 2021
Term loans	**₱21,487,254**	**(₱1,069,741)**	**₱4,717**	**₱20,422,230**
Lease liabilities	**946,322**	**(20,233)**	**935**	**927,024**
Interest payable (Note 17)	**239,139**	**(257,855)**	**227,834**	**209,118**
Dividends payable (Note 17)	**44,481**	**–**	**–**	**44,481**
Deposits for future subscription (Note 17)	**1,360,416**	**–**	**31**	**1,360,447**
Total liabilities from financing activities	**₱24,077,612**	**(₱1,347,829)**	**₱233,517**	**₱22,963,300**

	January 1, 2020	Cash flows	Noncash changes	December 31, 2020
Term loans	₱26,026,599	(₱4,560,130)	₱20,785	₱21,487,254
Lease liabilities	1,083,366	(255,131)	118,087	946,322
Interest payable (Note 17)	281,622	(1,205,551)	1,163,068	239,139
Dividends payable (Note 17)	304,192	–	(259,711)	44,481
Deposits for future subscription (Note 17)	1,351,614	–	8,802	1,360,416
Total liabilities from financing activities	₱29,047,393	(₱6,020,812)	₱1,051,031	₱24,077,612

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

36. **Contingent Liabilities and Other Matters**

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 March 31, 2021, the hearing of this case is still pending before the NTC. Management believes that the case filed by the complainant is without legal basis and would not have a material impact on the interim condensed consolidated financial statements.

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.

37. **Other Matters**

<u>COVID-19 Outbreak</u>

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the country starting March 16, 2020 have caused disruptions to the Company's business activities. While there are recent signs of increased market activity with the easing of quarantine measures in key areas in the Philippines as of March 31, 2021, management believes that the impact of COVID-19 situation moving forward remains fluid and evolving, and therefore, it is difficult to quantify its impact to the financial position, performance and cash flow of the Company subsequent to March 31, 2021.

The Company continues to abide by and comply with all rules and regulations issued by the government in relation to the COVID-19 pandemic. In line with applicable rules and regulations, the said risks are mitigated by business continuity strategies set in place by the Company. Measures currently undertaken by the Company to mitigate the risks of COVID-19 pandemic on its operations include enforcing quarantine protocols for production personnel during taping schedules, frequent sanitations on remote location and office premises, mandatory swab and antigen tests for its personnel, implementation of zoning areas throughout ABS-CBN compound, work-from-home arrangements, practice of social distancing through remote communication, and full use of digital technology for different aspects of the operations, wherever applicable and useful, among others.