

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended
Sep 30, 2023
2. SEC Identification Number
1803
3. BIR Tax Identification No.
00406761000
4. Exact name of issuer as specified in its charter
ABS-CBN CORPORATION
5. Province, country or other jurisdiction of incorporation or organization
Philippines
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
+63234152272
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	899,848,111

11. Are any or all of registrant's securities listed on a Stock Exchange?

Yes No

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange - Common Shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the

Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

Yes No

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

Yes No

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



ABS-CBN

ABS-CBN Corporation

ABS

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

For the period ended	Sep 30, 2023
Currency (indicate units, if applicable)	Php, in Thousand

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2023	Dec 31, 2022
Current Assets	13,116,568	12,322,222
Total Assets	48,734,366	49,953,557
Current Liabilities	16,621,542	14,987,300
Total Liabilities	40,428,341	38,531,153
Retained Earnings/(Deficit)	3,707,172	6,855,255
Stockholders' Equity	8,306,025	11,422,404
Stockholders' Equity - Parent	9,835,577	12,769,029
Book Value per Share	9.23	12.36

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	4,725,033	4,831,816	13,520,067	14,313,309
Gross Expense	5,520,177	6,178,850	16,132,808	17,617,685
Non-Operating Income	285,655	1,335,126	70,838	2,473,212

Non-Operating Expense	269,022	282,409	898,587	883,677
Income/(Loss) Before Tax	-993,328	-294,317	-3,225,673	-1,714,841
Income Tax Expense	108,979	112,971	105,337	156,534
Net Income/(Loss) After Tax	-1,102,307	-407,288	-3,331,010	-1,871,375
Net Income Attributable to Parent Equity Holder	-1,020,985	-358,857	-358,857	-1,781,639
Earnings/(Loss) Per Share (Basic)	-1.16	-0.44	-1.16	-2.17
Earnings/(Loss) Per Share (Diluted)	-1.16	-0.44	-1.16	-2.17

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	-2.05	-4.38
Earnings/(Loss) Per Share (Diluted)	-2.05	-4.38

Other Relevant Information
N/A

Filed on behalf by:

Name	Paul Michael Villanueva Jr.
Designation	Chief Risk Management Officer, Chief Compliance Officer & Head, ABS-CBN Shared Service Center



ABS-CBN CORPORATION ANNUAL REPORT

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ANNEX A

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

The following is a discussion of ABS-CBN Corporation and its Subsidiaries ("ABS-CBN" or the "Company") financial performance for the nine-month periods ended September 30, 2023, and 2022.

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

The table below summarizes the results of operations for the nine months ended September 30, 2023.

<i>(Amounts in million Pesos)</i>	9 Months 2023	9 Months 2022	Variance	
			Amount	%
Consolidated Revenues	13,520	14,313	(793)	-6%
Advertising Revenues	4,829	4,863	(34)	-1%
Regular Ad Sales	4,829	4,106	723	18%
Non-recurring Ad Sales		757	(757)	-100%
Consumer Sales	8,691	9,450	(759)	-8%
Costs and Expenses	16,133	17,618	(1,485)	-8%
Operating Income (Loss)	(2,613)	(3,304)	692	21%
Financial Costs – net	(880)	(869)	(11)	-1%
Equity in Net (Losses) Income of Associates and Joint Ventures	(10)	1	(11)	-2058%
Other Income - net	156	241	(85)	-35%
Net Income (Loss) before One-time Gain & Income Tax	(3,347)	(3,932)	585	15%
One-time Gain	121	2,217	(2,096)	-95%
Net Income (Loss) before Income Tax	(3,226)	(1,715)	(1,510)	-88%
Provision for Income Tax	(105)	(157)	51	33%
Net Income (Loss)	(3,331)	(1,872)	(1,459)	-78%
EBITDA	200	2,031	(1,830)	-90%

<i>(Amounts in million Pesos)</i>	9 Months 2023	9 Months 2022	Variance	
			Amount	%
EBITDA	200	2,031	(1,830)	-90%
Non-recurring items	(64)	(2,592)	(2,528)	-98%
EBITDA - ex Non-recurring	136	(561)	697	124%

Consolidated Revenues

Regular advertising sales for the first nine months of 2023 were ₱ 4.829 billion, an increase of 18% or ₱ 723 million compared to 2022. After adding back election-related (non-recurring) advertising sales of ₱ 757 million in 2022, total advertising revenues for the first three quarters of 2023 were flat compared to the previous period.

Consumer sales were at ₱ 8.691 billion - lower by ₱ 759 million or 8% vs 2022 due to the decline in cable TV and satellite customers for both Sky and TFC.

(Amounts in million Pesos)	9 Months 2023	9 Months 2022	Variance	
			Amount	%
Consolidated Revenues	13,520	14,313	(793)	-5.5%
Less: Non-recurring Ad Sales		757	(757)	-100%
Recurring Consolidated Revenues	13,520	13,556	(36)	-0.3%

For the nine months ended September 30, 2023, total consolidated revenues were ₱ 13.520 billion, flat versus the previous period's ₱ 13.556 billion excluding non-recurring advertising revenues. There would be a 5.5% decline versus the previous period after adding back non-recurring advertising sales of ₱ 757 million in 2022.

The revenue mix is as follows:

	2023	2022
Advertising revenues	36%	34%
Consumer sales	64%	66%

Consolidated Costs and Expenses

Total costs and expenses amounted to ₱16.1 billion, a significant reduction of ₱1.5 billion, or 8% vs 2022.

In addition, there was an Employee Stock Plan (ESP) provided in 2022 wherein company stocks were granted to its employees to compensate for the voluntary pay cuts they took to help the Company. The facilities-related decline in cable and broadband business expenses also contributed to the decrease.

Net Loss and EBITDA

(Amounts in million Pesos)	3Q 2023	3Q 2022	Variance	
			Amount	%
Net Loss - ex Non-recurring	(3,396)	(4,463)	1,067	24%
Non-recurring items	(64)	(2,592)	(2,528)	-98%
Net Loss	(3,331)	(1,871)	(1,459)	-78%

The recurring net loss of ₱ 3.396 billion is lower by ₱ 1.067 billion compared to the recurring net loss in 2022 of ₱ 4.463 billion. This is a 24% improvement versus 2022 driven by higher ad sales and lower costs.

EBITDA also showed significant improvement – at ₱136 million compared to (₱561) million, excluding non-recurring advertising revenues and one-time gains from sale of assets.

Business Segments

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

	<p><u>Content Production and Distribution</u></p> <ul style="list-style-type: none"> - Entertainment - News - International - Film & Music - Cable Networks - Digital - Live Events
	<p><u>Sky Cable</u></p> <ul style="list-style-type: none"> - Cable TV - Broadband

The following analysis presents the results of operations of the Company's business segments for the six months ended June 30, 2023:

Segment	Operating Revenue		Net Income (Loss)	
	2023	2022	2023	2022
Content Production and Distribution	8,062	8,219	(2,991)	(1,686)
Cable & Broadband	5,458	6,095	(420)	(186)

A. Content Production and Distribution

Despite the non-renewal of the Company's franchise, ABS-CBN remains committed to serving the Filipino. The Company continues to look for ways to serve as many Filipino families as possible. In June 2020, the Company launched its Kapamilya Channel on cable TV and its digital streaming channel "Kapamilya Online Live" in August 2020. In October 2020, ABS-CBN secured a content supply agreement with Zoe Broadcasting that allowed ABS-CBN's programs to air on Channel A2Z. In January 2021, some ABS-CBN shows also began airing on select time slots on TV5. Other partnerships include PIE Channel with Kroma Entertainment and BEAM.

The Company also began ramping up content sales and licensing to domestic and international clients –including TV5, GMA Network, AMBS, Netflix, Viu, iQiyi, and WeTV. The Company distributed over 381 titles to various territories in Asia, Africa, the Middle East, Europe, and over-the-top platforms.

In addition, the Company widened its international reach by merging its owned domestic and international OTT platforms into "iWantTFC." It continues to utilize various 3rd party platforms like Youtube, Facebook, TikTok, and Instagram to maximize its reach and generate advertising.

As economies began to open up, the Company restarted staging events and releasing movies in various countries worldwide.

B. Cable & Broadband

With Sky Cable unable to provide direct-to-home (DTH) service following the lapse of its franchise, the Company continued to focus on growing its broadband subscriber base. Following this direction, Sky Cable's revenues amounted to ₱5.4 billion, despite the absence of DTH services.

Capital Expenditures

Capital expenditures and program rights acquisitions amounted to ₱ 1.1B million as of September 30, 2023.

Statement of Financial Position Accounts

As of September 30, 2023, total consolidated assets stood at ₱48.7 billion, 2.44% lower than total assets as of December 31, 2022.

Shareholders' equity was at ₱8.3 billion, ₱3.1 billion or 27.28% lower, vs. December 31, 2022.

The Company's net debt-to-equity ratio was 1.87x and 1.38x as of September 30, 2023, and December 31, 2022, respectively.

EXHIBIT 1 – Aging of Accounts Receivable

As of September 30, 2023 (Unaudited)

	Neither Past	Past Due but not Impaired			Impaired	Allowance	Total
	Due nor Impaired	Less than 30 days	30 Days and Over				
Trade receivables:							
Airtime	₱2,159,441	₱153,905	₱748,923	₱150,811	(₱150,811)	₱3,062,269	
Subscriptions	313,291	22,229	564,605	1,630,734	(1,630,734)	900,124	
Others	40,802	15,417	17,977	625,753	(625,753)	74,196	
Nontrade receivables	476,890	30,414	466,073	406,666	(406,666)	973,386	
Due from related parties	108,024	11,389	120,794	27,892	(27,892)	240,207	
	₱3,098,457	₱233,354	₱1,918,372	₱2,841,856	(₱2,841,856)	₱5,250,183	

As of December 31, 2022 (Audited)

	Neither Past	Past Due but not Impaired			Impaired	Allowance	Total
	Due nor Impaired	Less than 30 days	30 Days and Over				
Trade receivables:							
Airtime	₱1,581,810	₱223,938	₱1,020,457	₱339,601	(₱339,601)	₱2,826,205	
Subscriptions	335,604	32,359	221,456	1,576,404	(1,576,404)	589,419	
Others	99,513	38,056	136,238	283,505	(283,505)	273,807	
Nontrade receivables	374,231	12,374	307,053	607,424	(607,424)	693,658	
Due from related parties	301,485	–	–	67,374	(67,374)	301,485	
	₱2,692,643	₱306,727	₱1,685,204	₱2,874,308	(₱2,874,308)	₱4,684,574	

ABS–CBN Corporation and Subsidiaries

Unaudited Interim Condensed Consolidated Financial
Statements September 30, 2023
and for the Nine Months Ended September 30, 2023 and 2022
(With Comparative Audited Consolidated Statements of
Financial Position as at December 31, 2022)

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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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
A A C F S

Department requiring the report
C R M D

Secondary License Type, If Applicable
N / A

COMPANY INFORMATION

Company's Email Address IR@abs-cbn.com	Company's Telephone Number (632) 3415 - 2272	Mobile Number -
No. of Stockholders 5,239	Annual Meeting (Month / Day) June 25	Fiscal Year (Month / Day) September 30

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	₱1,831,410	₱1,936,852
Short-term investments (Note 6)	10,701	11,055
Trade and other receivables (Notes 7 and 23)	5,250,183	4,684,574
Inventories (Note 8)	216,325	263,876
Program rights and other intangible assets (Note 12)	477,816	582,537
Other current assets (Notes 9 and 15)	4,922,596	4,433,886
	₱12,709,031	11,912,780
Noncurrent assets held for sale (Note 31)	407,537	409,442
Total Current Assets	13,116,568	12,322,222
Noncurrent Assets		
Property and equipment (Notes 10 and 18)	22,910,075	24,461,485
Goodwill, program rights and other intangible assets - net of current portion (Note 12)	8,742,201	8,928,015
Financial assets at fair value through other comprehensive income (FVOCI) (Note 13)	56,073	44,357
Investment properties (Notes 11 and 18)	1,160	1,266
Investments in associates and joint ventures (Note 14)	125,553	116,477
Deferred tax assets (Note 29)	1,259,437	1,530,464
Other noncurrent assets (Notes 16 and 23)	2,523,299	2,549,271
Total Noncurrent Assets	35,617,798	37,631,335
TOTAL ASSETS	₱48,734,366	₱49,953,557
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 4, 17, 23 and 30)	₱11,962,283	₱10,972,959
Contract liabilities (Note 9)	2,869,966	1,755,011
Income tax payable	264,766	215,166
Obligations for program rights (Note 19)	84,544	119,168
Current lease liabilities (Note 32)	245,098	213,864
Interest-bearing loans and borrowings (Notes 10, 11 and 18)	1,194,885	1,711,132
Total Current Liabilities	16,621,542	14,987,300
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Notes 10, 11 and 18)	₱16,201,646	16,017,185
Obligations for program rights - net of current portion (Note 19)	11,263	45,053
Accrued pension obligation and other employee benefits (Note 30)	6,457,236	6,082,299
Deferred tax liabilities (Note 29)	214,148	481,758
Noncurrent lease liabilities (Note 32)	418,675	450,809
Convertible notes (Note 20)	198,803	188,019
Other noncurrent liabilities (Note 21)	305,028	278,730
Total Noncurrent Liabilities	23,806,799	23,543,853
Total Liabilities	40,428,341	38,531,153

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 22):		
Common	₱899,807	₱899,807
Preferred	200,000	200,000
Additional paid-in capital	4,428,800	4,428,800
Treasury shares and Philippine depository receipts convertible to common shares (Note 22)	(544,168)	(544,168)
Exchange differences on translation of foreign operations	1,064,324	854,231
Fair value reserves on financial assets at FVOCI (Note 13)	79,906	75,368
Shared-based payment plan	(264)	(264)
Retained earnings (Note 22)	3,707,172	6,855,255
Equity attributable to equity holders of the Parent Company	9,835,577	12,769,029
Noncontrolling Interests (Note 4)	(1,529,552)	(1,346,625)
Total Equity	8,306,025	11,422,404
TOTAL LIABILITIES AND EQUITY	₱48,734,366	₱49,953,557

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

(Unaudited)

(Amounts in Thousands, Except Per Share Amounts)

	For the Quarter Ended September 30 (Unaudited)		Nine Months Ended September 30 (Unaudited)	
	2023	2022	2023	2022
REVENUES (Notes 23, 24 and 31)	₱4,725,033	₱4,831,816	₱13,520,067	₱ 14,313,309
PRODUCTION COSTS (Notes 10, 12, 23, 25, 30 and 31)	(1,955,628)	(1,882,284)	(5,481,944)	(5,519,439)
COST OF SERVICES (Notes 8, 10, 12, 15, 23, 26, 30 and 31)	(1,833,135)	(2,160,992)	(5,402,457)	(5,849,864)
COST OF SALES (Notes 8, 10, 23, 26, 30 and 31)	(25,325)	(21,694)	(60,128)	(60,535)
GROSS PROFIT	910,945	766,846	2,575,538	2,883,471
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 7, 8, 10, 11, 12, 22, 23, 27, 30 and 31)	(1,706,089)	(2,113,880)	(5,188,279)	(6,187,847)
FINANCE COSTS (Notes 18, 20 and 28)	(240,854)	(282,409)	(859,445)	(845,061)
INTEREST INCOME (Note 6)	12,612	6,867	18,952	14,567
FOREIGN EXCHANGE GAINS (LOSSES) - net	(28,168)	5,652	(39,142)	(38,616)
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES (Note 14)	(10,341)	270	(10,523)	511
OTHER INCOME - net (Notes 15, 21, 28 and 31)	68,567	1,322,337	277,226	2,458,134
LOSS BEFORE INCOME TAX	(993,328)	(294,317)	(3,225,673)	(1,714,841)
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	132,644	11,452	237,857	179,800
Deferred	(23,665)	101,519	(132,520)	(23,266)
	108,979	112,971	105,337	156,534
NET LOSS	(₱1,102,307)	(₱407,288)	(₱3,331,010)	(₱1,871,375)
Attributable to				
Equity holders of the Parent Company (Note 35)	(₱1,020,985)	(₱358,857)	(₱3,148,083)	(₱1,781,639)
Noncontrolling interests	(81,322)	(48,431)	(182,927)	(89,736)
	(₱1,102,307)	(407,288)	(₱3,331,010)	(₱1,871,375)
Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent Company (Note 35)	(₱1.139)	(₱0.441)	(₱3.503)	(₱2.170)

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

(Unaudited)

(Amounts in Thousands)

	For the Quarter		Nine Months	
	Ended September 30		Ended September 30	
	(Unaudited)		(Unaudited)	
	2023	2022	2023	2022
NET LOSS	(₱1,102,307)	(₱407,288)	(₱3,331,010)	(₱1,871,375)
OTHER COMPREHENSIVE INCOME (LOSS)				
Other comprehensive income (loss) not to be reclassified to profit and loss in subsequent periods:				
Fair value adjustments on financial assets at FVOCI				
- net of tax	-	(5,101)	4,538	(6,664)
	-	(5,101)	4,538	(6,664)
Other comprehensive income (loss) to be reclassified to profit and loss in subsequent periods:				
Exchange differences on translation of foreign operations	93,281	(383,487)	210,093	(359,162)
	93,281	(383,487)	210,093	(359,162)
OTHER COMPREHENSIVE INCOME (LOSS)	93,281	(388,588)	214,631	(365,826)
TOTAL COMPREHENSIVE LOSS	(₱1,009,026)	(795,876)	(₱3,116,379)	(₱2,237,201)
Attributable to:				
Equity holders of the Parent Company	(₱927,704)	(₱747,445)	(₱2,933,452)	(₱2,147,465)
Noncontrolling interests	(81,322)	(48,431)	(182,927)	(89,736)
	(₱1,009,026)	(₱795,876)	(₱3,116,379)	(₱2,237,201)

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND DECEMBER 31, 2022

(Unaudited)

(Amounts in Thousands)

	Capital Stock (Note 22)		Additional Paid-in Capital	Treasury Shares and Philippine Depository Receipts	Exchange Differences in Translation of Foreign Operations	Fair Value Reserves on Financial Assets At FVOCI (Note 13)	Share-based Payment Plan	Retained Earnings (Note 22)		Total	Noncontrolling Interests (Notes 17 and 20)	Total Equity
	Common	Preferred		Convertible to Common Shares (Note 22)				Appropriated	Unappropriated			
At December 31, 2022 (Audited)	₱899,807	₱200,000	₱4,428,800	(₱544,168)	₱854,231	₱75,368	(₱264)	₱-	₱6,855,255	₱12,769,029	(₱1,346,625)	₱11,422,404
Net loss	-	-	-	-	-	-	-	-	(3,148,083)	(3,148,083)	(182,927)	(3,331,010)
Other comprehensive income	-	-	-	-	210,093	4,538	-	-	-	214,631	-	214,631
Total comprehensive income (loss)	-	-	-	-	210,093	4,538	-	-	(3,148,083)	(2,933,452)	(182,927)	(3,116,379)
At September 30, 2023 (Unaudited)	₱899,807	₱200,000	₱4,428,800	(₱544,168)	₱1,064,324	₱79,906	(₱264)	₱-	₱3,707,172	₱9,835,577	(₱1,529,552)	₱8,306,025

Attributable to Equity Holders of the Parent Company

	Capital Stock (Note 22)		Additional Paid-in Capital	Treasury Shares and Philippine Depository Receipts	Exchange Differences in Translation of Foreign Operations	Fair Value Reserves on Financial Assets At FVOCI (Note 13)	Share-based Payment Plan	Retained Earnings (Note 22)		Total	Noncontrolling Interests (Notes 17 and 20)	Total Equity
	Common	Preferred		Convertible to Common Shares (Note 22)				Appropriated	Unappropriated			
At December 31, 2021 (Audited)	₱872,124	₱200,000	₱4,745,399	(₱1,638,719)	₱207,219	₱77,869	₱-	₱-	₱8,691,759	₱13,155,651	(₱1,061,584)	₱12,094,067
Net loss	-	-	-	-	-	-	-	-	(1,781,639)	(1,781,639)	(89,736)	(1,871,375)
Other comprehensive income	-	-	-	-	135,538	(6,664)	-	-	-	128,874	-	128,874
Total comprehensive income (loss)	-	-	-	-	135,538	(6,664)	-	-	(1,781,639)	(1,652,765)	(89,736)	(1,742,501)
Sale of treasury shares (Note 22)	-	-	(594,551)	1,094,551	-	-	-	-	-	500,000	-	500,000
Others (Note 22)	-	-	-	-	-	-	296,401	-	-	296,401	-	296,401
At September 30, 2022 (Unaudited)	₱872,124	₱200,000	₱4,150,848	(₱544,168)	₱342,757	₱71,205	₱296,401	₱-	₱6,910,120	₱12,299,287	(₱1,151,320)	₱11,147,967

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Amounts in Thousands)

	Nine Months Ended September 30 (Unaudited)	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(₱3,225,673)	(₱1,714,841)
Adjustments to reconcile income before tax to net cash flows:		
Depreciation and amortization (Notes 10 and 11)	2,074,824	2,287,034
Amortization of:		
Program rights and other intangibles (Note 12)	506,194	621,411
Debt issue costs (Note 28)	5,533	7,224
Interest expense (Note 28)	851,412	830,583
Movements in accrued pension obligation and other employee benefits (Note 30)	374,937	450,640
Gain on sale of property and equipment (Notes 10 and 28)	(39,582)	(222,208)
Gain on sale of noncurrent assets held for sale	(58,822)	(1,994,201)
Interest income (Notes 6 and 23)	(18,952)	(14,567)
Impairment loss	-	12,621
Net unrealized foreign exchange (gain) loss	8,046	516,522
Equity in net (gains) losses of associates and joint ventures (Note 14)	10,523	(511)
Working capital changes:		
Decrease (increase) in:		
Trade and other receivables	(506,220)	(671,308)
Other current assets	(626,666)	537,170
Inventories	47,556	37,405
Increase (decrease) in:		
Trade and other payables	1,097,539	1,078,886
Contract liabilities	1,114,955	(172,418)
Obligations for program rights	63,149	(126,264)
Other noncurrent liabilities	(241,312)	68,611
Cash generated from (used in) operations	₱1,437,441	₱1,531,789
Income taxes paid	(188,257)	(254,047)
Net cash provided by (used in) operating activities	₱1,249,184	₱1,277,742
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property and equipment (Notes 5 and 10)	(₱1,079,417)	(₱1,438,907)
Goodwill, program rights and other intangible assets (Notes 12 and 35)	(343,527)	(247,158)
Decrease in other noncurrent assets	432,394	(188,288)
Proceeds from sale of noncurrent assets held for sale	60,727	2,167,691
Proceeds from sale of property and equipment	685,398	341,866
Decrease in short-term investments	354	(237)
Interest received	21,253	16,591
Additional investments in joint venture (Note 14)	(19,600)	-
Net cash used in investing activities	(₱242,419)	₱651,558

(Forward)

	Nine Months Ended September 30 (Unaudited)	
	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Long-term debt (Note 18)	(₱341,163)	(₱1,843,808)
Interest	(847,242)	(723,358)
Lease liabilities (Note 35)	(71,448)	(109,513)
Sale of treasury shares	–	500,000
Additions to (decrease in) restricted cash	146,859	(464,961)
Net cash used in financing activities (Note 35)	(₱1,112,994)	(₱2,641,640)
EFFECTS OF EXCHANGE RATE CHANGES AND TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS		
	787	50,045
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(105,442)	(662,295)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,936,852	2,539,978
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	₱1,831,410	₱1,877,683

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands Unless Otherwise Specified)

1. Corporate Information, Status of Operations and Authorization for Issuance of the Consolidated Financial Statements

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 television distribution and movie production, audio recording and distribution, video/audio post-production and film distribution. Other activities of the subsidiaries include merchandising and internet services. The Parent Company was a holder of a legislative franchise to construct, install, operate and maintain, for commercial purposes and in the public interest, radio and television broadcasting stations in the Philippines until May 4, 2020. On July 10, 2020, the House Committee on Legislative Franchises (regular and ex-officio members) voted to adopt a resolution denying the franchise application of the Parent Company (the “Resolution”).

ABS-CBN and Subsidiaries (collectively referred to as “the Group”) incurred net losses of ₱2.6 billion, ₱5.7 billion and ₱13.5 billion for the years ended December 31, 2022, 2021 and 2020, respectively. The Group’s current liabilities exceeded its current assets by ₱2.7 billion and ₱0.9 billion as of December 31, 2022 and 2021, respectively. Moreover, the Parent Company is required to maintain certain financial ratios and the effectivity of the standstill provision in the Parent Company’s Omnibus Intercreditor and Security Agreement with its lenders has been extended until December 31, 2023 (the “Long Stop date”) (refer to Note 18). These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore, the Group may not be able to realize its assets and discharge its liabilities in the normal course of business.

The Group continues to explore and pursue other business relationships with local and foreign entities to ensure the maximum exposure and monetization of its content assets. To continue to be of service to “The Filipino People”, the Parent Company launched its Kapamilya Channel on cable TV, and subsequently, its digital streaming channel “Kapamilya Online Live” on August 2020. The Parent Company also partnered with broadcasting companies for a wider reach by providing content. On October 2020, the Parent Company secured a content supply agreement with Zoe Broadcasting that allowed ABS-CBN’s programs to be shown on Channel A2Z. In January 2021, some ABS-CBN shows also began airing on select time slots on TV5. Other partnerships include content supply agreements on Pinoy Interactive Entertainment (PIE) channel with Kroma Entertainment and BEAM. These initiatives generated revenue amounting to ₱6.4 billion in advertising revenue in 2022.

In addition, the Group also began ramping up content sales and licensing of its contents to both domestic and international clients – a roster that includes TV5, GMA Network, AMBS, Netflix, Viu, iQiyi, WeTV, where the Company distributed over 381 titles to various territories in Asia, Africa, Middle East and Europe as well as over-the-top platforms generating ₱1.3 billion in revenue in 2022.

Management assessed that the Group 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 consolidated financial statements of the Group have been prepared on a historical cost basis, except for investments in equity shares and club shares which have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. All values are rounded to the nearest thousand, except for number of shares, per share amounts and when otherwise indicated.

Statement of Compliance

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

Changes in Accounting Policies and Disclosures

Several amendments and interpretations apply for the first time in 2023, but do not have an impact on the consolidated financial statements of the Group, unless otherwise indicated. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The Group adopted the amendments beginning January 1, 2023. These amendments have no impact on the Group's interim condensed consolidated financial statements.

- Amendments to PAS 16, *Property, Plant and Equipment*

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

The Group adopted the amendments beginning January 1, 2023. These amendments have no impact on the Group's interim condensed consolidated financial statements.

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

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

The Group adopted the amendments beginning January 1, 2023. These amendments have no impact on the Group's interim condensed consolidated financial statements.

- *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 in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

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

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

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

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

The Group adopted the amendments beginning January 1, 2023. These amendments have no impact on the Group's interim condensed consolidated financial statements.

Basis of Consolidation and Noncontrolling Interests

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

The following is a list of the subsidiaries as at September 30, 2023 and December 31, 2022:

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest	
				2023	2022
Content Production and Distribution					
<i>Global:</i>					
ABS-CBN Global Ltd. (ABS-CBN Global) ^{(a) (i)}	Cayman Islands	Holding company	United States dollar (USD)	100.0	100.0
ABS-CBN Europe Ltd. (ABS-CBN Europe) ^{(b)(c) (j) (dd)}	United Kingdom	Cable and satellite programming services	Great Britain pound (GBP)	100.0	100.0
ABS-CBN Japan, Inc. (ABS-CBN Japan) ^{(d) (i)}	Japan	Cable and satellite programming services	Japanese yen (JPY)	100.0	100.0
ABS-CBN Middle East FZ-LLC (ABS-CBN Middle East) ^{(b) (i)}	Dubai, UAE	Cable and satellite programming services	United Arab Emirates dirham (AED)	100.0	100.0
ABS-CBN Global Hungary Kft. (ABS-CBN Hungary) ⁽ⁱ⁾	Budapest, Hungary	Holding company	USD	100.0	100.0
Makati Kft. ⁽ⁱ⁾	Budapest, Hungary	Holding company	USD	100.0	100.0
ABS-CBN International, Inc. (ABS-CBN International) ^{(i) (na)}	California, USA	Cable and satellite programming services	USD	100.0	100.0
ABS-CBN Australia Pty. Ltd. (ABS-CBN Australia) ^{(i) (k)}	Victoria, Australia	Cable and satellite programming services	Australian dollar (AUD)	100.0	100.0
ABS-CBN Canada, ULC (ABS-CBN Canada) ^{(i) (k)}	Canada	Cable and satellite programming services	Canadian dollar (CAD)	100.0	100.0
ABS-CBN Telecom North America, Inc. ^{(j) (k)}	California, USA	Telecommunications	USD	100.0	100.0
<i>Films and Music:</i>					
ABS-CBN Film Productions, Inc. (ABS-CBN Films)	Philippines	Movie production	Philippine peso	100.0	100.0
Cinescreen, Inc. (Cinescreen) ^(f)	Philippines	Theater operator	Philippine peso	100.0	100.0
<i>Narrowcast</i>					
Creative Programs, Inc. (CPI) ^(v)	Philippines	Content development, publishing and programming services	Philippine peso	100.0	100.0
<i>Others:</i>					
ABS-CBN Europe Remittance Inc. ^{(d) (i) (y) (cc)}	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) (na) (y)}	Canada	Services - money remittance	CAD	100.0	100.0
ABS-CBN Center for Communication Arts, Inc. ^(e)	Philippines	Educational/training	Philippine peso	100.0	100.0
ABS-CBN Global Cargo Corporation ^(f)	Philippines	Non-vessel operations common carrier	Philippine peso	100.0	100.0
ABS-CBN Integrated and Strategic Property Holdings, Inc.	Philippines	Real estate	Philippine peso	100.0	100.0
ABS-CBN Shared Service Center PTE. Ltd. ^{(i) (m)}	Singapore	Services - support	Singapore dollar (SGD)	100.0	100.0
Professional Services for Television & Radio, Inc.	Philippines	Services - production	Philippine peso	100.0	100.0
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

(Forward)

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest	
				2023	2022
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 (SCH) ^{(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 Group in 2014. As a result of the acquisition of additional interest in Sky Vision, economic interest on Medianow increased to 79.7% in 2015.*
- (y) On June 30, 2018, ABS-CBN Europe Remittance Inc., ABS-CBN Global Remittance Inc. and ABS-CBN Canada Remittance Inc. ceased operations.*
- (z) On March 12, 2019, the SEC approved the incorporation of Chose Bun. Chose Bun was established primarily to raise, process, manufacture and package all kinds of food products; to establish, operate, manage and maintain restaurants, coffee shops, and refreshments parlors; to serve and cater foods, drinks, refreshments and other food or commodities.*
- (aa) On June 18, 2019, the SEC approved the incorporation of Probabilistic Insights, Inc. Probabilistic Insights, Inc. was established primarily to provide software products and data science services including but not limited to management consulting, marketing services such as direct marketing, database marketing, workshop facilitation and marketing training.*
- (bb) The Group decided to wind-down its food and beverage and experience operations in July 2020.*
- (cc) On December 21, 2021, ABS-CBN Europe Remittance Inc closed.*
- (dd) In April 2022 and July 2021, ABS-CBN Europe closed its branches in Italy and Spain, respectively.*

Future Changes in Accounting Policies

The standards, amendments and interpretations that are issued, but not yet effective as at September 30, 2023 are disclosed in the next section. The Group intends to adopt these standards, if applicable, when these become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2023

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

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

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

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

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

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

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

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

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

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

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

Effective beginning on or after January 1, 2024

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

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

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

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

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

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

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

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group continues to assess the impact of the new and amended accounting standards and interpretations effective subsequent to September 30, 2023 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 Group's interim condensed consolidated financial statements prepared under PFRSs 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 Group 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 Group. Such changes are reflected in the assumptions when they occur.

Judgments

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

Going Concern Assessment

As discussed in Note 1, the Group incurred net losses of ₱2.6 billion, ₱5.7 billion and ₱13.5 billion for the years ended December 31, 2022, 2021 and 2020, respectively. The Group's current liabilities exceeded its current assets by ₱2.7 billion and ₱1.0 billion as of December 31, 2022 and 2021, respectively. Moreover, the Parent Company is required to maintain certain financial ratios and the effectivity of the standstill provision in the Parent Company's Omnibus Intercreditor and Security Agreement with its lenders has been extended until December 31, 2023 (refer to Note 18). These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may not be able to realize its assets and discharge its liabilities in the normal course of business.

To address the impact of the factors which indicate that there is a material uncertainty in the Group's ability to continue as a going concern:

1. The Group has and will continue to pursue partnerships with various reputable companies that will allow the Parent Company to share its produced content nationwide.

2. The Group continues to operate in other businesses that do not require a legislative franchise, such as, international licensing and distribution, digital and cable businesses, as well as, continue with the syndication of content through various streaming services.
3. The Company has adopted and continues to implement cost control measures and reducing general and administrative expenses or overhead, rationalizing capital expenditures, and streamlining its manpower requirements.
4. The Parent Company continues to service its loan obligations with its creditor banks. The Parent Company is in discussions with its lenders to address the effect of the expiry of the standstill, including, but not limited to, the waiver of financial ratios for 2023 and the long-stop date, possible options for the early settlement of the loan through sale of certain properties, and possible restructuring of the remaining loan balance.
5. The Group 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 responses of the Group to address these uncertainties, management assessed that the Group 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 Group 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 Group 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 Group'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 Group's performance.

b. *Principal versus Agent Consideration.* The Group enters into contracts with its customers. The Group 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 Group controls the goods and services before they are being transferred to customers. Therefore, the Group determined that it is a principal in these contracts.

- The Group is primarily responsible for fulfilling the promise to provide the specified goods and services.
- The Group has inventory risk on the goods and services before these are transferred to the customer.
- The Group has discretion in establishing the prices for the other party's goods or services and, therefore, the benefit that the Group can receive from those goods or services is not limited. It is incumbent upon the Group to establish the price of its services to be offered to its customers.
- The Group's consideration in these contracts is the entire consideration billed to the service provider.

Based on the foregoing, the Group 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 Group 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 Group 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 Group can recognize revenue outright or over the license period. The Group 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 Group 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 Group'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 Group's accounts.

Determination of lease term of contracts with renewal and termination options – Group as Lessee.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group included the renewal period as part of the lease term for leases of office spaces and warehouses with shorter non-cancellable period (i.e., three to five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on operations if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Leases - Estimating the Incremental Borrowing Rate. The Group 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 Group 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 Group ‘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 Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating) (see Note 32).

Estimates and Assumptions

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

Allowance for ECL

- a. *Definition of Default and Credit-Impaired Financial Assets.* Under PFRS 9, the Group 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 Group’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 Group 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 Group’s ECL calculation.

- b. *Simplified Approach for Trade and Other Receivables.* The Group 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 Group's historical observed default rates. The Group 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 Group'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 Group 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 Group reviewed the conduct of its impairment assessment and ECL methodology. The Group 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 ₱268 million and ₱164 million for the nine months ended September 30, 2023 and 2022, respectively (see Notes 7 and 27). Trade and other receivables, net of allowance for ECL, amounted to ₱5.3 billion and ₱4.7 billion as at September 30, 2023 and December 31, 2022, respectively. Allowance for ECL amounted to ₱2.8 billion and ₱2.9 billion as at September 30, 2023 and December 31, 2022, respectively (see Note 7).

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

properties and intangible assets would be affected by changes in these factors and circumstances. A reduction in the estimated useful life of any of the property and equipment, investment properties or intangible assets would increase the recorded expenses and decrease noncurrent assets.

In 2022, there was a change in useful life of the Group's trademarks from indefinite life (for 2021 and prior years) to remaining useful life of 15 years to reflect the expected pattern of economic benefits from the assets based on management's assessment.

This is accounted for prospectively starting 2022 as a change in accounting estimate, thereby increasing the amortization expense of the Group by ₱74 million in 2022 and for each succeeding year until the end of its useful life.

In 2021, there was a change in useful life of the Group's studio properties from 3 years to 10-15 years to reflect the expected pattern of economic benefits from the assets based on management's assessment. This was accounted for prospectively starting 2021 as a change in accounting estimate thereby decreasing depreciation expense by ₱139 million in 2021 and for each succeeding year until the end of its useful life. The depreciation for these assets were recognized in 2021 when they became available for use.

There were no changes in the estimated useful lives of property and equipment, other intangible assets and investment properties in 2020.

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

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Property and equipment	₱17,538,496	₱19,608,242
Program rights	1,231,970	1,432,822
Trademarks	991,887	1,037,665
Movie in-process and filmed entertainment	913,163	1,032,304
Customer relationships	289,259	353,645
Cable channels	192,224	192,224
Story and publication, video rights, and record master	185,817	108,030
Production and distribution business - Middle East	2,459	2,777
Investment properties	1,161	1,266
Digital platforms	3	3

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

Program rights amounted to ₱1.2 billion and ₱1.4 billion as at September 30, 2023 and December 31, 2022, respectively (see Note 12).

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

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

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

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

The carrying values of nonfinancial assets as at September 30, 2023 and December 31, 2022 are as follows (see Notes 9, 10, 11, 12, 14 and 15):

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Property and equipment	₱22,910,074	₱24,461,485
Program rights	1,231,970	1,432,822
Trademarks	991,887	1,037,665
Movie in-process and filmed entertainment	913,163	1,032,304
Customer relationships	289,259	353,645
Tax credits - net of allowance for impairment	613,234	340,754
Preproduction expenses	257,681	255,442
Cable channels	192,224	192,224
Investments in associates and joint venture	125,553	116,477
Story and publication, video rights, and record master	937,415	108,030
Production and distribution business - Middle East	2,533	2,777
Investment properties	1,161	1,266
Digital platforms	3	3

The Group recognized impairment losses amounting to nil and ₱48 million, relating to its property and equipment, movie in-progress and filmed entertainment and tax credits, in September 30, 2023 and December 31, 2022, respectively (see Notes 10, 12 and 16).

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

The impairment on nonfinancial assets is determined by comparing: (a) the carrying amount of the cash-generating unit; and (b) the higher of its fair value less cost to sell or its value in use which is the present value of the annual projected cash flows for five years and the present value of the terminal value computed under the discounted cash flow method.

As of September 30, 2023 and December 31, 2022, the recoverable amount of certain assets was determined using its fair value less cost to sell or using income approach based on discounted cash flow techniques where expected cash flow from the use of the assets were projected and discounted using the appropriate discount rate reflective of the market expectations. The recoverable amount is most sensitive to the inputs used in the valuation which are lease income growth rate and discount rate.

The key assumptions used, 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 Parent Company over the next five years were projected to grow in line with the economy or with nominal Gross Domestic Product. This assumes that the market share of the Group in their respective industries will be flat on the assumption that the industries also grow at par with the economy. Historically, advertising spending growth had a direct correlation with economic growth. Perpetuity growth rates of 4.8% in 2022 and 3.5% in 2021 were assumed at the end of the five-year forecast period.

b. Operating Expenses

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

c. Gross Margins

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

d. Discount Rate

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

The discount rates applied to the cash flow projections are 7.2% in 2023 and 2022.

Estimation of net realizable values. Net realizable values of inventories are assessed regularly based on the prevailing selling prices of inventories less the estimated cost necessary to sell. Increase in the net realizable value will increase the carrying amount of inventories but only to the extent of their original acquisition costs.

Merchandise inventories amounted to ₱216 million and ₱264 million as of September 30, 2023 and December 31, 2022, respectively. Inventory losses amounted to nil and ₱1 million in September 30, 2023 and December 31, 2022, respectively (see Note 8).

Recoverability of Goodwill, Trademarks and IP Block. The Group performs recoverability testing annually or more frequently when there are indications of impairment for goodwill and intangible assets

with indefinite lives. Until December 31, 2021, the Group has identified that trademarks and IP block have indefinite lives. Effective January 1, 2022, in view of the change in the expected pattern of economic benefits from the assets, the Group revised the estimated useful life and amortization method of trademarks from indefinite life to 15 years.

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

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

The key assumptions used, after consideration of the impact of COVID-19, in the impairment test of goodwill, cable channels, trademarks and licenses are as follows:

a. Gross Revenue

On the average, gross revenue of the subsidiaries over the next five years were projected to grow in line with the economy or with nominal Gross Domestic Product. This assumes that the market share of the subsidiaries in their respective industries will be flat on the assumption that the industries also grow at par with the economy. Historically, advertising spending growth had a direct correlation with economic growth. The Group assumed average perpetuity growth rate of 4.8% in 2022 and 3.5% in 2021 at the end of the five-year forecast period.

b. Operating Expenses

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

c. Gross Margins

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

d. Discount Rate

The discount rate used to arrive at the present value of future cash flows was the Group's Weighted Average Cost of Capital (WACC). WACC was based on the appropriate weights of debt and equity, which were multiplied with the assumed costs of debt and equity. The discount rates applied to the cash flow projections range from 7.2% to 8.0% in 2023 and 2022, respectively.

The carrying values of goodwill and intangible assets with indefinite useful lives as at September 30, 2023 and December 31, 2022 are as follows (see Note 12):

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Goodwill	₱4,771,533	₱4,767,479
IP block	37,804	37,804

Present Value of Pension Obligation and Other Employee Benefits. The cost of defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions such as discount rates and future salary increases, among others. Due to the complexity of the valuation,

the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each financial reporting date.

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

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

Employee leave entitlements that is expected to be settled within one year from reporting date is classified as a current liability in the consolidated statement of financial position. Otherwise, this is classified as part of the noncurrent portion of other employee benefits liability. Accrued pension obligation and other employee benefits of the Group amounted to ₱6.6 billion and ₱6.2 billion as at September 30, 2023 and December 31, 2022, respectively (see Note 30).

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

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

As at September 30, 2023 and December 31, 2022, the Group recognized gross deferred tax assets amounting to ₱1,259 million and ₱1,530 million, respectively. From this amount, ₱1,663 million and ₱1,663 million as at September 30, 2023 and December 31, 2022, respectively, relates to significant subsidiaries that incurred net losses and/or are in a capital deficiency position. Management has determined that there is sufficient taxable profit against which these recognized deferred tax assets will be realized, after consideration of the impact of COVID-19. The Group did not recognize deferred tax assets from the Parent Company and certain subsidiaries amounting to ₱10,255 million and ₱9,913 million as at September 30, 2023 and December 31, 2022, respectively, as management believes that sufficient future taxable profit will not be available to allow these deferred tax assets to be utilized (see Note 28).

Provisions and Contingencies. The Group 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 Group'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 Group's interim condensed consolidated financial statements.

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 as "Deposits for future subscription" under "Trade and Other Payables" account. As at March 14, 2023, the PDR instruments remain unissued.

Material Noncontrolling Interests

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

Proportion of Equity Interest Held by Noncontrolling Interests

Company	Place of Incorporation	Percentage	
		September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Sky Cable Corporation and Subsidiaries	Philippines	40.6%	40.6%
Sapientis Holdings Corporation and Subsidiaries	Philippines	30.7%	30.7%
ABS-CBN Theme Parks and Resorts Holdings, Inc. and Subsidiaries	Philippines	27.0%	27.0%

Accumulated Earnings (Losses) of Material Noncontrolling Interests

Company	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Sapientis Holdings Corporation and Subsidiaries	(₱2,416,855)	(₱2,417,531)
Sky Cable Corporation and Subsidiaries	1,412,152	1,589,146
ABS-CBN Theme Parks and Resorts Holdings, Inc. and Subsidiaries	(543,166)	(536,629)

Net Income (Loss) Attributable to Material Noncontrolling Interests

Company	Nine Months Ended September 30 (Unaudited)	
	2023	2022
Sky Cable Corporation and Subsidiaries	(₱175,963)	(₱33,876)
ABS-CBN Theme Parks and Resorts Holdings, Inc. and Subsidiaries	(6,581)	(6,898)
Sapientis Holdings Corporation and Subsidiaries	(311)	(466)

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

a. Sky Cable

Summarized Consolidated Statements of Financial Position

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash and cash equivalents	₱443,767	₱545,065
Other current assets	3,275,514	2,398,748
Goodwill	4,491,817	4,491,817
Trademarks	991,886	1,037,665
Customer relationships	309,154	353,645
Other noncurrent assets	16,200,460	17,193,929
Current liabilities	(6,640,769)	(6,468,973)
Noncurrent liabilities	(7,191,352)	(7,663,063)

Summarized Consolidated Statements of Comprehensive Income

	Nine Months Ended September 30 (Unaudited)	
	2023	2022
Revenue	₱5,458,046	₱6,094,784
Cost of services	(4,432,876)	(4,834,197)
General and administrative expenses	(1,461,326)	(1,373,060)
Finance costs	(251,689)	(201,961)
Other income - net	137,866	54,703
Income (loss) before income tax	(549,979)	(259,731)
Provision for (benefit from) income tax	(130,249)	(73,813)
Net income (loss)	(419,730)	(185,918)
Other comprehensive income (loss)	411,375	-
Total comprehensive income (loss)	(₱8,355)	(₱185,918)

Summarized Consolidated Statements of Cash Flows

	Nine Months Ended September 30 (Unaudited)	
	2023	2022
Operating	₱1,328,194	(₱360,568)
Investing	(767,008)	90,443
Financing	(662,484)	89,307
Net decrease in cash and cash equivalents	(₱101,298)	(₱180,818)

b. Sapiensis

Summarized Consolidated Statements of Financial Position

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash and cash equivalents	₱1,191	₱2,592
Other current assets	973,573	953,768
Current liabilities	(5,979,954)	(5,960,536)
Noncurrent liabilities	(3,007,664)	(3,007,664)

Summarized Consolidated Statements of Comprehensive Income

	Nine Months Ended September 30 (Unaudited)	
	2023	2022
General and administrative expenses	(₱1,280)	(₱1,474)
Finance Cost	(1)	-

Other income – net	267	(695)
Loss before income tax	(1,014)	(2,169)
Provision for income tax	–	3
Net loss	(1,014)	(2,172)
Total comprehensive loss	(P1,014)	(P2,172)

Summarized Consolidated Statements of Cash Flows

	Nine Months Ended September 30 (Unaudited)	
	2023	2022
Operating	(P1,401)	(P1,078)
Investing	–	–
Net increase (decrease) in cash and cash equivalents	(P1,401)	(P1,078)

c. *ABS-CBN Theme Parks*

Summarized Consolidated Statements of Financial Position

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash and cash equivalents	(P1,218)	P1,691
Other current assets	13,878	13,931
Current liabilities	(1,538,694)	(1,508,484)
Noncurrent liabilities	(6,350)	(15,080)

Summarized Consolidated Statements of Comprehensive Income

	Nine Months Ended September 30 (Unaudited)	
	2023	2022
Cost of services	P–	(P–)
General and administrative expenses	(1,891)	(11,079)
Finance costs	(22,626)	(22,674)
Other income - net	76	78
Loss before income tax	(P24,441)	(33,675)
Benefit from income tax	(1)	–
Net loss	(P24,442)	(33,675)
Total comprehensive loss	(P24,442)	(P33,675)

Summarized Consolidated Statements of Cash Flows

	Nine Months Ended September 30 (Unaudited)	
	2023	2022
Operating	(₱2,909)	(₱617)
Net decrease in cash and cash equivalents	(₱2,909)	(₱617)

5. Segment Information

Segment information is prepared on the following bases:

Business Segments

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

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

Geographical Segments

The Group operates in three major geographical areas namely, the Philippines, United States and Other Countries. In the Philippines, its home country, the Group 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 Group operates its cable and satellite operations to bring its produced content outside the Philippines.

The Group does not have revenue from transactions with a single external customer amounting to 10% or more of the Group'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 Group'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 Group'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 Group recognized impairment losses amounting to ₱7 million and ₱17 million for Content Production and Distribution for nine months ended September 30, 2023 and 2022, respectively.

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

	Nine Months	
	Ended September 30	
	(Unaudited)	
	2023	2022
Consolidated EBITDA	₱200,415	₱2,030,626
Depreciation and amortization	(2,074,823)	(2,287,034)
Amortization of intangible assets**	(506,195)	(617,938)
Finance costs*	(856,944)	(837,807)
Interest income	18,952	14,567
Provision for (benefit from) income tax	(105,336)	(156,534)
Impairment loss	(7,079)	(17,255)
Consolidated net loss	(₱3,331,010)	(₱1,871,375)

**Excluding bank service charges*

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

Business Segment Data

The following tables present revenue and income information for the nine months ended September 30, 2023 and 2022 and certain asset and liability information regarding business segments as of September 30, 2023 and December 31, 2022:

	Content Production and Distribution		Cable and Broadband		Eliminations		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022
Revenue								
External sales	₱8,651,392	₱8,636,449	₱5,458,046	₱6,094,784	₱-	₱-	₱14,109,438	₱14,731,233
Inter-segment sales	942,184	854,929	-	-	(942,184)	(854,929)	-	-
Revenue deductions	(589,369)	(417,924)	-	-	-	-	(589,369)	(417,924)
Total revenue	₱9,004,207	₱9,073,454	₱5,458,046	₱6,094,784	(₱942,184)	(₱854,929)	₱13,520,069	₱14,313,309
Results								
Operating results	(₱3,140,824)	(₱4,023,554)	(₱436,156)	(₱112,473)	₱964,239	₱831,651	(₱2,612,741)	(₱3,304,376)
Finance costs	(673,626)	(675,316)	(251,689)	(201,961)	65,869	32,217	(859,446)	(845,060)
Foreign exchange gains (losses) - net	127,929	(773,092)	(27,285)	(87,124)	(139,785)	821,600	(39,141)	(38,616)
Interest income	49,524	37,187	11,138	9,597	(41,710)	(32,217)	18,952	14,567
Equity in net earnings (losses) of associates and joint ventures	(10,523)	511	-	-	-	-	(10,523)	511
Other income - net	757,345	2,827,504	154,013	132,230	(634,131)	(501,602)	277,227	2,458,132
Income tax	(235,586)	(230,348)	130,249	73,813	-	-	(105,337)	(156,535)
Net income (loss)	(₱3,125,761)	(₱2,837,108)	(₱419,730)	(₱185,918)	₱214,482	₱1,151,649	(₱3,331,010)	(₱1,871,377)
EBITDA							₱200,415	₱2,030,626
EBITDA Margin							1%	14%
Assets and Liabilities								
Operating assets	₱26,640,553	₱27,990,820	₱23,489,957	₱23,773,522	(₱3,213,421)	(₱3,894,837)	₱46,917,089	₱47,869,505
Contract asset	24,750	27,669	-	-	-	-	24,750	27,669
Noncurrent assets held for sale	407,537	409,442	-	-	-	-	407,537	409,442
Investments in associates and joint ventures	16,708,583	16,954,997	-	-	(16,583,030)	(16,838,520)	125,553	116,477
Deferred tax assets	58,399	237,368	1,201,038	1,293,096	-	-	1,259,437	1,530,464
Total assets	₱43,839,822	₱45,620,296	₱24,690,995	₱25,066,618	(₱19,796,451)	(₱20,733,357)	₱48,734,366	₱49,953,557
Operating liabilities	₱15,090,719	14,308,115	₱7,005,337	7,058,608	(₱2,824,053)	(₱3,465,329)	₱19,272,003	₱17,901,394
Contract liabilities	2,541,545	1,384,982	340,341	370,029	-	-	2,881,886	1,755,011
Interest-bearing loans and borrowings	12,856,195	13,131,500	4,810,336	4,866,817	(270,000)	(270,000)	17,396,531	17,728,317
Deferred tax liability	214,148	481,758	-	-	-	-	214,148	481,758
Lease liabilities	548,919	571,544	626,006	601,911	(511,152)	(508,782)	663,773	664,673
Total liabilities	₱31,251,526	₱29,877,899	₱12,782,020	₱12,897,365	(₱3,605,205)	(₱4,244,111)	₱40,428,341	₱38,531,153
Other Segment Information								
Capital expenditures:								
Property and equipment	₱85,808	₱238,866	₱994,429	₱2,411,367	-	-	₱1,080,237	₱2,650,233
Intangible assets	285,428	85,125	58,098	149,118	-	-	343,526	234,243
Depreciation and amortization	1,655,066	796,195	1,532,298	488,892	(603,090)	(299,205)	2,584,274	985,882
Noncash expenses other than depreciation and amortization	9,116	6,416	264,489	50,587	-	-	273,605	57,003

Geographical Segment Data

The following tables present revenue and expenditure for the nine months ended September 30, 2023 and 2022 and certain asset information regarding geographical segments as of September 30, 2023 and December 31, 2022:

	Philippines		United States		Others		Eliminations		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Revenue										
External sales	₱11,531,828	₱11,689,268	₱2,319,517	₱2,238,725	₱258,091	₱803,241	₱-	₱-	₱14,109,436	14,731,234
Inter-segment sales	942,184	854,929	-	-	-	-	(942,184)	(854,929)	-	-
Revenue deductions	(589,369)	(417,924)	-	-	-	-	-	-	(589,369)	(417,924)
Total revenue	₱11,884,643	₱12,126,273	₱2,319,517	₱2,238,725	₱258,091	₱803,241	(₱942,184)	(₱854,929)	₱13,520,067	14,313,310
Assets										
Operating assets	₱42,978,144	₱40,860,912	₱2,286,049	₱2,281,998	₱4,866,317	₱8,621,432	(₱3,213,421)	(₱3,894,837)	₱46,917,089	47,869,505
Noncurrent assets held for sale	407,537	409,442	-	-	-	-	-	-	407,537	409,442
Contract assets	24,750	27,669	-	-	-	-	-	-	24,750	27,669
Investments in associates and joint ventures	16,708,583	16,954,997	-	-	-	-	(16,583,030)	(16,838,520)	125,553	116,477
Deferred tax assets – net	1,176,286	1,454,778	72,930	54,756	10,222	20,930	-	-	1,259,437	1,530,464
Total assets	₱61,295,300	₱59,707,798	₱2,358,979	₱2,336,754	₱4,876,539	₱8,642,362	(₱19,796,451)	(₱20,733,357)	₱48,734,366	49,953,557
Liabilities										
Operating liabilities	₱18,306,657	₱17,896,655	₱836,692	₱898,808	₱2,952,707	₱2,571,260	(₱2,824,053)	(₱3,465,329)	₱19,272,003	17,901,394
Contract liabilities	2,881,886	1,755,011	-	-	-	-	-	-	2,881,886	1,755,011
Interest-bearing loans and borrowings	17,666,531	17,998,317	-	-	-	-	(270,000)	(270,000)	17,396,531	17,728,317
Deferred tax liability	214,148	481,758	-	-	-	-	-	-	214,148	481,758
Lease liabilities	1,174,925	1,173,455	-	-	-	-	(511,152)	(508,782)	663,773	664,673
Total liabilities	₱40,244,147	₱39,305,196	₱836,692	₱898,808	₱2,952,707	₱2,571,260	(₱3,605,205)	(₱4,244,111)	₱40,428,341	38,531,153
Other Segment Information										
Capital expenditures:										
Property and equipment	₱1,079,380	₱2,644,090	₱-	₱4,951	₱857	₱1,192	₱-	₱-	₱1,080,237	₱2,650,233
Intangible assets	343,526	234,243	-	-	-	-	-	-	343,526	234,243

6. Cash and Cash Equivalents and Short-term Investments

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Cash on hand and in banks	₱1,390,533	₱1,696,926
Cash equivalents	440,877	239,926
	₱1,831,410	₱1,936,852

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 Group, and earn interest at the respective short-term placement rates.

Cash deposits amounting to ₱11 million and ₱11 million as at September 30, 2023 and December 31, 2022, 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 ₱19 million and ₱15 million for the nine months ended September 30 2023 and 2022, respectively.

7. Trade and Other Receivables

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Trade:		
Airtime	₱3,213,080	₱2,977,016
Subscriptions	2,530,858	2,325,649
Others	699,949	804,976
Due from related parties (Note 23)	62,316	303,537
Advances to employees and talents (Note 23)	319,154	168,153
Others	1,266,682	979,551
	8,092,039	7,558,882
Less allowance for ECL	2,841,856	2,874,308
	₱5,250,183	₱4,684,574

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

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

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

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

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

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

Other receivables include interest receivable and receivables related to the sale of Amcara Broadcasting Network, Inc. (Amcara) amounting to ₱260 million and is fully provided with allowance. It also includes claims arising from sources other than the sale of airtime and subscription and advances to employees and talents that are reasonably expected to be realized in cash within the next financial year.

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

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Less than 30 days	₱89,289	₱89,289
31 to 90 days	85,485	85,485
	₱174,774	₱174,774

Allowance for ECL

Movements in the allowance for ECL are as follows:

	Trade			Nontrade	Total
	Airtime	Subscriptions	Others		
Balance at January 1, 2022	₱342,088	₱1,427,951	₱295,828	₱495,974	₱2,561,841
Provisions (Note 27)	-	249,671	-	178,824	428,495
Write-offs and others	(2,487)	(101,218)	(12,323)	-	(116,028)
Balance at December 31, 2022	339,601	1,576,404	283,505	674,798	2,874,308
Provisions (Note 27)	-	267,758	-	314	268,072
Write-offs and others	-	(373,567)	95,267	(22,224)	(300,524)
Balance at September 30, 2023	₱339,601	₱1,470,595	₱378,772	₱652,888	₱2,841,856

8. Inventories

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
At cost:		
Office supplies	₱4,933	₱4,933
At net realizable value:		
Merchandise inventories	124,700	170,564
Materials, supplies and spare parts	86,692	88,379
	₱216,325	₱263,876

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 for the nine months ended September 30, 2023 and 2022, is recorded as part of "Inventory costs" under the "Cost of sales" account in the consolidated statements of income (see Note 26). Total inventory costs recognized under "Cost of

sales and services” amounted to ₱51 million and ₱52 million, for the nine months ended September 30, 2023 and 2022, respectively (see Note 26).

The cost of inventories carried at net realizable value amounted to ₱656 million and ₱1,061 million as at September 30, 2023 and 2022, respectively. Inventory losses amounted to nil and ₱1 million, for the nine months ended September 30, 2023 and 2022, respectively (see Note 27). The Group has no reversal of inventory write-downs as at September 30, 2023 and 2022, respectively.

9. Contract Cost Assets and Contract Liabilities

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Contract cost assets (Note 15)	₱24,750	₱27,669
Contract liabilities	2,869,966	1,755,011

Incremental Costs to Obtain Contracts

Contract cost assets pertain to the incremental costs incurred by the Group 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 ₱77 million for the year ended December 31, 2022 (see Note 27).

No impairment loss was recognized in 2023 and 2022.

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 Group performs under the contract.

Out of the opening contract liabilities, total revenue recognized amounted to ₱342 million for the year ended December 31, 2022. Contract liabilities are usually recognized as revenues within one year from receipt.

10. Property and Equipment

September 30, 2023

	Land and Land Improvements	Buildings and Improvements	Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Other Equipment	Construction in Progress	Right-of-use assets		Total
						Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Buildings and Improvements	
Cost								
Balance at beginning of year	₱1,638,590	₱14,378,412	₱31,785,904	₱13,677,462	₱5,010,928	₱2,241,097	₱377,510	₱69,109,903
Additions	2,182	74	682,686	73,565	320,910	(22,548)	23,368	1,080,237
Disposals/retirements	(105,867)	(4,609)	(158,074)	(171,139)	(299,908)	(263,448)	(11,737)	(1,014,782)
Reclassifications	-	28,599	43,112	6,629	(78,340)	-	-	-
Translation adjustments	1,452	(55)	240,189	(4,643)	(350,230)	207,807	170	94,690
Balance at end of year	₱1,536,357	₱14,402,421	₱32,593,817	₱13,581,874	₱4,603,360	₱2,162,908	₱389,311	₱69,270,048
Accumulated Depreciation, Amortization and Impairment								
Balance at beginning of year	₱67,151	₱9,593,527	₱22,870,922	₱10,267,927	₱759,210	₱801,571	₱288,110	₱44,648,418
Depreciation and amortization	12,472	211,289	1,270,139	395,281	-	157,954	27,572	2,074,707
(Notes 25, 26 and 27)								
Disposals/retirements	-	(3,075)	(137,178)	(166,146)	-	(45,231)	(11,737)	(363,367)
Translation adjustments	-	(68)	489	(375)	-	-	170	216
Balance at end of year	₱79,623	₱9,801,673	₱24,004,372	₱10,496,687	₱759,210	₱914,294	₱304,115	₱46,359,974
Net Book Value	₱1,456,734	₱4,600,748	₱8,589,445	₱3,085,187	₱3,844,150	₱1,248,614	₱85,196	₱22,910,075

December 31, 2022 (Audited – One Year)

	Land and Land Improvements	Buildings and Improvements	Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Other Equipment	Construction in Progress	Right-of-use assets		Total
						Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Buildings and Improvements	
Cost								
Balance at beginning of year	₱2,411,166	₱14,384,550	₱30,799,273	₱13,621,257	₱5,093,733	₱2,106,933	₱299,836	₱68,716,748
Additions	-	-	440,508	81,031	1,874,104	177,900	76,690	2,650,233
Disposals/retirements	(555,204)	(31,403)	(679,429)	(145,700)	(2,127)	(43,903)	-	(1,457,766)
Reclassifications	-	24,999	1,822,106	107,677	(1,954,782)	-	-	-
Reclassification to noncurrent assets held for sale (Note 31)	(225,792)	-	(601,229)	-	-	-	-	(827,021)
Translation adjustments	8,420	266	4,675	13,197	-	167	984	27,709
Balance at end of year	₱1,638,590	₱14,378,412	₱31,785,904	₱13,677,462	₱5,010,928	₱2,241,097	₱377,510	₱69,109,903

(Forward)

December 31, 2022 (Audited – One Year)

	Land and Land Improvements	Buildings and Improvements	Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Other Equipment	Construction in Progress	Right-of-use assets		Total
						Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Buildings and Improvements	
Accumulated Depreciation, Amortization, and Impairment								
Balance at beginning of year	₱64,522	₱9,317,323	₱21,737,760	₱9,771,835	₱766,871	₱542,300	₱230,283	₱42,430,894
Depreciation and amortization (Notes 25, 26 and 27)	16,782	304,717	1,869,692	659,156	–	213,942	57,054	3,121,343
Disposals/retirements	(14,153)	(28,662)	(217,487)	(138,376)	(7,661)	(12,381)	–	(418,720)
Impairment (Note 27)	–	–	–	18,994	–	–	–	18,994
Reclassification	–	–	–	(57,616)	–	57,616	–	–
Reclassification to noncurrent assets held for sale (Note 31)	–	–	(417,579)	–	–	–	–	(417,579)
Translation adjustments	–	149	(101,464)	13,934	–	94	773	(86,514)
Balance at end of year	67,151	9,593,527	22,870,922	10,267,927	759,210	801,571	288,110	44,648,418
Net Book Value	₱1,571,439	₱4,784,885	₱8,914,982	₱3,409,535	₱4,251,718	₱1,439,526	₱89,400	₱24,461,485

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

In 2022, the Group disposed various property and equipment items with a net book value amounting to ₱1.04 billion for a total proceed of ₱1.51 billion resulting to a gain on disposal amounting to ₱0.5 billion (see Note 28).

To address the impact of the denial of the franchise application (as discussed in Note 1), the Group has entered into an agreement with its existing lenders to provide for the creation of mortgage and security interest over certain assets of the Group. The carrying value of assets mortgaged to secure the long-term debt of ABS-CBN as at September 30, 2023 and December 31, 2022 amounted to ₱ 5,592 million and ₱5,790 million, respectively (see Note 18).

Unamortized borrowing costs capitalized as part of property and equipment amounted to ₱1,735 million and ₱1,772 million as at September 30, 2023 and December 31, 2022, respectively. There were no borrowing costs capitalized in 2023 and 2022 with this borrowing cost capitalization rates in 2023 and 2022 is nil.

The Group determined the consequences of the Resolution passed by the House Committee on Legislative Franchises denying the franchise application of the Parent Company, as impairment indicators on its nonfinancial assets. The Group recognized impairment losses amounting to nil and ₱19 million, relating to its property and equipment in 2023 and 2022, respectively.

11. Investment Properties

September 30, 2023 (Unaudited – Nine Months)			
	Land	Building	Total
Cost:			
Balance at beginning of year	P–	P3,147	P3,147
Translation adjustments	–	32	32
Balance at end of year	–	3,179	3,179
Accumulated depreciation:			
Balance at beginning of year	–	1,881	1,881
Depreciation (Note 27)	–	117	117
Translation adjustments	–	21	21
Balance at end of year	–	2,019	2,019
Net book value	P–	P1,160	P1,160

December 31, 2022 (Audited – One Year)			
	Land	Building	Total
Cost:			
Balance at beginning of year	P–	P2,860	P2,860
Translation adjustments	–	287	287
Balance at end of year	–	3,147	3,147
Accumulated depreciation:			
Balance at beginning of year	–	1,566	1,566
Depreciation (Note 27)	–	152	152
Translation adjustments	–	163	163
Balance at end of year	–	1,881	1,881
Net book value	P–	P1,266	P1,266

The Parent Company owns a parcel of land for capital appreciation purposes costing P136 million as at December 31, 2020. These properties are located in Scout Borromeo St. and Scout Bayoran St., Brgy. South Triangle, Diliman, Quezon City, and Sgt. Esguerra Avenue corners Scout Bayoran Street and Scout Borromeo Street, within Barangay South Triangle, Diliman, Quezon City. The fair value of the land, based on the latest appraisal reports dated February 14 and 20, 2020, amounted to P1.6 billion as determined by an independent appraiser accredited by the Philippine SEC using the Sales Comparison Approach, which considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. The fair value of this investment property is categorized under Level 3 of the fair value hierarchy as the market for the identical or similar properties is not active. The highest and best use of the asset is as a commercial utility. For Sales Comparison approach, the higher the rise per square meter., the higher the fair value. The significant unobservable input to valuation of the land is the price per square meter ranging from P115,000 to P250,000. The land was reclassified to non-current asset held for sale as of December 31, 2021 (see Note 31).

Direct operating expenses, which consist mainly of depreciation, amounted to P117 thousand and P120 thousand for the nine months ended September 30, 2023 and September 30, 2022, 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 January 1, 2023	₱4,767,479	₱1,432,821	₱1,032,304	₱108,030	₱1,037,665	₱353,645	₱192,224	₱2,777	₱545,800	₱37,807	₱9,510,552
Additions	-	191,924	12,614	80,891	-	-	-	-	58,098	-	343,527
Amortization (see Notes 25, 26 and 27)	-	(392,775)	(151)	(3,104)	(45,778)	(64,386)	-	-	-	-	(506,194)
Disposals and others	-	-	(131,604)	-	-	-	-	-	-	-	(131,604)
Translation adjustments	4,054	-	-	-	-	-	-	(318)	-	-	3,736
Balance as at September 30, 2023	4,771,533	1,231,970	913,163	185,817	991,887	289,259	192,224	2,459	603,898	37,807	9,220,017
Less current portion	-	398,821	75,363	3,633	-	-	-	-	-	-	477,816
Noncurrent portion	₱4,771,533	₱833,149	₱837,800	₱182,184	₱991,887	₱289,259	₱192,224	₱2,459	₱603,898	₱37,807	₱8,742,201
Balance as at January 1, 2022	₱4,743,970	₱2,116,565	₱991,222	₱110,677	₱1,111,784	₱439,820	₱232,826	₱3,000	₱396,682	₱37,807	₱10,184,353
Additions	-	25,265	58,144	1,716	-	-	-	-	149,118	-	234,243
Amortization (see Notes 25, 26 and 27)	-	(686,343)	(4,988)	(4,363)	(74,119)	(86,175)	(40,602)	-	-	-	(896,590)
Disposals and others	-	(22,665)	(12,075)	-	-	-	-	-	-	-	(34,740)
Translation adjustments	23,509	-	-	-	-	-	-	(223)	-	-	23,286
Balance as at December 31, 2022	4,767,479	1,432,822	1,032,304	108,029	1,037,665	353,645	192,224	2,777	545,800	37,807	9,510,552
Less current portion	-	464,909	114,440	3,188	-	-	-	-	-	-	582,537
Noncurrent portion	₱4,767,479	₱967,913	₱917,864	₱104,841	₱1,037,665	₱353,645	₱192,224	₱2,777	₱545,800	₱37,807	₱8,928,015

Goodwill

Goodwill arose from the following acquisitions and business combination:

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Sky Cable	₱4,491,817	₱4,491,817
ABS-CBN International*	279,716	275,662
	₱4,771,533	₱4,767,479

*Includes translation adjustments

Program Rights and Other Intangible Assets

Program rights include the acquired rights of the Group to air foreign and local films or programs for a certain period of time. As at September 30, 2023, the remaining useful life of program rights range from one to 23 years. Licenses with finite life include franchise of KidZania brand in the Philippines, acquired in 2012, by PII. License is fully impaired as of September 30, 2023 and December 31, 2022.

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

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

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

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

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

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
IP block	₱37,804	₱37,804

In 2021, other intangible assets assessed to have indefinite life include trademarks and IP block. 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 Group's analysis of all the relevant factors, there is a foreseeable limit to the period over which the business is expected to generate net cash inflows for the Group and therefore, these were assessed to have an indefinite life. In 2022, the Group reassessed the useful life of the trademarks based on industry trends and changed it from indefinite to remaining useful life of 15 years to reflect the expected pattern of economic benefits from the assets. This was accounted prospectively as a change in accounting estimate, thereby increasing the amortization

expense of the Group by ₱74 million in 2022 and for each of the succeeding years until the end of its useful life.

13. Financial Assets at Fair Value through Other Comprehensive Income

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Non-listed ordinary common and quoted club shares	₱56,073	₱44,357

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

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

Quoted equity securities generated dividends amounting to nil in September 30, 2023 and December 31, 2022.

Movements in this account follow:

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Balance at beginning of year	₱44,357	₱41,658
Sale of investment	-	(900)
Unrealized fair value gain	11,716	3,599
Balance at end of year	₱56,073	₱44,357

14. Investments in Associates and Joint Ventures

Entity	Principal Activities	Percentage of Ownership	
		September 30, 2023	December 31, 2022
		(Unaudited)	(Audited)
Associates:			
Star Cinema Productions, Inc. (Star Cinema)	Services	45.0	45.0
The Flagship, Inc. (Flagship)	Services	40.0	40.0
Joint ventures:			
A CJ O Shopping Corporation (A CJ O)	Home shopping	50.0	50.0
Daum Kakao Philippines Corporation (Daum Kakao)	Services	50.0	50.0
Media Serbisyo Production Corporation (Media Serbisyo)	Content production	49.0	-
ALA Sports Promotions International, Inc. (ALA Sports)	Boxing promotions	44.0	44.0

Details and movement in the account are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Acquisition costs –		
Balance at beginning of year	₱853,049	₱853,049
New investment in joint venture	19,600	–
Balance at end of year	₱872,649	853,049
Accumulated equity in net losses –		
Balance at beginning of year	(653,343)	(653,629)
Equity in net income (loss) during the year	(10,524)	286
Balance at end of year	(663,866)	(653,343)
Accumulated impairment loss –		
Balance at beginning of year	(83,229)	(77,645)
Impairment of investment in joint venture	–	(5,584)
Balance at end of year	(83,229)	(83,229)
	₱125,553	₱116,477
Investments in:		
Joint ventures	₱22,377	₱13,299
Associates	103,176	103,178
	₱125,553	₱116,477

All the associates and joint ventures are incorporated and have principal place of business in the Philippines. The associates and joint ventures have no contingent liabilities or capital commitments as at September 30, 2023 and December 31, 2022.

Investments in Joint Ventures

i. A C J O

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

On June 25, 2020, the stockholders and BOD of the Group approved a plan of liquidation and cessation of operations effective December 31, 2020. In November 2020, the Group decided to discontinue its operations to prevent further losses. Though the Parent Company expects to recover its investment through liquidation of the remaining assets of A C J O, the Parent Company recognized ₱45 million impairment loss on this investment in 2022.

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. Due to the circumstances brought by the pandemic, the Parent Company recognized ₱30 million impairment loss on this investment in 2022.

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 June 3, 2021, Daum Kakao has returned capital of ₱364 million to the joint venturers.

iv. Media Serbisyo Production Corporation

On June 30, 2023, ABS-CBN entered into a joint venture with Prime Media Holdings, Inc. The company, Media Serbisyo Production Corporation, will produce various programs, which will be supplied to broadcasters and other third-party platforms including Philippine Collectivemedia Corporation. Under the agreement, ABS-CBN will have a minority stake in the joint venture, and Prime Media Inc. will be the majority stakeholder. ABS-CBN paid ₱19.6 million for 19,599,996 stocks or 48.99% share.

Combined financial information of the joint ventures follows:

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Current assets	₱274,240	₱229,885
Noncurrent assets	67,243	67,243
Current liabilities	(117,256)	(117,198)
Net equity	₱224,227	₱179,930
	Nine Months Ended September 30	
	(Unaudited)	
	2023	2022
Revenue	₱4,535	₱1,233
Costs and expenses	(26,018)	(163)
Net loss	(₱21,483)	₱1,070
Equity in net earnings (losses) of joint ventures	(₱10,524)	₱511

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

September 30, 2023 (Unaudited – Nine Months)					
	A C J O	ALA Sports	Daum Kakao	Media Serbisyo	Total
Net assets of joint ventures	₱89,557	₱58,328	₱32,252	₱18,313	₱198,450
Interest of the Parent Company in the net assets of the joint ventures	50%	44%	50%	49%	
	44,779	25,664	16,126	8,971	95,540
Accumulated impairment loss	(44,779)	(25,654)	(2,735)	-	(73,168)
Carrying amount of investments in joint ventures	₱-	₱10	₱13,391	₱8,971	₱22,372

December 31, 2022 (Audited – One Year)					
	A C J O	ALA Sports	Daum Kakao	Media Serbisyo	Total
Net assets of joint ventures	₱89,557	₱58,305	₱32,068	₱-	₱179,930
Interest of the Parent Company in the net assets of the joint ventures	50%	44%	50%	-	
	44,779	25,654	16,034	-	86,467
Accumulated impairment loss	(44,779)	(25,654)	(2,735)	-	(73,168)
Carrying amount of investments in joint ventures	₱-	₱-	₱13,299	₱-	₱13,299

a. Investments in Associates

In 2015, the Parent Company entered into an agreement with certain individuals to form Flagship, a holding company with interests on entities engaged in the business of producing and co-producing motion pictures and providing visual effects and post-production services. For the nine months ended September 30, 2023 and 2022, the Group did not recognize equity in net income of Flagship because it is immaterial.

Investment in the other associate, Star Cinema, has been reduced to zero due to accumulated equity in net losses. The net cumulative unrecognized net losses amounted to ₱17 million as at September 30, 2023 and 2022.

Combined financial information of associates follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Current assets	₱138,670	₱138,670
Noncurrent assets	26,886	26,886
Current liabilities	(62,378)	(62,378)
Net equity	₱103,178	₱103,178

15. Other Current Assets

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Creditable withholding and prepaid taxes	₱4,211,326	₱3,558,287
Restricted cash	-	146,859
Advances to suppliers	85,904	229,673
Preproduction expenses	257,681	255,442
Prepayments:		
Licenses	162,251	107,571
Rent	83,866	66,221
Subscription	5,737	11,632
Insurance	8,194	9,867
Transponder services	2,583	7,922
Contract cost assets (Note 9)	24,750	27,669
Other prepayments	80,304	12,743
	₱4,922,596	₱4,433,886

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 next year.

Other prepayments mainly pertain to sponsorship and royalties.

16. Other Noncurrent Assets

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Tax credits - net of allowance for impairment	₱2,437,740	₱2,145,237
Deposits and bonds - net of allowance for impairment of ₱38 million as of September 30, 2023 and December 31, 2022	26,390	321,946
Others	59,169	82,088
	₱2,523,299	₱2,549,271

Tax credits represent claims from the government arising from airing of government commercials, advertisements and cablecast services. Pursuant to Presidential Decree No. 1362, these will be collected in the form of tax credits which the Group 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 Group expects to utilize these tax credits within the next six years until 2027.

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

Allowance for impairment of tax credits amounted to ₱379 million as at September 30, 2023 and December 31, 2022.

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

17. Trade and Other Payables

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Trade	1,581,385	₱1,810,479
Accrued expenses:		
Production costs and other expenses	4,509,634	4,419,062
Salaries and other employee benefits (Note 30)	1,682,359	1,267,738
Taxes	1,955,503	1,795,099
Interest	206,543	213,157
Deposits for future subscription (Notes 4 and 22)	1,287,434	1,287,421
Dividend payable	44,481	44,481
Due to related parties (Note 23)	424,482	34,478
Others	270,462	101,044
	₱11,962,283	₱10,972,959

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 SPP participants (see Note 22).

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

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

18. Interest-bearing Loans and Borrowings

Borrower	September 30, 2023 (Unaudited – Nine Months)			December 31, 2022 (Audited – One Year)		
	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion	Total
Parent Company	₱742,245	₱12,113,950	₱12,856,195	₱975,679	₱12,155,820	₱13,131,499
Sky Cable	452,640	4,087,696	4,540,336	735,453	3,861,365	4,596,818
	₱1,194,885	₱16,201,646	₱17,396,531	₱1,711,132	₱16,017,185	₱17,728,317

Parent Company

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

Term loans:	September 30, 2023 (Unaudited – Nine Months)			December 31, 2022 (Audited – One Year)		
	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion	Total
Loan agreements	₱742,245	₱12,113,950	₱12,856,195	₱975,679	₱12,155,820	₱13,131,499

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 Group 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 agreement 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 Group 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 various dates in 2020, the Parent Company prepaid portions of its principal with BPI and Unionbank amounting to ₱1.8 billion and ₱2.2 billion, respectively.
- (vi) On various dates in 2021, the Parent Company prepaid portions of its principal with BPI and Unionbank amounting to ₱93.8 million and ₱114.4 million, respectively.
- (vii) On various dates in 2022, the Parent Company prepaid portions of its principal with BPI and Unionbank amounting to ₱1.0 billion and ₱1.3 billion, respectively.

Based on the Group's assessment, the modifications in the contractual cash flows as a result of the actual and expected prepayments of its principal are not substantial. The difference of the net present value of the revised cash flows and the carrying amount of the original loan is recognized in statement of income amounting to ₱5.1 million in 2022 and ₱23.1 million in 2021.

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 Group's capital stock or some of its subsidiaries, the selling or exchange of assets, the creation of liens and the effecting of mergers.

Part of the Parent Company's existing loan covenant with its creditors require it to possess a valid government license/franchise to operate certain businesses. The non-renewal of the franchise therefore had an adverse impact on the Parent Company's ability to comply with this loan provision (the "Franchise Expiration Default"). To address this, the Group 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 Group, 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 (the "Standstill 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. The Standstill Period shall be from the Standstill Effective until the Long Stop Date (December 31, 2023). The Omnibus Security and Intercreditor Agreement provides for a certain condition to be met prior to the Long Stop Date. Non-occurrence of such condition as of the Long Stop Date shall cause the Standstill effectivity to cease and from and as of such date the lenders shall have the right to declare an event of default and exercise all or any of their rights and remedies as provided under the Omnibus Security and Intercreditor Agreement, including the enforcement of the security interest created under the Omnibus Security and Intercreditor Agreement.

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.

As of December 31, 2021, the Parent Company received waivers from its creditor banks waiving the compliance with the relevant financial ratios for each of the quarters for the year ended December 31, 2021 and extends to each of the quarters in the year ended December 31, 2022. As of November 9, 2023, the Parent Company received waivers from its creditor banks waiving the compliance with the relevant financial ratios for the year 2023 and the Debt Reserve Service Account requirement. The Company continues to be in discussions with its lenders to address the effect of the expiry of the Standstill, and the possible options for the early settlement of the loan through sale of certain properties, and possible restructuring of the remaining loan balance.

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. The Parent Company and its creditors executed Amendments to the Omnibus Security and Intercreditor Agreement in 2023 and 2022 to authorize the sale of portions of the mortgaged assets, the proceeds of which were used to prepay the loan. This has resulted in the decrease in outstanding loan amounting to ₱2.5 billion. On March 10, 2023, the Parent Company prepaid an additional ₱40.7 million and ₱33.0 million to Unionbank and BPI, respectively, from portion of the proceeds from the sale of mortgaged assets.

Unamortized debt issue cost, presented as a deduction from the Group's outstanding loan, amounted to ₱19 million and ₱35 million as at September 30, 2023 and December 31, 2022, respectively.

Breakdown of the Parent Company's term loans as at September 30, 2023 and December 31, 2022 follows:

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Principal	₱12,875,285	₱13,155,750
Less unamortized transaction costs	19,090	24,251
	12,856,195	13,131,499
Less current portion	742,245	975,679
Noncurrent portion	₱12,113,950	₱12,155,820

Debt issue costs as at September 30, 2023 and December 31, 2022 are amortized over the term of the loans using the effective interest method as follows:

	September 30, 2023	December 31, 2022
Year	(Unaudited)	(Audited)
Within one year	₱9,935	₱10,256
More than 1 year but less than 2 years	7,325	9,689
More than 2 years	1,830	4,306
	₱19,090	₱24,251

Amortization of debt issue costs for the nine months ended September 30, 2023 and 2022, amounted to ₱6 million and ₱9 million, respectively (see Note 28).

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

	September 30, 2023	December 31, 2022
Year	(Unaudited)	(Audited)
Within one year	₱752,080	₱985,935
More than 1 year but less than 2 years	5,803,640	581,032
More than 2 years	6,319,565	11,588,784
	₱12,875,285	₱13,155,751

Sky Cable

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

	December 31, 2022			December 31, 2021		
	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion	Total
Term loans:						
Unsubordinated loan	₱452,640	₱4,087,696	₱4,540,336	₱735,453	₱3,861,365	₱4,596,818
	₱452,640	₱4,087,696	₱4,540,336	₱735,453	₱3,861,365	₱4,596,818

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 0.95 until maturity date.

b. *Loan Agreement*

On January 25, 2016, Sky Cable secured a ₱1 billion loan from Rizal Commercial Banking Corporation to partially finance its capital expenditure requirements, investments and/or debt refinancing. The loan has a term of five years and a fixed rate of 4.60% per annum. Sky Cable fully paid the loan as of December 31, 2021.

c. *Advances from STT*

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

As at September 30, 2023 and December 31, 2022, 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 **₱11** million and **₱11** million as at September 30, 2023 and December 31, 2022, respectively. Using the effective interest method, unamortized debt issue costs as at September 30, 2023 to be amortized are presented below:

Year	Amount
2023	₱4,176
2024	2,887
2025	1,623
2026 and onwards	1,929
	₱10,615

Amortization of debt issue costs amounted to **₱2** million and **₱28** million for the nine months ended September 30, 2023 and 2022 (see Note 28).

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

Year	Amount
2023	₱469,628
2024	1,687,240
2025 and onwards	2,394,083
	₱4,550,951

19. Obligations for Program Rights

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

The schedule of repayments as at September 30, 2023 and December 31, 2022 is as follows:

	September 30, 2023 (Unaudited – Nine Months)			December 31, 2022 (Audited – One Year)		
	Gross Value	Unamortized Discount	Carrying Value	Gross Value	Unamortized Discount	Carrying Value
Within one year	₱84,544	₱–	₱84,544	₱119,168	₱–	₱119,168
More than one year to four years	11,263	–	11,263	45,053	–	45,053
	₱95,807	₱–	₱95,807	₱164,221	₱–	₱164,221

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 consolidated financial statements. The liability component is presented separately as “Convertible note” in the consolidated statements of financial position.

The carrying value of the convertible note amounted to ₱199 million and ₱188 million as at September 30, 2023 and December 31, 2022, respectively.

Accretion of the convertible note recognized as part of interest expense in the interim condensed consolidated statements of income amounted to ₱11 million for nine months ended September 30, 2023 and 2022 (see Note 28).

21. Other Noncurrent Liabilities

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Contract liabilities	₱164,407	₱168,148
Deferred credits	52,814	89,088
Others	87,806	21,494
	₱305,027	₱278,730

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

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

22. Equity

Capital Stock

Details of authorized and issued capital stock as at September 30, 2023 and December 31, 2022 are as follows:

	Number of Shares	Amount
	<i>(Amounts in Thousands, Except Number of Shares)</i>	
Authorized -		
Common shares - ₱1.0 par value	1,300,000,000	1,300,000
Preferred shares - ₱0.2 par value	1,000,000,000	200,000
Issued -		
Common shares	899,848,111	₱899,848
Preferred shares	1,000,000,000	200,000

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

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

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

The Parent Company's total number of common stockholders is 5,239 as at September 30, 2023 and December 31, 2022, 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. No preferred dividends were distributed since 2020 amounting to ₱12 million cumulative dividends to date.

The Parent Company's total number of preferred shareholders is 197 as at September 30, 2023 and December 31, 2022, respectively.

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 Group	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.

As at September 30, 2023 and December 31, 2022, total number of options exercisable under ESPP is **nil**.

On December 18, 2020, the Board of Directors approved the ABS-CBN Stock Purchase Plans and Stock Grant Plans. The ABS-CBN Stock Purchase Plan 1 (SPP1) was given to employees who agreed to a pay reduction from September 2020 until February 2021. The ABS-CBN Stock Purchase Plan 2 (SPP2) was given to employees who agreed to a pay reduction from March to December 2021. The subscription price is based on the 45-day preceding volume weighted average price as of May 31, 2021. The ABS-CBN Stock Grant Plans were given to employees who were promoted anytime between September 2020 to December 2021 and who did not receive any salary adjustment for the period. The stockholders unanimously approved the Employee Stock Purchase Plan and Executive Stock Purchase Plan on February 2, 2021, and the Securities and Exchange Commission (SEC) resolved that the issuance of said shares is exempt from the registration requirement, under Section 10.2 of the Securities and Regulation Code, on December 9, 2021. The Philippine Stock Exchange approved the listing 19,150,319 shares for the SPP1 & SPP2 on August 25, 2022, and 8,534,000 shares for Stock Grant on October 6, 2022.

As at September 30, 2023 and December 31, 2022, the Group has remaining share-based payment amounting to ₱0.3 million.

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

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

On February 28, 2018, the Group accepted the total SPP subscription from participants of 11,391,500 common shares. As of September 30, 2023 and December 31, 2022, remaining SPP subscription from participants is at 41,440 common shares and 2,495,177 common shares, respectively.

The primary terms of the grant are as follows:

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

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

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

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

As at September 30, 2023 and December 31, 2022, there are no exercisable shares under SPP.

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

Retained Earnings

Unappropriated retained earnings available for dividend distribution is adjusted to exclude the Parent Company's accumulated equity in net earnings (losses) of subsidiaries, associates and joint ventures amounting to (₱9,635) million and ₱888 million as at September 30, 2023 and December 31, 2022, 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 Group'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 Group's BOD approved the release from appropriation, retained earnings of ₱16,200 million set aside for capital expenditures.

Treasury Shares and PDRs Convertible to Common Shares

Details of treasury shares and PDRs convertible to common shares held by the Parent Company as at September 30, 2023 and December 31, 2022 are as follows:

	Number of Shares		Total	Amount
	Treasury Shares	PDRs Convertible to Common Shares		
Balance at beginning of year	–	16,321,266	16,321,266	₱544,168
Sale of treasury shares	–	–	–	–
Balance at end of year	–	16,321,266	16,321,266	₱544,168

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

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

23. Related Party Transactions

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

The Group'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 Group's total assets based on its latest audited 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 Group 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 Group with its associates, joint ventures and related parties are presented in the next page.

	Nature	Nine Months Ended September 30 (Unaudited)	
		2023	2022
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	₱62,278	64,367
Expenses and charges paid for by the Parent Company which are reimbursed by the concerned related parties	Rent and utilities	56,081	1,467

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

	Relationship*	Terms	Conditions	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Due from (see Note 7)					
Rockwell Land Corporation (Rockwell Land)	Affiliate under common control	Payable in tranches based on the agreement; noninterest-bearing	Unsecured, no impairment	(₱122,429)	₱107,159
ALA Sports	Joint Venture	30 days upon receipt of billings; noninterest-bearing	Unsecured, with impairment of ₱55 million in 2022	78,274	78,042
Iloilo-Negros Air Express Company (INAEC)	Affiliate under common control	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	50,539	50,255
ABS-CBN Lingkod Kapamilya**	Corporate social responsibility sector of ABS-CBN	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	25,517	23,109
A C J O	Joint Venture	30 days upon receipt of billings; noninterest-bearing	Unsecured, with impairment of ₱10.0 million in 2022	14,585	15,676
Star Cinema	Associate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	8,343	8,343
First Philippine Holdings Corporation (FPHC)	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	10,242	6,181

(Forward)

	Relationship*	Terms	Conditions	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Lopez, Inc.	Parent	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	1,163	4,575
Knowledge Channel Foundation, Inc.	Affiliate under common control	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	3,036	2,986
Goldlink	Affiliate under common control	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	4,387	2,626
Daum Kakao	Joint venture	30 days upon receipt of billings; noninterest-bearing	Unsecured, with impairment of ₱0.3 million in 2021	1,555	1,555
First Gas Power Corp.	Affiliate under common control	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	1,540	1,540
ABS-CBN Holdings Corporation	Stockholder	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	20	19
Others	Affiliates under common control	30 days upon receipt; noninterest-bearing	Unsecured, no impairment	(14,456)	1,471
Total				₱62,316	₱303,537

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

** The Group has common officers and directors with ABS-CBN Lingkod Kapamilya.

	Relationship*	Terms	Conditions	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Due to (see Note 17)					
Beyond Cable Holdings, Inc.	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured	₱16,690	₱16,690
Lopez Holdings	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured	402,772	12,786
Others	Affiliates	30 days upon receipt of billings; noninterest-bearing	Unsecured	5,020	5,002
Total				₱424,482	₱34,478

*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 had an existing blocktime agreement with Amcara for its provincial operations.
- b. Advances to employees and talents amounted to ₱319 million and ₱168 million as at September 30, 2023 and December 31, 2022, respectively (see Note 7).
- c. The Parent Company has advances to ALA Sports amounting to ₱78 million and ₱78 million as at September 30, 2023 and December 31, 2022, respectively.
- d. In 2022, Rockwell Land agreed to purchase the property of the Parent Company with the following payment terms and conditions:
 1. 10% of the purchase price upon execution and notarization of the contract to sell.
 2. 80% of the purchase price upon execution of the Deed of Absolute Sale.
 3. 10% of the purchase price within 7 business days from receipt by Rockwell Land of the electronic Certificate Authorizing Registration issued by the Bureau of Internal Revenue.
- e. Other transactions with related parties include cash advances for working capital requirements.

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

Terms and Conditions of Transactions with Related Parties

Except for transactions identified in the previous section as interest-bearing, outstanding balances as at financial reporting date are generally unsecured, interest-free and settlement occurs in cash, and are collectible or payable on demand. In 2022, the Company recognized provision for ECL relating to amounts owed by related parties amounting to ₱65 million. For the nine months ended September 30, 2023 and 2022, the Company did not record 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 Group

	Nine Months Ended September 30	
	(Unaudited)	
	2023	2022
Compensation (see Notes 25, 26 and 27)	₱678,525	₱800,725
Pension benefits (see Note 30)	28,005	32,143
Termination benefits	145,690	132,072
Vacation leaves and sick leaves	27,574	25,098
Shared-based payment*	171,995	171,995
	₱1,051,789	₱1,162,033

24. Revenues

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

	Nine Months Ended September 30	
	(Unaudited)	
	2023	2022
Subscription revenue	₱6,972,572	₱7,514,120
Advertising revenue	4,828,788	4,863,185
Royalty income	72,273	44,525
Income from film exhibition	130,943	50,457
Sponsorship revenue	33,192	37,850
Service fee revenue	58,485	46,304
Sale of goods	27,278	14,728
Installation service revenue	46,633	148,463
Ancillary rights and other revenues	1,322,450	1,283,077
Total revenue from contracts with customers	13,492,614	14,002,709
Channel lease and other rental income	27,453	310,600
Total revenues	₱13,520,067	₱14,313,309

25. Production Costs

	Nine Months Ended September 30 (Unaudited)	
	2023	2022
Personnel expenses and talent fees (see Notes 23 and 30)	₱2,612,272	₱2,590,730
Facilities-related expenses (see Notes 23 and 31)	909,904	807,813
Depreciation and amortization (see Note 10)	303,396	430,853
Amortization of program rights (see Note 12)	314,377	433,598
Travel and transportation	182,086	248,908
License and royalty	7,802	78,542
Set requirements	226,194	252,866
Catering and food expenses	76,740	107,319
Other program expenses (see Note 23)	849,173	568,810
	₱5,481,944	₱5,519,439

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

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

26. Cost of Sales and Services

Cost of services consists of the following:

	Nine Months Ended September 30 (Unaudited)	
	2023	2022
Facilities-related expenses (see Notes 23 and 31)	₱1,666,291	₱1,892,442
Depreciation and amortization (see Note 10)	1,387,374	1,460,829
Personnel expenses (see Notes 23 and 30)	1,038,907	1,028,271
Bandwidth costs	498,001	562,317
Programming costs	264,498	314,874
Amortization of program rights (see Note 12)	78,398	127,697
Stationery and office supplies	69,212	16,455
License fees and royalties	27,149	27,316
Transportation and travel	83,448	68,374
Amortization of other intangible assets (see Note 12)	3,255	3,280
Taxes and licenses	60,943	134,364
Freight and delivery	1,367	2,926
Catering and food expenses	10,938	5,885
Set requirements	15,400	1,235
Inventory costs (see Note 8)	385	768
Others (see Note 23)	196,891	202,831
	₱5,402,457	₱5,849,864

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

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

Cost of sales consists of the following:

	Nine Months Ended September 30 (Unaudited)	
	2023	2022
Inventory costs (see Note 8)	₱50,615	₱51,426
Others	9,513	9,109
	₱60,128	₱60,535

27. General and Administrative Expenses

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

	Nine Months Ended September 30 (Unaudited)	
	2023	2022
Personnel expenses (see Notes 22, 23 and 30)	2,796,488	3,391,776
Contracted services	576,728	614,326
Depreciation and amortization (see Notes 10 and 11)	384,053	395,352
Facilities related expenses (see Notes 23 and 31)	402,952	465,946
Research and survey	107,741	132,355
Taxes and licenses	285,075	294,805
Provision for ECL (see Note 7)	268,072	164,166
Advertising and promotion (see Note 9)	41,291	141,349
Amortization of other intangible assets (see Note 12)	110,165	53,363
Transportation and travel	144,160	180,610
Entertainment, amusement and recreation	29,362	31,551
Donations and contributions	5,514	42,341
Inventory losses (see Note 8)	-	4,641
Provision for impairment loss	7,079	12,614
Others	29,599	262,652
	₱5,188,279	₱6,187,847

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

28. Other Income and Expenses

Finance Costs

	Nine Months Ended September 30 (Unaudited)	
	2023	2022
Interest expense (see Notes 18, 20 and 31)	₱851,411	₱830,583
Amortization of debt issue costs (see Note 18)	5,533	7,224
Bank service charges	2,501	7,254
	₱859,445	₱845,061

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

	Nine Months Ended September 30 (Unaudited)	
	2023	2022
Long-term debt (see Note 18)	₱813,520	₱790,134
Lease liability (see Note 31)	27,108	29,514
Convertible note (see Note 20)	10,784	10,935
	₱851,412	₱830,583

Other Income

	Nine Months Ended September 30 (Unaudited)	
	2023	2022
Leasing operations (see Note 31)	₱81,193	₱103,648
Gain on sale of property and equipment	39,582	222,208
Gain on sale of noncurrent assets held for sale	58,821	1,994,201
Others - net (see Notes 20 and 21)	97,631	138,077
	₱277,227	₱2,458,134

Others mainly consist of income from unclaimed deposits, service fees and other miscellaneous income.

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

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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Deferred tax assets - net:		
Allowance for ECL	₱430,553	₱406,076
Accrued pension obligation and other employee benefits	369,685	513,942
Excess of the purchase price over the fair value of net assets acquired	116,617	119,880
NOLCO	310,726	261,700
Accrued expenses	24,198	56,339
Allowance for inventory obsolescence	39,972	39,975
Contract liabilities	4,614	38,414
MCIT	43,385	24,596
Lease liabilities	11,790	20,147
Customers' deposits	18,480	16,008
Allowance for impairment loss on property and equipment	54,108	13,088
Unearned revenue	10,110	9,533
Net unrealized foreign exchange loss	(351,928)	-
Others	177,127	9,707

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	₱1,259,437	1,530,464
Deferred tax liabilities – net		
Net unrealized foreign exchange gain	–	201,406
Capitalized interest, duties, and taxes	164,994	156,769
Imputed discount	70,447	70,447
Right-of-use asset – net	(21,293)	53,136
	₱214,148	₱481,758

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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
NOLCO	₱21,780,462	₱19,109,045
Allowance for ECL	10,911,486	11,917,278
Accrued pension obligation and others	6,377,924	5,997,934
Contract liabilities	3,027,926	536,300
Allowance for impairment loss	365,244	1,107,5791
Allowance for decline in value of inventories	308,626	721,150
Unearned revenue	366,460	231,414
MCIT	124,770	97,079
Lease liabilities	589,541	–
Allowance for impairment loss on property and equipment	678,644	39,421

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 ₱820 million expired in 2022. NOLCO amounting to nil and ₱19 million were claimed as deduction against taxable income in September 30, 2023 and December 31, 2022, respectively.

MCIT amounting to ₱115 million expired and were written off in 2022.

As of December 31, 2022, MCIT amounting to ₱115 million can be claimed as tax credit against future RCIT as follow:

Year Paid	Expiry Dates	Amount
2020	December 31, 2023	₱4,618
2021	December 31, 2024	35,039
2022	December 31, 2025	75,736
2023	December 31, 2026	
		₱115,393

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, 2022, the Group has incurred NOLCO in 2022 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
2022	2023 to 2025	₱3,442,775

As of December 31, 2022, the Group has incurred NOLCO in taxable years 2020 & 2021 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Availment Period	Amount
2020	2021 to 2025	₱13,221,951
2021	2022 to 2026	3,472,262

As at September 30, 2023 and December 31, 2022, deferred tax liability on undistributed earnings of ABS-CBN Global, holding company of the Parent Company's foreign subsidiaries, amounting to ₱ 767 million and ₱835 million, respectively, has not been recognized because the Parent Company has control over such earnings, which have been earmarked for expansion in the Group's foreign operations and are not expected to reverse in the foreseeable future.

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

	Nine Months Ended September 30 (Unaudited)	
	2023	2022
Statutory tax rate	25%	25%
Additions to (reduction in) income taxes resulting from the tax effects of:		
Interest income subjected to final tax	(0)	0
Nondeductible interest expense	(7)	(12)
Change in unrecognized deferred tax assets and others	(15)	(26)
Effective tax rates	3%	(13%)

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 Group:

- 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, 2021 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 Group 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 Group 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 was reflected in the Parent Company and respective subsidiaries' 2020 annual income tax return. However, for financial reporting purposes, the changes were only recognized in the 2021 financial statements.
- This resulted in lower deferred tax assets and liabilities by ₱291 million as of December 31, 2020 and benefit from deferred tax for the year then ended by ₱314.8 million. These reductions were recognized in the 2021 consolidated financial statements.

Registration with the PEZA

On July 14, 2009, the PEZA approved the application of Big Dipper for registration as an Ecozone Information Technology (IT) Enterprise to provide digital film archiving, digital central library, content licensing and transmission at the 3rd Floor, Eugenio Lopez, Jr. Communications Center, Eugenio Lopez Drive, Quezon City. On December 6, 2022, Big Dipper secured PEZA Board Resolution No. 22-337 approving the Company's application for cancellation of its PEZA registration. The cancellation took effect on January 6, 2023.

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

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

Registration with the Board of Investments

On April 8, 2015, the Board of Investments approved PII's project as a New Operator of Tourism Entertainment Complex – Educational Theme Park and was granted income tax holiday for four years

beginning April 2015. Total income tax holiday incentives availed by PII amounted to ₱3 million for the year ended December 31, 2019. PII ceased operations in 2020.

30. Pension and Other Employee Benefits

Accrued pension obligation and other employee benefits consist of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Pension obligation	₱3,011,792	₱4,962,786
Other employee benefits	1,144,548	1,267,987
	₱4,156,340	₱6,230,773

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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Current (see Note 17)	₱121,369	₱148,474
Noncurrent	4,034,971	6,082,299
	₱4,156,340	₱6,230,773

a. Pension Plan

The Group'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

	Nine Months Ended September 30 (Unaudited)	
	2023	2022
Current service cost	(₱105,002)	₱141,084
Net interest cost	103,799	66,493
Net pension expense	(₱1,203)	₱207,577

Accrued Pension Obligation

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Present value of obligation	₱3,127,197	₱5,395,761
Fair value of plan assets	(115,405)	(432,975)
Accrued pension obligation	₱3,011,792	₱4,962,786

Income tax effect of re-measurement gains and losses on defined benefit plan presented in OCI amounted to P88 million as at December 31, 2022.

The Parent Company and Sky Cable expects no contributions to be made to the retirement fund in 2023.

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

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Investment in stocks	₱ 114,436	₱272,550
Investment in fixed/floating rate treasury note	132,752	143,269
Investment in government securities and bonds	18,036	12,610
Others	-	4,546
	₱265,224	₱432,975

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

	December 31	January 1	
	2022	2022	2021
Discount rate	6.35% -7.35%	4.89%-5.18%	3.45%-4.05%
Future salary rate increases	2.67% - 6.00%	3.0%-6.0%	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 97% and 3% as at September 30, 2023, respectively, and 99% and 1% as at December 31, 2022, respectively. The Parent Company made a withdrawal amounting to nil in 2022.

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

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

The fair value of ABS-CBN's plan assets as at September 30, 2023 and December 31, 2022 are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Fixed Income:		
Short-term	₱3,580	₱3,480
Equities:		
Investment in shares of stock and other securities of related parties	111,825	266,526
	₱115,405	₱270,006

Short-term Fixed Income. Short-term fixed income investment includes investments in short term UITF including money market funds and short-term funds in 2023 and 2022.

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

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

September 30, 2023 (Unaudited – Nine Months)				
	Number of Shares	Cost	Fair Value	Unrealized Loss
ABS-CBN Holdings PDRs	34,903,160	₱1,515,862	₱109,945	(₱1,405,917)
ABS-CBN Common	501,320	24,052	1,880	(22,172)
	35,404,480	₱1,539,914	₱111,825	(₱1,428,089)

December 31, 2022 (Audited – One Year)				
	Number of Shares	Cost	Fair Value	Unrealized Loss
ABS-CBN Holdings PDRs	34,903,160	₱1,515,862	₱262,821	(₱1,253,041)
ABS-CBN Common	501,320	24,052	3,705	(20,347)
	35,404,480	₱1,539,914	₱266,526	(₱1,273,388)

As at September 30, 2023 and December 31, 2022, the value of each ABS-CBN PDRs held by the retirement fund is at ₱3.15 and ₱7.53, respectively.

Total loss from investments in shares of stock and other securities of related parties amounted to ₱1,428 million and ₱1,273 million in 2023 and 2022, respectively.

Sky Cable and PCC

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

The fair value of Sky Cable's plan assets as at September 30, 2023 and December 31, 2022 are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Short-term fixed income	₱5,585	₱4,546
Investment in medium and long-term fixed income:		
Government securities	132,752	139,789
Corporate bonds	8,872	12,610
Unit investment trust fund	2,610	6,024
	₱149,819	₱162,969

Short-term Fixed Income. Short-term fixed income investment includes time deposit, special deposit account and special savings account with average interest rate of 5.6% as at September 30, 2023 and December 31, 2022.

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 2.38 % to 6.63% as at September 30, 2023 and December 31, 2022. These securities are fully guaranteed by the government of the Republic of the Philippines. Total loss from investments in government securities amounted to ₱2 million for the nine months ended September 30, 2023.

Investment in Corporate Bonds. These pertain to ₱8.9 million and ₱12.6 million unsecured bonds with terms ranging from 3 to 7 years as at September 30, 2023 and December 31, 2022, respectively. Yield to maturity rate ranges from 3.29% to 6.85% with losses of ₱236 thousand for the nine months ended September 30, 2023.

b. Other Employee Benefits

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

Net Benefit Expense

	Nine Months Ended September 30 (Unaudited)	
	2023	2022
Current service cost	₱100,721	₱93,096
Interest cost	50,805	25,830
Net benefit expense	₱151,526	₱118,926

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

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Defined benefit obligation at beginning of year	₱1,267,987	₱1,454,392
Current service cost	100,721	62,295
Interest cost	50,805	67,740
Actuarial loss	–	(197,914)
Benefits paid	–	(118,526)
Defined benefit obligation at end of year	₱1,419,513	₱1,267,987

The sensitivity analysis on the next page 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.

	2022
	Increase (Decrease) in Defined Benefit Obligation
Discount rate:	
Increase by 1%	(₱89,684)
Decrease by 1%	62,680
Future salary increases:	
Increase by 1%	₱360,500
Decrease by 1%	(389,098)

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

Year	December 31, 2022
One year	₱1,583,004
More than one year but less than five years	1,717,884
More than five years but less than ten years	4,384,518
Beyond ten years	11,099,037

The average duration of the defined benefit obligation at the end of the period ranges from 8 to 16 years.

31. Noncurrent Assets Held for Sale

In 2022, additional transmitter equipment and land amounting to ₱184 million and ₱225 million, respectively, were classified as noncurrent assets held for sale (see Note 10). The sale is expected to be completed within a year from the reporting date. In February 2023, the Group sold its land with a cost of ₱2 million for ₱62 million (see Note 38).

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

32. Commitments

Deal Memorandum with DirecTV

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

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

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

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	₱280,924
After one year but not more than five years	58,371

**Includes variable fees based on the number of active subscribers as at September 30, 2023.*

Lease Commitments

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

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

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Within one year	₱328	₱2,714
After one year but not more than five years	1,160	1,160
	₱1,488	₱3,874

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 Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

The rollforward analysis of right-of-use asset in 2023 and 2022 follows:

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Cost:		
Balance at beginning of year	₱2,618,607	₱2,406,769
Additions	820	254,590
Disposals	(275,185)	(43,903)
Translation adjustments	207,977	1,151
Balance at end of year	₱2,552,219	2,618,607
Accumulated Depreciation:		
Balance at beginning of year	1,089,681	772,583
Additions	185,526	270,996
Disposals	(56,968)	(12,381)
Reclassification	-	57,616
Translation adjustments	(170)	867
Balance at end of year	1,218,409	1,089,681
	₱1,333,810	₱1,528,926

The rollforward analysis of lease liability in 2023 and 2022 follows:

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Balance at beginning of year	₱664,673	₱633,399
Additions	70,547	254,590
Interest expense	27,108	43,685
Interest paid	(27,108)	(43,685)
Payments	(71,448)	(226,503)
Translation adjustments	-	3,187
Balance at end of year	663,772	664,673
Less current portion	245,098	213,864
	₱418,674	₱450,809

33. Financial Risk Management Objectives and Policies

Capital Management

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

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios and strong credit ratings while viably supporting its business to maximize shareholder value. No changes were made in capital management objectives, policies or processes in as at September 30, 2023 and December 31, 2022.

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

34. Financial Assets and Financial Liabilities

The following tables set forth the carrying amounts and estimated fair values of consolidated financial assets and liabilities recognized as at September 30, 2023 and December 31, 2022. There are no material unrecognized financial assets and liabilities as at December 31, 2022 and 2021.

	September 30, 2023 (Unaudited – Nine Months)				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
Financial assets at amortized cost:					
Deposits (included under "Other noncurrent assets" account in the consolidated statements of financial position)	₱244,550	₱230,393	₱–	₱–	₱230,393
Financial assets at FVOCI	56,073	56,073	–	–	56,073
	₱300,623	₱286,466	₱–	₱–	₱286,466
Financial Liabilities					
Other financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	₱17,396,531	₱16,895,304	₱–	₱–	₱16,895,304
Obligations for program rights	95,807	95,807	–	95,807	–
Convertible note	198,803	183,477	–	–	183,477
Customers' deposits (included as part of "Other noncurrent liabilities")	164,407	168,359	–	–	168,359
	₱17,855,548	₱17,342,947	₱–	₱95,807	₱17,247,140
December 31, 2022 (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)	₱269,767	₱260,406	₱–	₱–	₱260,406
Financial assets at FVOCI	44,357	44,357	–	44,357	–
	₱314,124	₱304,763	₱–	₱44,357	₱260,406
Financial Liabilities					
Other financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	₱16,017,185	₱17,138,275	₱–	₱–	₱17,138,275
Obligations for program rights	164,221	164,221	–	164,221	–
Convertible note	188,019	218,585	–	–	218,585
Customers' deposits (included as part of "Other noncurrent liabilities")	168,148	156,098	–	–	156,098
	₱16,537,573	₱17,677,179	₱–	₱164,221	₱17,512,958

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 while fair value of golf club shares have been determined by reference to the price of most recent transaction at the end of reporting period. The fair values of the non-listed equity investments have been estimated using a discounted cashflow model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these non-listed equity investments.

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

	<u>Fair Value Assumptions</u>
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 3.9% to 6.5% in 2023 and 2022.

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 2023 and 2022, 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 5.9% to 6.5% in 2023 and 2022.

There were no transfers between levels in the fair value hierarchy as at September 30, 2023 and December 31, 2022.

Offsetting of Financial Assets and Financial Liabilities

There is no offsetting of financial assets and financial liabilities as at September 30, 2023 and December 31, 2022.

35. EPS Computations

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

The following table presents information necessary to calculate EPS:

	Nine Months Ended September 30 (Unaudited)	
	2023	2022
Net loss attributable to equity holders of the Parent Company	(P1,031,685)	(P1,781,639)
Dividends on preferred shares	(4,000)	(4,000)
(a) Net loss attributable to common equity holders of the Parent Company	(P1,035,685)	(P1,785,639)
(b) Weighted average number of shares outstanding:		
At beginning and end of year	899,848,111	822,972,436
Basic/diluted EPS (a/b)	(P1.151)	(P2.170)

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

36. Note to Consolidated Statements of Cash Flows

	Nine Months Ended September 30 (Unaudited)			
	2023	2022		
Noncash investing activities:				
Acquisitions of program rights on account	P-		P-	
Changes in liabilities arising from financing activities:				
	January 1, 2023	Net cash flows	Noncash changes	September 30, 2023
Term loans	P33,745,502	(P341,163)	P193,838	P33,598,177
Lease liabilities	664,673	(71,448)	70,548	663,773
Interest payable (Note 17)	399,757	(847,242)	654,028	206,543
Dividends payable (Note 17)	44,481	-	-	44,481
Deposits for future subscription (Note 17)	1,287,421	-	13	1,287,434
Total liabilities from financing activities	P36,141,834	(P1,259,853)	P918,427	P35,800,408

	January 1, 2022	Net cash flows	Noncash changes	December 31, 2022
Term loans	P20,255,857	(P2,548,036)	P16,037,681	P33,745,502
Lease liabilities	633,399	(226,503)	257,777	664,673
Interest payable (Note 17)	262,445	(949,248)	1,086,560	399,757
Dividends payable (Note 17)	44,481	-	-	44,481
Deposits for future subscription (Note 17)	1,360,416	-	(72,995)	1,287,421

	January 1, 2022	Net cash flows	Noncash changes	December 31, 2022
Total liabilities from financing activities	₱22,556,598	(₱3,723,787)	₱17,309,023	₱ 36,141,834

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

37. Contingent Liabilities and Other Matters

- a. In relation to the consolidation of Sky Cable and Home Cable in 2004, a competitor television broadcasting company (complainant) filed a case before the NTC for unlawful merger and unlawful cross-ownership and common control and operations of telecommunications companies and cable companies with a prayer for cease-and-desist order. As at May 15, 2023, the hearing of this case is ongoing before the NTC. Management believes that the case filed by the complainant is without legal basis and would not have a material impact on the consolidated financial statements.
- b. The Group 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 Group's financial position and financial performance.

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

- c. The Group entered into an agreement with PLDT, Inc. to acquire Sky Cable Corporation from ABS-CBN Corporation, Sky Vision Corporation and Lopez, Inc. (collectively, the "Shareholders").

The closing of the proposed transactions shall be subject to compliance with certain conditions precedent which includes, among others, Sky Cable engaging exclusively in the broadband business, with the termination and cessation of operations of its pay TV and cable businesses, and obtaining all applicable government approval and clearances.

The acquisition has no impact on the Group's financial statements as at and for the period ended September 30, 2023.

SIGNATURE

For the SEC 17-Q Third Quarter 2023
Report

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: ABS-CBN Corporation

By:



RICARDO B. TAN, JR.
Head, Finance Group


Signed this 14th day of November, 2023

NOV 14 2023

SUBSCRIBED AND SWORN to me before this ____ day of _____, 2023. Affiants exhibiting to me their Passports, as follows:

<u>NAMES</u>	<u>PASSPORT NO.</u>	<u>DATE OF EXPIRY</u>	<u>PLACE OF ISSUE</u>
RICARDO B. TAN JR.	P7898714B	October 17, 2031	DFA, Manila

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Series of: 2023


AURELIA BEATRICE M. SANTOS
Commission No. 198
Notary Public for Quezon City
Until December 31, 2023
4/F, ELJ Communications Center
Eugenio Lopez Drive, Quezon City
Roll No. 62155
PTR No. 3985771D/01.06.2023/Quezon City
IBP No. 292920/01.09.2023/Quezon City
MCLE Exemption No. VIII-BFP002305/Valid until April 14, 202