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SEC Registration Number

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(Group's Full Name)

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

Mr. Ronaldo P. Mastrili
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(Contact Person)

8982-7777
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(Group Telephone Number)

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Month Day  
(Fiscal Year)

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(Form Type)

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(Annual Meeting)

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(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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**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 September 30, 2020
2. SEC Identification Number 5213
3. BIR Tax Identification No. 000-917-916-000V
4. Exact name of issuer as specified in its charter GMA Network, Inc.
5. Philippines  
Province, country or other jurisdiction of incorporation
6.  (SEC Use Only)  
Industry Classification Code
7. GMA Network Center, Timog Avenue corner EDSA  
Quezon City 1103  
Address of principal office Postal Code
8. (632) 8982-7777  
Issuer's telephone number, including area code
9. Not applicable .....  
Former name or former address, if changed since last report
10. Securities registered pursuant to Section 8 and 12 of the SRC and Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding.....</u>
<b>Common Stock</b>	<b>3,361,047,000</b>
<b>Preferred Stock</b>	<b>7,499,507,184</b>

11. Are any or all of the securities listed on a Stock Exchange?

**Yes [X] No [ ]**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code 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 the registrant was required to file such reports)

**Yes [X] No [ ]**

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

**Yes [X] No [ ]**

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## Management Discussion and Analysis of Financial Condition and Results of Operations for the Nine Months Ended September 30, 2020 and 2019

GMA Network, Inc. and Subsidiaries (GMA/the Company) rallied this third quarter, coming from a lackluster second quarter financial performance. The Community Quarantine continued to prevail since the last half of March this year with the onset of the COVID-19 pandemic, forcing the government to implement stringent lockdown measures which required non-essential businesses and activities to halt operations temporarily. This affected most of the Company's business partners especially during the initial months of the lockdown as a wait-and-see strategy was observed, resulting in cutback in advertising spending. But come June this year, the levels of community quarantines have begun transitioning into an atmosphere that is more encouraging for businesses to resume as health protocols started to ease off allowing the economy to regain strength. More and more industries have started to adapt to the new normal set-up and resumed operations, albeit still on less-than-full capacity. GMA Network, Inc. continued to play an important role during these trying times, upholding its commitment of ensuring delivery of relevant news and information across the nation and even to Filipinos abroad. With some reformatting done to focus on News and Public information, the Company's top line was able to make a quick turn-around. The closure of biggest rival, ABS-CBN, due to the expiration of their broadcast franchise last May 5 and the subsequent denial last July 10 by the House Committee on Legislative Franchises of ABS-CBN's new application also contributed to the increase in sales due to the shift in some advertising placements. This development partly counterbalanced the general reduction in sales brought about by the slowdown in economic activities due to the pandemic/Enhanced Community Quarantine (ECQ).

For the first nine months of the year, consolidated revenues of the Company summed up to ₱12,657 million, edging last year by 4%. The successful launch of GMA Affordabox, the Company's version of the digital set-top box, further boosted this year's revenues since it was launched in June. It must be noted that last year even included non-recurring election-related revenues of ₱758 million. Sans the windfall in 2019 from political advocacies and advertisements, as well as this year's sale of GMA Affordabox, recurring revenues posted an improvement of 7% y-o-y.

<b>Income Data</b>	<b>9M 2020</b> <i>(in millions PhP)</i>	<b>9M 2019</b> <i>(in millions PhP)</i>	<b>Inc/(Dec)</b> <i>(in millions PhP)</i>	<b>%</b>
Revenues				
Advertising revenue	<b>11,467.6</b>	11,264.1	203.5	2%
Subscriptions and others	<b>1,189.1</b>	953.8	235.3	25%
	<b>12,656.7</b>	12,217.9	438.8	4%
Total operating expenses	<b>7,059.1</b>	9,117.5	(2,058.4)	-23%
EBITDA	<b>6,502.0</b>	4,353.1	2,148.9	49%
Net income	<b>3,909.4</b>	2,192.4	1,717.0	78%
<i>Attributable to Equity Holders of Parent Co.</i>	<b>3,895.8</b>	2,176.1	1,719.7	79%
<i>Noncontrolling Interest</i>	<b>13.6</b>	16.3	(2.7)	-17%

Consolidated advertising revenues (airtime, online, international) which comprised 91% of the Company's revenue pie, wrapped up at ₱11,468 million, inching up by 2% or ₱203 million versus year ago's ₱11,264 million. This was despite the presence of the abovementioned ₱758 million worth of placements from the mid-term elections in 2019. Discounting these incremental sales, advertising revenues grew by 9% in between

periods. The considerable increase in TV advertising, particularly during the third quarter propelled the growth in YTD airtime sales and wiped out the setback in the second quarter during the height of the pandemic. All airtime-revenue generating platforms enjoyed top-line gains versus a year ago. The upswing in advertising revenues was further boosted by online/digital sales, which, for the past nine (9) months posted the biggest improvement percentage-wise at 36%. Meanwhile, these were partly trimmed down by the slight reduction in International advertising. On other revenues, subscriptions and sales from other sources and subsidiaries also finished ahead of last year by ₱235 million or 25%, mainly from the newly launched GMA Affordabox.

While consolidated top line sealed the nine-month period ahead by 4%, the Company's total consolidated operating expenses (OPEX) from January to September this year amounting to ₱7,059 million contracted by a bigger rate. Consolidated OPEX by the end of three quarters plunged by 23% or down by ₱2,058 million versus a year ago. The reduction in Production and other direct cost by 41% or ₱1,953 million practically accounted for the overall decline in spending of the Company. Meanwhile, consolidated general and administrative expenses (GAEX) also finished off the first nine-months of the year 2% shy or ₱105 million less than comparable period in 2019.

By the end of nine months this year, consolidated Earnings before interest, taxes, depreciation and amortization (EBITDA) reached ₱6,502 million, 49% ahead of same period in 2019, a complete turnaround from this year's first half shortfall of 6%. More than the hike in the Company's top line, the dramatic reduction in spending, due to scaled down operations provided the impetus for the climb in EBITDA by the end of nine months. Meanwhile, with the additional drop in non-cash spending, consolidated Net Income after Tax for the past nine months sealed at ₱3,909 million, outstripping last year's YTD bottom line of ₱2,192 million by 78%, despite this year's absence of incremental sales from the 2019 elections.

## Revenues

The Company's consolidated sales grew by 4% or ₱439 million after three quarters this year. Both advertising sales and revenues from other business contributed to the year-to-date improvement in consolidated top line, by 2% and 25%, respectively.

<b>Revenues</b>	<b>9M 2020</b> <i>(in millions PhP)</i>	<b>9M 2019</b> <i>(in millions PhP)</i>	<b>Inc/(Dec)</b> <i>(in millions PhP)</i>	<b>%</b>
Advertising revenues	<b>11,467.6</b>	11,264.1	203.5	2%
Subscriptions and others	<b>1,189.1</b>	953.8	235.3	25%
	<b>12,656.7</b>	12,217.9	438.8	4%

Core channel GMA-7 which comprised the bulk of consolidated revenues ended a hairline higher than same period last year. The impact of the imposition of the ECQ during the second quarter this 2020 plus the presence of election-related load amounting to a little over ₱700 million during the first half of 2019 provided most of the drag during the earlier months of this year. Minus the non-recurring revenues from political advocacies and advertisements last year, Ch-7 advertising revenues surpassed prior year's tally by 8%. Radio operations followed with the next highest airtime sales contribution which, by the end of three quarters this year posted a modest growth of 3% versus a year ago. Without the windfall from last year's elections, recurring revenues of Radio exhibited a 9% hike compared to last year.

After nine months, GNTV's sales reflected a 180-degree turn from trailing behind by 41% by the close of the 1<sup>st</sup> half this year, to a 12% climb against YTD 2019, by the end of the third quarter this 2020. Despite the shift to UHF from VHF and the onset of the pandemic/community quarantines, the revenues of the channel also benefitted from the ripple effect of fully loaded programs in Ch-7. News programs were the lifeblood of the channel, generating majority of the revenues for the nine-month period and doubling last year's sales. Drivers for News were *24 Oras*'s simulcast airing in GNTV plus the weekend airings of *24 Oras Weekend*. *Dobol B sa News TV* also registered improvements in revenues in between years. The business unit was barely affected by the presence of incremental revenues from the 2019 mid-term elections.

Although Regional TV (RTV) Operations came in the last spot in terms of absolute airtime revenues, the business unit finished off as the biggest gainer percentage-wise in terms of airtime sales. For the nine-month period, combined sales of all Regional TV stations recorded a considerable growth of 24%, despite the presence of non-recurring election-related load in 2019. Minus this one-time gain last year, YTD sales of RTV stood higher than a year ago by 37%. On a per station basis, majority of the stations finished the nine-month period with better-than-last year top lines. Incremental revenues for the platform also came from Regional TV's local news programs shown on national television.

GMA Network, Inc. is the Philippines' leading and most trusted broadcasting company in terms of station and reach. It is the country's largest broadcasting network with a total of 52 TV stations (47 VHF, 41 UHF, and 5 digital terrestrial stations) and 24 radio stations. Based on Nielsen TV Audience Measurement, using the August - September 12, 2020 official data, GMA reaches over 80 million Filipinos across the country with 62.7 percent audience share in total Philippines.

For the newly launched DTT channels via GMA Affordabox -- Heart of Asia and Hallypop also pitched in incremental revenues, albeit still minimal since they were only launched during the third quarter of this year.

Meanwhile, advertising revenues from online/digital sales continued to be a growth area for the Company. For the past nine months, online advertisements particularly from the Company's websites, GMA News Online and GMA Entertainment Online grew by 36% from a year ago, propelled by programmatic buys. Direct advertising placements nonetheless pitched in better sales this year compared to a year ago. Finally, airtime advertising abroad through the Company's GMA Pinoy TV platform sealed the nine-month period down 9% mainly from the absence of on-ground events abroad due to the COVID-19 breakout across the globe.

In other revenue sources, subscription revenues from international operations and other businesses posted an increase of ₱235 million or 25% from ₱954 million to ₱1,190 million by the end of nine months this 2020. These mainly came from sales of GMA Affordabox which was launched successfully in June this year, total units sold reached more than 600,000 set-top boxes. On the other hand, this top-line gain was offset by the contraction in Subscription revenues by 13% versus prior year, albeit this segment still taking up the second largest share in the Company's revenue pie. The shift in consumer preference aggravated by the appreciation of the PhP against the USD by an average of 4% in between years were the primary factors for the said decline in subscriptions revenues. Apart from the foregoing, sales from other subsidiaries also declined during the period generally due to slack in business activities brought about by the lockdown/pandemic.

## Expenses

Total consolidated operating expenses sealed the past three quarters of this year at ₱7,059 million, nose-diving by ₱2,058 million or 23% compared to last year's ₱9,117 million. Total consolidated cash OPEX plummeted by ₱1,802 million or 23% which was heightened by reduction in non-cash OPEX by ₱256 million or 21%.

While quarantine restrictions were eased up somehow during the third quarter, it still proved quite difficult for the Company's in-house station produced soaps to go full blast. Likewise, the back and forth shift to GCQ and MECQ during 3Q caused uncertainties on how to tackle location tapings which would also involve mass gatherings. It was only towards the latter part of the quarter wherein tapings of soaps commenced, in a bubble set-up. Hence, during the most part of the period, the Network continued to air mostly replays of Entertainment programs. Only News and select Public Affairs programs continued to air fresh episodes to fulfill the Network's responsibility of delivering comprehensive news and information nationwide. Consequently, several subsidiary operations which were dependent on the Network's activities also experienced slowdown.

Production cost, talent fees and other direct costs which traditionally comprised a little over 50% of the cost structure of the Company were reduced to a 39% share in total OPEX for the first nine months of this year. Ending at ₱2,772 million, this cost category dropped by ₱1,953 million or 41% against last year's YTD tally of ₱4,725 million. All cost components related to program production sealed the period lower than a year ago. Topping the list were Talent fees which decreased by ₱1,027 million or 47% from last year's ₱2,189 million to only ₱1,161 million by the end of September. Rentals and outside services were cut by 72%, contracting by ₱449 million from ₱627 million to only ₱177 million. Program rights usage also went down by 39% or by ₱302 million owing to lower costing movie titles shown during the period. Tapes, sets and production supplies also dipped by ₱188 million or 18% as a result of the aforementioned scaled down tapings.

<b>Production Costs</b>	<b>9M 2020</b> <i>(in millions PhP)</i>	<b>9M 2019</b> <i>(in millions PhP)</i>	<b>Inc/(Dec)</b> <i>(in millions PhP)</i>	<b>%</b>
Talent fees	<b>1,161.4</b>	2,188.9	(1,027.5)	-47%
Rentals and outside services	<b>177.4</b>	626.5	(449.2)	-72%
Other program expenses	<b>841.9</b>	1,030.0	(188.1)	-18%
<b>Sub-total - Cash Production Costs</b>	<b>2,180.7</b>	3,845.4	(1,664.8)	-43%
Program rights amortization	<b>476.6</b>	778.4	(301.8)	-39%
Depreciation and amortization	<b>114.9</b>	101.3	13.6	13%
<b>Sub-total - Non-cash Production Costs</b>	<b>591.6</b>	879.8	(288.2)	-33%
<b>Total production costs</b>	<b>2,772.2</b>	4,725.2	(1,952.9)	-41%

Meanwhile, consolidated general and administrative expenses (GAEX) reached ₱4,287 million during the past nine months, lower than last year by ₱105 million or 2%. Facilities cost which included utilities consumption was the main driver for the decline in GAEX, ending with a ₱110 million or 31% drop from ₱360 million last year to only ₱249 million by the end of 3Q. Apart from most broadcast facilities not being utilized during the lockdown, the telecommuting work scheme also resulted in less office areas being occupied, hence reduced consumption in utilities. Advertising and promotions which were included in outside services also shrank by ₱90 million compared to last year's ₱157 million to this year's ₱67 million due to the absence of promotional campaigns across regions and abroad. These were somewhat offset by the modest increase in Personnel cost by ₱60 million or 2% for the nine-month period, owing to hazard pay for the skeleton force during ECQ and

higher provision for pension cost. The annual merit and CBA salary increases for confidential and rank and file employees further added to the growth in this year's manpower cost.

<b>General and Administrative Expenses</b>	<b>9M 2020</b> <i>(in millions PhP)</i>	<b>9M 2019</b> <i>(in millions PhP)</i>	<b>Inc/(Dec)</b> <i>(in millions PhP)</i>	<b>%</b>
Personnel costs	<b>2,873.6</b>	2,814.0	59.6	2%
Facilities costs	<b>249.4</b>	359.8	(110.4)	-31%
Outside services	<b>251.8</b>	305.9	(54.1)	-18%
Taxes and licenses	<b>131.1</b>	127.2	3.9	3%
Others	<b>436.6</b>	472.8	(36.2)	-8%
<b>Subtotal - Cash GAEX</b>	<b>3,942.4</b>	4,079.7	(137.3)	-3%
Depreciation and amortization	<b>281.3</b>	293.2	(11.9)	-4%
Provision for doubtful accounts	<b>32.1</b>	-	32.1	-
Amortization of software costs	<b>31.0</b>	19.4	11.6	60%
<b>Subtotal - Non-cash GAEX</b>	<b>344.4</b>	312.6	31.8	10%
<b>Total GAEX</b>	<b>4,286.8</b>	4,392.3	(105.5)	-2%

## EBITDA

With the exceptional financial performance during the most recent months, resulting three-quarters EBITDA soared to ₱6,502 million, more than last year's ₱4,353 million by a huge ₱2,149 million or 49%. This emanated from the climb in revenues by ₱439 million heightened by the considerable drop in cash OPEX by ₱1,802 million.

## Net Income

Moreso, as non-cash operating expenses closed the nine-month period ended September 2020 with a ₱256 million or 21% drop from lower amortization of program rights, consolidated Net Income after Tax of the Company ended higher than same period last year by a remarkable 78% or ₱1,717 million. GMA Network, Inc. and Subsidiaries registered a consolidated bottom line of ₱3,909 million by the end of the first three quarters compared to last year's ₱2,192 million.

## Statement of Financial Position Accounts

As at end-September 2020, the Company's total assets stood at ₱21,642 million, exhibiting an increase of 32% or ₱5,295 million from December 31, 2019's ₱16,347 million.

Cash and cash equivalents of ₱3,003 million increased by ₱748 million or 33% from end-2019 balance amounting of ₱2,255 million as a result of net cash flows provided by operating activities amounting to ₱2,097 million, offset by the cash used in investing and financing activities by ₱393 million and ₱930 million, respectively. Trade and other receivables closed at ₱9,133 million, 74% higher than the ₱5,257 million recorded as at December 31, 2019 consequent to the significant hike in revenues in the recent months, coupled by collection challenges during the quarantine period.

Meanwhile, total liabilities also climbed by 43% or ₱2,865 million as at end of 3<sup>rd</sup> quarter of 2020 to ₱9,555 million from ₱6,690 million as at December 31, 2019 coming primarily from the hike in income tax payable



attributed to the hefty increase in the Company's bottom line. Short-term loans of ₱970 million as of the reporting period also climbed in between periods from ₱400 million as of end-2019.

Equity attributable to Parent Company stockholders of ₱12,020 million as at September 30, 2020, rose by 25% or ₱2,434 million against December 31 balance last year directly attributed to the net income generated for the past nine months, partially offset by the dividend declaration in the 2<sup>nd</sup> quarter of 2020.

<b>Cash Flows</b>	<b>9M 2020</b> <i>(in millions PhP)</i>	<b>9M 2019</b> <i>(in millions PhP)</i>
Net cash provided by operating activities	<b>2,096.9</b>	2,352.4
Net cash used in investing activities	<b>(393.2)</b>	(637.4)
Net cash used in financing activities	<b>(930.5)</b>	(1,498.5)
Effect of exchange rate changes on cash and cash equivalents	<b>(25.5)</b>	(7.7)
Net increase in cash and cash equivalents	<b>747.8</b>	208.8
Cash and cash equivalents at beginning of year	<b>2,255.0</b>	2,559.1
Cash and cash equivalents at end of the period	<b>3,002.7</b>	2,767.9

### **Operating Activities**

Net cash provided by operating activities measured at ₱2,097 million by 9M-2020. This stemmed from income before income tax of ₱5,600 million, adjusted mainly by Program rights usage of ₱477 million, Depreciation expense of ₱396 million, Net unrealized foreign exchange gain of ₱27 million, Amortization of software costs of ₱31 million, Interest income of ₱12 million and Interest expense and financing charges of ₱6 million apart from the changes in working capital. The primary component of the changes in working capital included the ₱3,887 million and ₱647 million escalation in Trade and other receivables and Program and other rights, respectively, coupled by the ₱441 million increase in Prepaid expenses and other current assets.

### **Investing Activities**

Net cash used in investing activities amounted to ₱393 million, coming primarily from the ₱320 million total additions to Property and equipment, Software costs and Land at revalued amounts and from the ₱80 million increase in Other noncurrent assets. These were partly offset by the ₱8 million proceeds from property sales.

### **Financing Activities**

Net cash used in financing activities amounted to ₱930 million basically due to payment of cash dividends, short-term loans and interest expense amounting to ₱1,494 million, ₱400 million and ₱5 million, respectively, netted by the ₱969 million proceeds from short-term loan availments.

## Key Financial Performance Indicators

The key financial performance indicators that the Company monitors are the following:

<b>Key Performance Indicators</b>	<b>9M 2020</b> <i>(in millions PhP)</i>	<b>9M 2019</b> <i>(in millions PhP)</i>	<b>Inc/(Dec)</b> <i>(in millions PhP)</i>	<b>%</b>
Revenues	<b>12,656.7</b>	12,217.9	438.8	4%
Advertising revenues	<b>11,467.6</b>	11,264.1	203.5	2%
Cash operating expenses	<b>6,123.1</b>	7,925.1	(1,802.1)	-23%
EBITDA	<b>6,502.0</b>	4,353.1	2,148.9	49%
Net income before tax	<b>5,599.6</b>	3,142.8	2,456.7	78%
Net income after tax	<b>3,909.4</b>	2,192.4	1,717.1	78%

\* \* \* \* \*

**GMA NETWORK, INC. AND SUBSIDIARIES****INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	September 30, 2020 Unaudited	December 31, 2019 Audited
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 8 and 31)	3,002,741,458	2,254,971,656
Trade and other receivables (Notes 9, 22 and 31)	9,132,823,451	5,257,147,953
Program and other rights (Note 10)	1,001,637,056	842,413,582
Prepaid expenses and other current assets (Note 11)	1,360,176,099	918,901,359
<b>Total Current Assets</b>	<b>14,497,378,064</b>	<b>9,273,434,550</b>
<b>Noncurrent Assets</b>		
Property and equipment:		
At cost (Note 14)	2,609,683,168	2,695,162,487
At revalued amounts (Note 15)	2,805,884,534	2,803,196,184
Right-of-Use assets	109,929,342	129,802,186
Financial assets at fair value through comprehensive income (Notes 12, 31 and 32)	243,519,902	243,433,060
Investments and advances (Notes 13 and 22)	180,049,424	179,766,749
Program and other rights (Note 10)	207,455,017	196,376,347
Investment properties (Note 16)	35,215,431	36,252,221
Deferred income tax assets - net	574,400,748	474,417,278
Other noncurrent assets (Note 17)	378,066,554	315,037,507
<b>Total Noncurrent Assets</b>	<b>7,144,204,120</b>	<b>7,073,444,019</b>
<b>TOTAL ASSETS</b>	<b>21,641,582,184</b>	<b>16,346,878,569</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade payables and other current liabilities (Notes 19, 23 and 31)	2,980,525,432	2,406,724,759
Short-term loans (Note 18)	969,900,000	400,000,000
Income tax payable	1,597,019,527	512,384,161
Current portion of lease liabilities	10,550,850	18,268,746
Obligation for program and other rights (Notes 20 and 31)	462,777,359	133,784,154
Dividends payable (Note 31)	20,380,414	18,734,008
<b>Total Current Liabilities</b>	<b>6,041,153,582</b>	<b>3,489,895,828</b>
<b>Noncurrent Liabilities</b>		
Pension liability	3,046,013,667	2,733,593,128
Other long-term employee benefits (Note 32)	347,753,026	336,401,040
Lease liabilities - net of current portion	77,202,497	87,519,369
Dismantling provision	42,880,780	42,392,195
<b>Total Noncurrent Liabilities</b>	<b>3,513,849,970</b>	<b>3,199,905,732</b>
<b>Total Liabilities</b>	<b>9,555,003,552</b>	<b>6,689,801,560</b>

*(Forward)*

	September 30, 2020 Unaudited	December 31, 2019 Audited
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital stock (Note 22)	4,864,692,000	4,864,692,000
Additional paid-in capital (Note 22)	1,659,035,196	1,659,035,196
Revaluation increment in land - net of tax (Note 15)	1,710,505,188	1,710,505,188
Remeasurements loss on retirement plans - net of tax	(1,342,282,959)	(1,338,518,972)
Unrealized loss on available-for-sale financial assets - net of tax	(2,469,954)	(2,245,454)
Retained earnings (Note 22)	5,164,958,994	2,727,238,685
Treasury stock (Notes 22 and 30)	(28,483,171)	(28,483,171)
Underlying shares of the acquired Philippine Deposit Receipts (Notes 22 and 30)	(5,790,016)	(5,790,016)
Total Equity Attributable to Parent Company	12,020,165,278	9,586,433,456
Equity Attributable to Non-controlling Interest	66,413,354	70,643,553
<b>Total Equity</b>	<b>12,086,578,632</b>	<b>9,657,077,009</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>21,641,582,184</b>	<b>16,346,878,569</b>

*See accompanying Notes to Consolidated Financial Statements.*

**GMA NETWORK, INC. AND SUBSIDIARIES**
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME**

	<b>For the Quarters Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>NET REVENUES</b> (Note 24)	<b>5,905,045,370</b>	4,303,877,310	<b>12,656,730,111</b>	12,217,906,694
<b>PRODUCTION COSTS</b> (Note 25)	<b>869,471,226</b>	1,551,650,627	<b>2,772,245,020</b>	4,725,194,256
<b>GROSS PROFIT</b>	<b>5,035,574,144</b>	2,752,226,683	<b>9,884,485,091</b>	7,492,712,438
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 26)	<b>1,453,505,709</b>	1,554,668,740	<b>4,286,834,275</b>	4,392,290,047
<b>OTHER INCOME (EXPENSE) - NET</b>				
Net foreign currency exchange loss	(17,737,194)	(545,062)	(52,903,281)	(1,541,101)
Interest income (Note 8)	24,207	3,545,645	11,867,794	18,318,571
Interest expense	(5,607,388)	(17,440,346)	(10,366,431)	(36,235,688)
Others - net (Note 28)	27,655,830	18,516,788	53,316,395	61,881,336
	<b>4,335,455</b>	4,077,025	<b>1,914,477</b>	42,423,118
<b>INCOME BEFORE INCOME TAX</b>	<b>3,586,403,890</b>	1,201,634,968	<b>5,599,565,293</b>	3,142,845,509
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>				
Current	1,126,925,226	347,591,594	1,790,149,122	943,722,111
Deferred	(41,837,091)	18,083,068	(99,983,470)	6,749,743
	<b>1,085,088,135</b>	365,674,662	<b>1,690,165,652</b>	950,471,854
<b>NET INCOME</b>	<b>2,501,315,755</b>	835,960,306	<b>3,909,399,641</b>	2,192,373,655
<b>OTHER COMPREHENSIVE INCOME (LOSS) - net of tax</b>				
<i>Item to be reclassified to profit or loss in subsequent periods -</i>				
Net change in fair market value of financial assets at FVOCI	-	-	(224,500)	368,658
<i>Item not to be reclassified to profit or loss in subsequent periods -</i>				
Remeasurement gain on retirement plan	-	-	(3,763,987)	(638,843)
	-	-	(3,988,487)	(270,185)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>2,501,315,755</b>	835,960,306	<b>3,905,411,154</b>	2,192,103,470
<b>Net income attributable to:</b>				
Equity holders of Parent Company	2,494,740,682	832,642,021	3,895,779,840	2,176,050,550
Non-controlling interest	6,575,073	3,318,285	13,619,801	16,323,105
	<b>2,501,315,755</b>	835,960,306	<b>3,909,399,641</b>	2,192,373,655
<b>Total comprehensive income attributable to:</b>				
Equity Holders of Parent Company	2,494,740,682	832,642,021	3,891,791,353	2,175,780,365
Non-controlling interest	6,575,073	3,318,285	13,619,801	16,323,105
	<b>2,501,315,755</b>	835,960,306	<b>3,905,411,154</b>	2,192,103,470
<b>Basic/Diluted Earnings Per Share</b> (Note 30)	<b>0.170</b>	0.129	<b>0.802</b>	0.448

See accompanying Notes to Consolidated Financial Statements.

**GMA NETWORK, INC. AND SUBSIDIARIES**

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to Equity Holders of Parent Company										
	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Revaluation Increment in Land - Net of Tax	Remeasurements on Retirement Plans - Net of Tax	Net Unrealized Loss on Financial Assets at FVOCI - Net of Tax	Retained Earnings (Note 22)	Treasury Stock (Notes 22 and 30)	Underlying Shares of the Acquired Philippine Deposit Receipts (Notes 22 and 30)	Total Equity Attributable to Parent Company	Non- controlling Interests	Total Equity
At January 1, 2020	4,864,692,000	1,659,035,196	1,710,505,188	(1,338,518,972)	(2,245,454)	2,727,238,685	(28,483,171)	(5,790,016)	9,586,433,456	70,643,553	9,657,077,009
Net income	-	-	-	-	-	3,895,779,840	-	-	3,895,779,840	13,619,801	3,909,399,641
Other comprehensive income (loss)	-	-	-	(3,763,987)	(224,500)	-	-	-	(3,988,487)	-	(3,988,487)
Total comprehensive income	-	-	-	(3,763,987)	(224,500)	3,895,779,840	-	-	3,891,791,353	13,619,801	3,905,411,154
Cash dividends (see Note 22)	-	-	-	-	-	(1,458,059,531)	-	-	(1,458,059,531)	(17,850,000)	(1,475,909,531)
At September 30, 2020	4,864,692,000	1,659,035,196	1,710,505,188	(1,342,282,959)	(2,469,954)	5,164,958,994	(28,483,171)	(5,790,016)	12,020,165,278	66,413,354	12,086,578,632
At January 1, 2019	4,864,692,000	1,659,035,196	1,710,505,188	(1,038,041,118)	(5,051,345)	2,368,404,468	(28,483,171)	(5,790,016)	9,525,271,202	62,797,526	9,588,068,728
Net income	-	-	-	-	-	2,176,050,550	-	-	2,176,050,550	16,323,105	2,192,373,655
Other comprehensive income (loss)	-	-	-	(638,843)	368,658	-	-	-	(270,185)	-	(270,185)
Total comprehensive income	-	-	-	(638,843)	368,658	2,176,050,550	-	-	2,175,780,365	16,323,105	2,192,103,470
Cash dividends (see Note 22)	-	-	-	-	-	(2,187,089,297)	-	-	(2,187,089,297)	(12,250,000)	(2,199,339,297)
At September 30, 2019	4,864,692,000	1,659,035,196	1,710,505,188	(1,038,679,961)	(4,682,687)	2,357,365,721	(28,483,171)	(5,790,016)	9,513,962,270	66,870,631	9,580,832,901

See accompanying Notes to Consolidated Financial Statements.

**GMA NETWORK, INC. AND SUBSIDIARIES****UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	5,599,565,293	3,142,845,509
Adjustments for:		
Depreciation and amortization (Notes 14, 16 and 29)	396,259,416	394,536,952
Provision for doubtful accounts (Notes 9 and 26)	32,086,511	-
Amortization of software costs (Notes 17 and 26)	31,030,661	19,395,648
Net unrealized foreign exchange gain (loss)	26,686,701	8,475,074
Interest income (Note 8)	(11,867,795)	(18,318,571)
Interest expense	6,029,611	36,235,688
Gain on sale of property and equipment (Note 28)	(6,410,713)	(21,376,880)
Operating income before working capital changes	6,073,379,685	3,561,793,420
Program rights usage (Note 10)	476,640,339	778,427,850
Decreases (increases) in:		
Trade and other receivables	(3,887,322,962)	(927,526,737)
Program and other rights	(646,942,483)	(1,086,731,539)
Prepaid expenses and other current assets	(441,274,740)	(224,389,068)
Right-of-use assets	12,435,398	-
Increases (decreases) in:		
Trade payables and other current liabilities	574,345,935	575,275,302
Obligations for program and other rights	328,993,205	122,207,353
Lease liabilities	(19,649,946)	-
Dismantling costs	488,585	
Pension liability	308,656,552	212,095,226
Other long-term employee benefits	11,351,986	(135,048)
Net cash generated from operations	2,791,101,554	3,011,016,759
Income taxes paid	(705,513,756)	(678,649,633)
Interest received	11,357,480	20,042,762
Net cash provided by (used in) operating activities	2,096,945,278	2,352,409,888
Acquisitions of:		
Property and equipment (Note 14)	(303,891,208)	(521,008,800)
Software costs (Note 17)	(13,837,584)	(7,741,878)
Land at revalued amounts (Note 15)	(2,688,350)	(1,277,100)
Proceeds from sale of properties	7,996,060	27,590,412
Decreases (increases) in:		
Financial asset at FVOCI	(311,342)	(205,341)
Investments and advances	(282,675)	(242,416)
Other noncurrent assets	(80,222,124)	(134,550,347)
Net cash used in investing activities	(393,237,223)	(637,435,470)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of:		
Cash dividends (Note 22)	(1,494,191,857)	(2,182,327,615)
Short-term loans (Note 18)	(400,000,000)	(800,000,000)
Interest expense (Note 18)	(4,959,695)	(33,696,514)
Proceeds from availments of short-term loans (Note 18)	968,680,000	1,517,500,000
Net cash used in financing activities	(930,471,552)	(1,498,524,129)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH ON HAND AND CASH EQUIVALENTS</b>		
	(25,466,701)	(7,675,074)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>747,769,802</b>	<b>208,775,215</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>2,254,971,656</b>	<b>2,559,105,322</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>3,002,741,458</b>	<b>2,767,880,537</b>

See accompanying Notes to Consolidated Financial Statements.

**GMA NETWORK, INC. AND SUBSIDIARIES**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Corporate Information**

GMA Network, Inc. (GNI or the Parent Company) and its subsidiaries (collectively referred to as “the Group”) are incorporated in the Philippines. The Group is primarily involved in the business of radio and television broadcasting. The Group is also involved in film production and other information and entertainment-related businesses. The Parent Company was registered with the Philippine Securities and Exchange Commission (SEC) on June 14, 1950. On July 20, 1995, the Board of Directors (BOD) approved the extension of the corporate term of the Parent Company for another 50 years from June 14, 2000. In 1997, the SEC approved the said extension.

The Parent Company’s shares of stock are publicly listed and traded in the Philippine Stock Exchange.

The registered office address of the Parent Company is GMA Network Center, Timog Avenue corner EDSA, Quezon City.

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**2. Basis of Preparation**

Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) and land at revalued amounts, which are 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 peso, except when otherwise indicated.

Statement of Compliance

The Group’s consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at September 30, 2020 and December 31, 2019 and for each of the two years in the period ended September 30, 2020. The Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Right arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.



Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Parent Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, NCI and other components of equity while any resultant gain or loss is recognized in the consolidated statement of comprehensive income. Any investment retained is recognized at fair value.

NCI represents the portion of profit or loss and the net assets not held by owners of the Parent Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statements of financial position, separately from equity attributable to holders of the Parent Company. NCI shares in losses even if the losses exceed the non-controlling equity interest in the subsidiary. NCI represents the equity interest in RGMA Network, Inc. (RGMA Network), a subsidiary incorporated in the Philippines with principal place of business at GMA Network Center, Timog Avenue corner EDSA Quezon City.

The consolidated financial statements include additional information about subsidiary that have NCI that are material to the Parent Company. Management determined material partly-owned subsidiary as those with greater than 5% of non-controlling interests and/or subsidiaries whose activities are important to the Group as at end of the year.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries as at September 30, 2020 and December 31, 2019:

Principal Activities		Percentage of Ownership	
		Direct	Indirect
Entertainment Business:			
Alta Productions Group, Inc. (Alta)	Pre- and post-production services	100	—
Citynet Network Marketing and Productions, Inc. (Citynet)	Television entertainment production	100	—
GMA Network Films, Inc.	Film production	100	—
GMA New Media, Inc. (GNMI)	Converging Technology	100	—
GMA Worldwide (Philippines), Inc.	International marketing, handling foreign program acquisitions and international syndication of the Parent Company's programs	100	—
Scenarios, Inc.*	Design, construction and maintenance of sets for TV, stage plays and concerts; transportation services	100	—
RGMA Marketing and Productions, Inc.	Music recording, publishing and video distribution	100	—
RGMA Network, Inc.	Radio broadcasting and management	49	—
Script2010, Inc.**	Design, construction and maintenance of sets for TV, stage plays and concerts; transportation and manpower services	—	100

		Percentage of Ownership	
	Principal Activities	Direct	Indirect
Advertising Business:			
GMA Marketing & Productions, Inc. (GMPI)***	Exclusive marketing and sales arm of the Parent Company's airtime; events management; sales implementation, traffic services and monitoring	100	–
Digify, Inc.****	Crafting, planning and handling advertising and other forms of promotion including multi-media productions	–	100
Others:			
Media Merge Corporation****	Business development and operations for the Parent Company's online publishing/advertising initiatives	–	100
Ninja Graphics, Inc.*****	Ceased commercial operations in 2004	–	51
*Under liquidation			
**Indirectly owned through Citynet			
***Ceased commercial operations in 2015			
****Indirectly owned through GNMI			
*****Indirectly owned through Alta; ceased commercial operations in 2004			

\*Under liquidation

\*\*Indirectly owned through Citynet

\*\*\*Ceased commercial operations in 2015

\*\*\*\*Indirectly owned through GNMI

\*\*\*\*\*Indirectly owned through Alta; ceased commercial operations in 2004

### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new pronouncements starting January 1, 2019. Except for the adoption of PFRS 16, *Leases*, the adoption of these new standards and amendments did not have any significant impact on the consolidated financial statements.

- PFRS 16, *Leases*

PFRS 16 supersedes Philippine Accounting Standard (PAS) 17, *Leases*, Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

Lessor accounting under PFRS 16 is substantially unchanged from the accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted PFRS 16 using the modified retrospective approach and elected to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4.

The effect of adoption PFRS 16 as at January 1, 2019 is as follows:

Consolidated Statement of Financial Position:	Increase (decrease)
<b>Assets</b>	
Right-of-use assets (see Note 29)	₱98,988,352
Property and equipment	(72,537,192)
Deferred tax asset	29,696,506
<b>Liabilities</b>	
Lease liability (see Note 29)	66,535,587
Dismantling provision	32,452,765
Deferred tax liability	29,696,506
<b>Equity</b>	
Retained earnings	(72,537,192)

The Group has lease contracts for land, building, studio and office spaces. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as operating lease. Refer to Note 3 for the accounting policy prior to January 1, 2019.

Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term lease. Refer to Note 3 for the accounting policy beginning January 1, 2019.

*Leases previously accounted for as operating leases*

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized and dismantling provision. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application.
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at January 1, 2019:

- Right-of-use assets of ₱98.99 million were recognized and presented separately in the consolidated statement of financial position.
- Additional lease liability and dismantling provision of ₱66.54 million and ₱32.45 million, respectively were recognized.
- Additional accumulated depreciation of leasehold improvements recorded as a reduction in retained earnings amounting to ₱72.54 million. This relates to leases with renewal options that cannot be unilaterally exercised by the Group and are not included as part of the lease term resulting to accelerated amortization of the related leasehold improvements.

The lease liability as at January 1, 2019 as can be reconciled to the operating lease commitments as at December 31, 2018 follows:

Operating lease commitments as at December 31, 2018	₱100,691,244
Additional operating lease commitments	84,811,171
Total operating lease commitments	185,502,415
Weighted average incremental borrowing rate	6.00% - 8.87%
Lease liability as at January 1, 2019	₱66,535,587

Due to the adoption of PFRS 16, the Group's operating profit in 2019 improved, while its interest expense increased. This is due to the change in the accounting for rent expense related to leases that were previously classified as operating leases under PAS 17.

Except for the additional accumulated depreciation of leasehold improvements, the adoption of PFRS 16 did not have an impact on equity as at January 1, 2019 since the Group elected to measure the right-of-use assets at an amount equal to the lease liability.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS

12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether the Group considers uncertain tax treatments separately
- The assumptions the Group makes about the examination of tax treatments by taxation authorities
- How the Group determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How the Group considers changes in facts and circumstances

The Group is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The Group shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the Group concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group assessed whether the Interpretation had an impact on its parent financial statements. The Group determined, based on its tax compliance review/assessment that it is probable that its income tax treatments will be accepted by the taxation authority. Accordingly, the Interpretation did not have an impact on the consolidated financial statements.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRSs 2015-2017 Cycle*
  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

New Accounting Standards, Interpretations and Amendments to Existing Standards  
Effective Subsequent to December 31, 2019

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

*Effective beginning on or after January 1, 2020*

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. These are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

*Effective beginning on or after January 1, 2021*

- PFRS 17, *Insurance Contracts*

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

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

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

PFRS 17 is not applicable to the Group since it is not engaged in providing insurance nor issuing insurance contracts.

*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,

*Business Combinations.* Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board 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 is currently assessing the impact of adopting these amendments.

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### **3. Summary of Significant Accounting and Financial Reporting Policies**

#### Investments in an Associate and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The Group's share of the results of operations of the associate or joint venture is included in profit or loss. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statements of comprehensive income outside operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate or joint venture.

If the Group's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group discontinues recognizing its share of further losses.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss under “Equity in net earnings (losses) of joint ventures” in the consolidated statements of comprehensive income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statements of comprehensive income.

#### Current versus Noncurrent Classification

The Group presents assets and liabilities in consolidated statements of financial position based on current/noncurrent classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities.

The Group also modifies classification of prior year amounts to conform to current year’s presentation.

#### Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of six months or less from acquisition date and that are subject to an insignificant risk of change in value.

#### Fair Value Measurement

The Group measures financial instruments at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Disclosures for significant estimates and assumptions, see Note 4
- Quantitative disclosures of fair value measurement hierarchy, see Note 32
- Land, see Note 15
- Investment properties, see Note 16

- Financial instruments (including those carried at amortized cost), see Note 32.

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### "Day 1" Difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statements of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

#### Financial Instruments – Beginning January 1, 2018

##### Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.



## Financial Assets

*Initial Recognition and Measurement.* Financial assets are classified, at initial recognition, as financial assets at amortized cost, FVOCI, and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied a practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

*Subsequent Measurement.* For purposes of subsequent measurement, financial assets are classified in four categories:

- financial assets at amortized cost (debt instruments)
- financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- financial assets at FVPL

The Group does not have debt instruments at FVOCI and financial assets at FVPL as at September 30, 2020 and December 31, 2019.

*Financial Assets at Amortized Cost (Debt Instruments).* The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in the consolidated statement of comprehensive income when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, trade and other receivables and refundable deposits (included under "Other noncurrent assets" account in the consolidated statement of financial position) as at September 30, 2020 and December 31, 2019 (see Notes 8, 9, 17 and 32).

*Financial Assets Designated at FVOCI (Equity Instruments).* Upon initial recognition, the Group can elect to

classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as “Dividend income” in the consolidated statement of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably under this category its listed and non-listed equity instruments and investment in quoted club shares as at September 30, 2020 and December 31, 2019 (see Notes 12 and 32).

#### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group’s consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### Impairment of Financial Assets

The Group recognizes an allowance for ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents, the Group applies a general approach which measures ECL on either a 12-month or lifetime basis depending on whether a significant increase in credit risks has occurred once initial recognition on whether an asset is considered to be credit-impaired, adjusted for the effects of collateral, forward-looking factors and time value of money.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience for trade and other receivables, and external-credit mapping for other debt instruments at amortized cost to calculate ECLs, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group, in general, considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off, in whole or in part, when the asset is considered uncollectible, the Group has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

For other debt assets, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

#### Financial Liabilities

*Initial Recognition and Measurement.* Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable and other current liabilities (excluding payable to government agencies, customer deposits and advances from customers), short-term loans, obligations for program and other rights and dividends payable.

*Subsequent Measurement.* The measurement of financial liabilities depends on their classification, as described below:

*Financial Liabilities at FVPL.* Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of comprehensive income.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at FVPL as at September 30, 2020 and December 31, 2019.

*Loans and Borrowings.* After initial recognition, interest-bearing loans and borrowings and other payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as “Interest expense” in the consolidated statement of comprehensive income.

This category generally applies to trade payables and other current liabilities (excluding payable to government agencies, customers’ deposits and contract liabilities), short-term loans, obligations for program and other rights and dividends payable (see Notes 18, 19, 20 and 31).

#### Derecognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

#### Classification of Financial Instruments Between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

#### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

#### Program and Other Rights

Program and other rights with finite lives are stated at cost less amortization and impairment in value. The estimated useful lives and the amortization method used depend on the manner and pattern of usage of the acquired rights. The cost of program and other rights with specific number of runs within a specified term is amortized using straight line method up to the date of expiry.

From September 1, 2019, the Group changed its accounting policy for amortizing the cost of program and other rights with no definite expiration from accelerated method based on the sum of the year’s digit of ten years with salvage value of 10% of the total cost to straight-line method over ten years based on the current book values so as to allow recognition of amortization of amortization equally and to be consistent with the method of amortizing program rights with specific number of runs within a specified term. Management takes the view that this policy provides reliable and more relevant information because it is reflective of the actual margins of business units. The

effect in 2019 and future periods is to decrease the carrying amount of program and other rights by ₱199.08 million and increase amortization expense by ₱197.62 million with its corresponding tax impact.

Amortization expense is shown as “Program and other rights usage” included under “Production costs” account in the consolidated statement of comprehensive income.

For series of rights acquired, the cost is charged to profit or loss as each series is aired on a per episode basis.

For rights intended for airing over the international channels, the cost is amortized on a straight-line basis over the number of years indicated in the contract.

#### Prepaid Production Costs

Prepaid production costs, included under “Prepaid expenses and other current assets” account in the consolidated statements of financial position, represent costs paid in advance prior to the airing of the programs or episodes. These costs include talent fees of artists and production staff and other costs directly attributable to production of programs. These are charged to expense under “Production costs” account in the consolidated statements of comprehensive income upon airing of the related program or episodes. Costs related to previously taped episodes determined not to be aired are charged to expense.

#### Materials and Supplies Inventory

Materials and supplies inventory, included under “Prepaid expenses and other current assets” account in the consolidated statements of financial position, is stated at the lower of cost and net realizable value. Cost is determined using the weighted moving average method. Net realizable value is the current replacement cost.

#### Tax Credits

Tax credits represent claims from the government arising from airing of government commercials and advertisements availed under Presidential Decree (PD) No. 1362. Pursuant to PD 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 imported broadcasting related equipment. The tax credits cannot be used to pay for any other tax obligation to the government.

As at September 30, 2020 and December 31, 2019, the Group’s tax credits are classified as current under “Prepaid expenses and other current assets” account in the consolidated statements of financial position.

#### Advances to Suppliers

Advances to suppliers, included under “Prepaid expenses and other current assets” account in the consolidated statement of financial position, are noninterest-bearing and are generally applied to acquisition of inventories, programs and other rights, availments of services and others.

#### Property and Equipment

Property and equipment, except land, are stated at cost, net of accumulated depreciation and amortization and impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in profit or loss as incurred.

Land is measured at fair value less accumulated impairment losses, if any, recognized after the date of the revaluation. Valuations are generally performed every three to five years or more frequently as deemed necessary to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recorded in other comprehensive income and hence, credited to the “Revaluation increment on land - net of tax” account under equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case, the increase is recognized in profit or loss. A

revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the “Revaluation increment in land - net of tax” account.

Depreciation and amortization are computed on a straight-line basis over the following estimated useful lives of the assets:

Buildings, towers and improvements	11-20 years
Antenna and transmitter systems and broadcast equipment	5-10 years
Communication and mechanical equipment	3-5 years
Transportation equipment	4-5 years
Furniture, fixtures and equipment	5 years

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognized.

The assets’ residual values, useful lives and methods of depreciation and amortization are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is credited or charged to current operations.

Construction in progress is stated at cost. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

#### Investment Properties

Investment properties consist of real estate held for capital appreciation and rental.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties, except land, are measured at cost less accumulated depreciation and amortization and impairment in value. Land is stated at cost less any impairment in value.

Depreciation and amortization are computed using the straight-line method over 11-20 years.

The remaining useful lives and depreciation and amortization method are reviewed and adjusted, if appropriate, at each financial year-end.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

#### Investment in Artworks

Investment in artworks, included under “Other noncurrent assets” account in the consolidated statements of financial position, is stated at cost less any impairment in value.

### Software Costs

Costs incurred in the acquisition and customization of new software, included under “Other noncurrent assets” account in the consolidated statements of financial position, are capitalized and amortized on a straight-line basis over three to five years.

### Impairment of Nonfinancial Assets

The carrying values of program and other rights, prepaid production costs, deferred production costs, tax credits, investments and advances, property and equipment, investment properties, software costs and investment in artworks are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets are considered impaired and are written down to their recoverable amount. The recoverable amount of these nonfinancial assets is the greater of an asset’s or cash-generating unit’s fair value less cost to sell or value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm’s length transaction less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs. Impairment losses, if any, are recognized in profit or loss in comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss, except for land at revalued amount where the revaluation is taken to OCI, is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charges are adjusted in future periods to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. For land at revalued amounts, the reversal of impairment is also recognized in OCI up to the amount of any previous revaluation.

In the case of investments in associates and interests in joint ventures, after application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group’s investments in associates and interests in joint ventures. The Group determines at each reporting period whether there is any objective evidence that the investments in associates and interests in joint ventures are impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of investments in associates and the acquisition cost and recognizes the amount in the consolidated statements of comprehensive income.

### Equity

Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value are recognized as additional paid-in capital.

Retained earnings include all current and prior period results of operations as reported in the consolidated statement of comprehensive income, net of any dividend declaration, adjusted for the effects of changes in accounting policies as may be required by PFRS’ transitional provisions.

#### Treasury Stock and Underlying Shares of Acquired Philippine Deposit Receipts (PDRs)

The Parent Company's own reacquired equity instruments are deducted from equity. No gain or loss is recognized in the consolidated statements of comprehensive income on the purchase, sale, issuance or cancellation of the Group's own equity instruments.

Each PDR entitles the holder to the economic interest of the underlying common share of the Parent Company. The Parent Company's ownership of the PDRs are presented similar to treasury shares in the consolidated statements of financial position.

#### Dividends on Common Shares of the Parent Company

Dividends on common shares are recognized as liability and deducted from equity when approved by the BOD of the Parent Company. Dividends for the year that are approved after reporting period are dealt with as an event after reporting period.

#### Revenue Recognition

##### a. Revenue Recognition Prior to Adoption of PFRS 15

Revenues are recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount can be reliably measured, regardless of when the payment is being made. Revenues are measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

##### b. Revenue from Contracts with Customers Upon Adoption of PFRS 15

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Revenue is recognized when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

The following specific recognition criteria must also be met before revenue is recognized:

*Advertising Revenue.* Revenue is recognized in the period the advertisements are aired.

Payments received for advertisements before broadcast (pay before broadcast) are recognized as income on the dates the advertisements are aired. Prior to liquidation, these are classified as unearned revenue under "Contract liabilities" account in the consolidated statement of financial position.

Goods received in exchange for airtime usage pursuant to exchange deal contracts executed between the Group and its customers are recorded at fair market values of assets received. Fair market value is the current market price.

Tax credits on aggregate airtime credits from government sales availed of under PD No. 1362 are recognized as revenue when there is reasonable certainty that these can be used to pay duties and taxes on imported broadcasting related equipment.



*Subscription Revenue.* Subscription fees are recognized over the subscription period in accordance with the terms of the subscription agreements.

*Consumer Sales.* Consumer sales are recognized once the customers obtain control when goods are received.

*Production Revenue.* Production revenue is recognized at a point in time when project-related services are rendered.

*Revenue from Distribution and Content Provisioning.* Revenue is recognized upon delivery of the licensed content to customers.

c. Revenue Recognition Outside the Scope of PFRS 15

*Commission from Artist Center.* Revenue is recognized as revenue on an accrual basis in accordance with the terms of the related marketing agreements.

*Rental Income.* Revenue from lease of property and equipment and investment properties is accounted for on a straight-line basis over the lease term.

*Dividend Income.* Revenue is recognized when the Group's right to receive payment is established.

*Interest Income.* Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

*Equity in Net Earnings (Losses) of Joint Ventures.* The Group recognizes its share in the net income or loss of an associate and joint ventures proportionate to the equity in the economic shares of such associates and joint ventures, in accordance with the equity method.

*Other Income.* Other income is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Group through an increase in asset or reduction in liability that can be measured reliably.

Contract Balances

*Trade Receivables.* A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to the accounting policies of Financial Instruments section.

*Contract Assets.* A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

*Contract Liabilities.* A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due, whichever is earlier. Contract liabilities are recognized as revenue when the Group performs under the contract.

Incremental Costs to Obtain a Contract

The Group pays sales commissions to its account executives for each contract that they obtain for advertising agreements with customers. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions (presented as part of "Marketing expense" under "General and administrative expense" account in the consolidated statement of comprehensive

income) because the amortization period of the asset that the Group otherwise would have used is less than one year.

#### Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### Expenses

Expenses, presented as “Production costs” and “General and administrative expenses” in the consolidated statements of comprehensive income, are recognized as incurred.

#### Pension and Other Employee Benefits

The Parent Company has funded, noncontributory defined benefit retirement plans covering permanent employees. Other entities are covered by Republic Act (R.A.) 7641, otherwise known as “The Philippine Retirement Pay Law”, which provides for qualified employees to receive an amount equivalent to a certain percentage of monthly salary at normal retirement age. In addition, the Group has agreed to pay the cash equivalent of the accumulated unused vacation leave of the employees upon separation from the Group.

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method.

*Defined Benefit Plans.* The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under ‘production costs’ and ‘general and administrative expenses’ in consolidated statements of comprehensive income (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.
- Net interest expense or income

Plan assets are assets that are held by a long-term employee benefit fund. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

#### Leases starting January 1, 2019 - Upon Adoption of PFRS 16

*Leases.* The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Group as Lessee.* The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- *Right-of-use Assets.* The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follow:

Land	2 to 12 years
Buildings, studio and office spaces	2 to 6 years

Right-of-use assets are subject to impairment.

- *Lease Liabilities.* At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- *Short-term Leases.* The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date or initial application of PFRS 16 and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

*Group as Lessor.* Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income from operating leases are recognized as income in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

#### Leases before January 1, 2019 - Prior to Adoption of PFRS 16

The determination of whether the arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement depends on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease, if any, if the following applies:

- a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. There is substantial change to the asset.

Where the reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) above, and at the date of renewal or extension period for scenario (b).

The Group determines whether arrangements contain a lease to which lease accounting must be applied. The costs of the agreements that do not take the legal form of a lease but convey the right to use an asset are separated into lease payments if the entity has the control of the use or access to the asset, or takes essentially all of the outputs of the asset. The said lease component for these arrangements is then accounted for as finance or operating lease.

*Group as Lessee.* Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

*Group as Lessor.* Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income from operating leases are recognized as income in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

#### Foreign Currency-denominated Transactions

Transactions in foreign currencies are initially recorded in the functional currency exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing exchange rate at financial reporting period. All differences are taken to profit or loss in the consolidated statements of comprehensive income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date

when the fair value was determined. For income tax purposes, foreign exchange gains and losses are treated as taxable income or deductible expenses when realized.

## Taxes

*Current Income Tax.* Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and establishes provisions where appropriate.

*Deferred Tax.* Deferred tax is provided using the balance sheet liability method on temporary differences at reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting period.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefits of excess MCIT over RCIT and unused NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws to be enacted or substantially enacted at the reporting period.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

*Creditable Withholding Taxes.* Creditable withholding taxes represent amounts withheld by the Group's customers and is deducted from the Group's income tax payable.

*Value-added Tax (VAT).* Revenue, expenses and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position.

When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Trade payables and other current liabilities" accounts in the consolidated statement of financial position.

#### Earnings Per Share (EPS)

Basic EPS is computed by dividing the net income for the year attributable to the equity holders of the Parent Company, net of income attributable to preferred shares, by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends declared, if any.

Diluted EPS is calculated by dividing the net income for the year attributable to the equity holders of the Parent Company (inclusive of income attributable to preferred shares) by the weighted average number of common shares outstanding during the year, plus the weighted average number of common shares that would be issued upon conversion of all dilutive potential common shares.

#### Segment Reporting

For management purposes, the Group's operating businesses are organized and managed separately into television and radio airtime, international subscriptions and other business activities. Such business segments are the basis upon which the Group reports its primary segment information. The Group considers television and radio operations as the major business segment. The Group operates in two geographical areas where it derives its revenue. Financial information on business segments is presented in Note 7 to the consolidated financial statements.

#### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

#### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

#### Events after Reporting Period

Post year-end events that provide additional information about the Group's position at the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

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#### **4. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements and related notes at the end of the reporting period. However, uncertainty about these judgments, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

##### Judgments

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

*Consolidation of Entities in which the Group holds less than Majority of Voting Rights.* The Group considers that it controls RGMA Network even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of RGMA Network with a 49% equity interest. The remaining 51% of the equity shares in RGMA Network are owned by several parties. Since September 27, 1995, which is the date of incorporation of RGMA Network, there is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group. The carrying amount of NCI as at September 30, 2020 and December 31, 2019 amounted to ₱66.41 million and ₱70.64 million, respectively.

*Assessment of Significant Influence over the Investee.* The Parent Company holds 25% ownership interest in Optima Digital, Inc. as at September 30, 2020 and December 31, 2019. Even with more than 20% voting rights, management assessed that the Parent Company does not have the power to participate in the policy-making processes, including decisions to affect its returns in the form of dividends. Further, the Parent Company does not have the ability to participate in the financial and operational policies decision-making of the investee to affect its relevant activities.

*Determination of Lease Term of Contracts with Renewal and Termination Options – Group as a Lessee (Starting January 1, 2019 - Upon Adoption of PFRS 16).* The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment 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 did not include the renewal period as part of the lease term for its leases as these are subject to mutual agreement and are not reasonably certain to be exercised. 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.

*Operating Leases - Group as Lessor.* The Group has entered into various lease agreements as lessor. The Group had determined that the risks and rewards of ownership of the underlying property were retained by the Group. Accordingly, the leases are classified as an operating lease.

Total rental income amounted to ₱2.59 million and ₱3.40 million in September 30, 2020 and 2019, respectively (see Note 28).

*Operating Leases - Group as Lessee (Prior to January 1, 2019 - Prior to Adoption of PFRS 16).* The Group has entered into various lease agreements as a lessee. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessors retain all the significant risks and rewards of ownership of the properties and accounts for the contracts as operating leases.

Rental expense charged to operations amounted to ₱194.88 million and ₱651.34 million as of September 30, 2020 and 2019, respectively (see Notes 25, 26 and 29).

#### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

*Estimating the Incremental Borrowing Rate (Starting January 1, 2019 - Upon Adoption of PFRS 16).* 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. 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 counterparty’s stand-alone credit rating).

The Group’s lease liability amounted to ₱87.75 million and ₱105.79 million as at September 30, 2020 and December 31, 2019, respectively (see Note 29).

*Estimating Allowance for ECLs (applicable beginning January 1, 2018).* The following information explains the inputs, assumptions and techniques used by the Group in estimating ECL for trade receivables:

- Simplified approach for trade receivables

The Group uses a simplified approach for calculating ECL on receivables through the use of provision matrix to calculate ECLs. The provision rates are based on days past due for groupings of customer segment that have similar loss patterns (i.e., by customer type).

The provision matrix is initially based on the Group’s historical observed default rates. The Group then calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (e.g, gross domestic product, inflation rate, unemployment rate) are expected to deteriorate over the next year which can lead to an increased number of defaults in the Group’s operating segments, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.



- Definition of default for trade receivables

The Group defines a trade receivable as in default, when it meets one or more of the following criteria:

- The counterparty is experiencing financial difficulty or is insolvent
- The receivable is more than 360 days past due. The determination of the period is based on the Group's practice and agreement with their customers within the industry.

- Incorporation of forward-looking information

The Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments that support the calculation of ECLs. A broad range of forward-looking information are considered as economic inputs such as the gross domestic product, inflation rate, unemployment rates and other economic indicators.

The macroeconomic factors are aligned with information used by the Group for other purposes such as strategic planning and budgeting.

The Group identifies and documents key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationship between the key macro-economic 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.

- Grouping of instruments for losses measured on collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a segmentation are homogeneous. The Group segmented its receivables based on the type of customer (e.g., corporate and individuals).

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.

Provision for ECL amounted to ₱32.09 million as of September 30, 2020 and nil in 2019. The allowance for ECL amounted to ₱581.73 million and ₱549.64 million as at September 30, 2020 and December 31, 2019, respectively. The carrying amounts of trade and other receivables amounted to ₱9,132.82 million and ₱5,257.15 million as at September 30, 2020 and December 31, 2019, respectively (see Note 9).

*Classification and Amortization of Program and Other Rights.* Portions of program and other rights are classified as current and noncurrent assets. Current portion represents those expected to be aired any time within its normal operating cycle, whereas the noncurrent portion represents those without definite expiration.

From September 1, 2019, the Group changed its accounting policy for amortizing the cost of program and other rights with no definite expiration date from accelerated method based on the sum of the year's digit of ten years with salvage value of 10% of the total cost to straight-line method over ten years based on the current book values so as to allow recognition of amortization equally and to be consistent with the method of amortizing program rights with specific number of runs within a specified term. Management takes the view that this policy provides reliable and more relevant information because it is reflective of the actual margins of business units. The effect in 2019

and future periods is to decrease the carrying amount of program and other rights by ₱199.08 million and increase amortization expense by ₱197.62 million with its corresponding tax impact.

The Group estimates the amortization of program and other rights with finite lives using straight line method up to the date of expiry, which is the manner and pattern of usage of the acquired rights. In addition, estimation of the amortization of program and other rights is based on the Group's experience with such rights. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Program and other rights usage amounted to ₱476.64 million and ₱778.43 million for the periods ended September 30, 2020 and 2019, respectively (see Note 25). Program and other rights, net of accumulated impairment loss of ₱2.70 million, amounted to ₱1,209.09 million and ₱1,038.79 million as at September 30, 2020 and December 31, 2019, respectively (see Note 10).

*Estimating Allowance for Inventory Losses.* The Group provides allowance for inventory losses whenever the net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The allowance account is reviewed periodically to reflect the accurate valuation of the inventories.

The carrying value of materials and supplies inventory, included under "Prepaid expenses and other current assets" in the consolidated statements of financial position amounted to ₱84.64 million and ₱12.76 million as at September 30, 2020 and December 31, 2019, respectively (see Note 11). There were no provisions for inventory losses for the periods ended September 30, 2020 and 2019, respectively.

*Estimating Useful Lives of Property and Equipment, Software Costs and Investment Properties.* The Group estimates the useful lives of property and equipment, software costs and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment, software costs and investment properties are reviewed periodically and are 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 the assets. In addition, estimation of the useful lives of property and equipment, software costs and investment properties is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment, software costs and investment properties would increase the recorded general and administrative expenses and decrease noncurrent assets.

There has been no change in the Group's estimate of useful lives of its property and equipment, software costs and investment properties in as of September 30, 2020 and December 31, 2019.

Total depreciation and amortization expense for the periods ended September 30, 2020 and 2019 amounted to ₱427.29 million and ₱413.93 million, respectively (see Notes 14, 16, 17, 25 and 26).

*Revaluation of Land.* The Group engages an accredited appraiser to determine the fair value of the land used in operations. Fair value is determined by reference to market-based evidence adjusted based on certain elements of comparison. The fair value amount would differ if the Group made different judgments and estimates or utilized a different basis for determining fair value.

Valuations from an accredited appraiser are performed every three to five years or more frequently as deemed necessary to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

In 2019, there is no additional revaluation increment on land due to insignificant movements in the fair value of the land. There is a revaluation increment on land in 2018 amounting to ₱990.37 million. The revalued amount of land, which is classified under “Property and equipment” account in the statements of financial position, amounted to ₱2,805.88 million and ₱2,803.20 million as at September 30, 2020 and December 31, 2019, respectively (see Note 15).

*Impairment of Nonfinancial Assets.* For prepaid production costs, tax credits, investments and advances, property and equipment, right-of-use assets, investment properties, program and other rights, investments in artworks, deferred production costs and software costs, impairment testing is performed 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 underperformance 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;
- significant negative industry or economic trends; and
- obsolescence or physical damage of an asset.

The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of fair value less costs to sell and the asset’s value in use. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

As at September 30, 2020 and December 31, 2019, the Group did not identify any indicator of impairment on its nonfinancial assets, hence, no impairment tests were carried out.

The carrying values of nonfinancial assets as at September 30, 2020 and December 31, 2019 follow:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Land at revalued amounts (see Note 15)	2,805,884,534	2,803,196,184
Property and equipment - at cost (see Note 14)	2,609,683,168	2,695,162,487
Program and other rights (see Note 10)	1,209,092,073	1,038,789,929
Prepaid production costs (see Note 11)	376,734,837	282,840,960
Investments and advances (see Note 13)	180,049,424	179,766,749
Right-of-use assets (see Note 29)	109,929,342	129,802,186
Software costs (see Note 17)	103,203,672	120,396,750
Tax credits (see Note 11)	2,135,140	58,699,529
Investment properties (see Note 16)	35,215,431	36,252,221
Investment in artworks (see Note 17)	10,186,136	10,186,136
Deferred production costs (see Note 17)	1,085,989	1,088,162

*Estimating Realizability of Deferred Tax Assets.* The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The Group’s assessment on the recognition of deferred tax assets on deductible temporary difference and carryforward benefits of NOLCO and excess MCIT over RCIT is based on the projected taxable income in the following periods.

*Pension and Other Employee Benefits.* The determination of the Group’s obligation and cost of pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

Pension liability amounted to ₱3,046.01 million and ₱2,733.59 million as at September 30, 2020 and December 31, 2019, respectively.

*Determination of Fair Value of Financial Assets and Financial Liabilities.* Certain financial assets and financial liabilities are carried and disclosed at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates and interest rates), the amount of changes in fair value would differ if the Group utilized a different valuation methodology. Any changes in the assumptions could affect the fair value of these financial assets and financial liabilities. The fair value of financial assets and liabilities are enumerated in Note 32.

*Determination of Fair Value of Investment Properties and Land at Revalued Amounts.* PFRS requires disclosure of fair value of investment properties when measured at cost.

The appraisers conducted an actual inspection of the property and considered the following in the study and analyses in arriving at the estimate of fair value: (a) extent, character and utility of the land; (b) sales and holding prices of similar properties; and (c) highest and best use of the property.

The description of valuation techniques used and key inputs to fair valuation of investment properties are enumerated in Note 16 of the consolidated financial statements.

*Contingencies.* The Group is currently involved in various claims and legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with legal counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on the Group's financial position.

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## **5. Seasonality or Cyclicity of Interim Operations**

The Group's operations are not generally affected by any seasonality or cyclicity.

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## **6. Nature and Amount of Changes in Estimates**

2020 figures were restated to conform to the current period's presentation.

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## **7. Segment Information**

### Business Segments

For management purposes, the Group is organized into business units based on its products and services and has three reportable segments, as follows:

- The television and radio segment, which engages in television and radio broadcasting activities and which generates revenue from sale of national and regional advertising time.
- The international subscription segment which engages in subscription arrangements with international cable companies.
- Other businesses which include movie production, consumer products and other services.

The Executive Committee, the chief operating decision maker, and Management monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with net

income or loss in the consolidated financial statements. On a consolidated basis, the Group's performance is evaluated based on consolidated net income for the year.

#### Geographical Segments

The Group operates in two major geographical segments - local and international. Local refers to revenues earned in the Philippines, the home country. Significant portion of the revenues earned locally pertain to television and radio airtime. International refers to revenues earned in United States and in other locations (which include Middle East, Europe, Australia, Canada, Guam, Singapore, Hongkong and Japan). The Group ties up with cable providers to bring local television programming outside the Philippines.

The Group's revenues are mostly generated in the Philippines, which is the Group's country of domicile. Revenues from external customers attributed to foreign countries from which the Group derives revenue are individually and in aggregate immaterial to the consolidated financial statements.

Noncurrent assets consist of property and equipment, land at revalued amounts, investment properties and intangible assets which are all located in the Philippines.

The Group does not have a single external customer whose revenue accounts for 10% or more of the Group's revenues.

#### Inter-segment Transactions

Segment revenues, segment expenses and segment 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.

#### Measurement Basis

The amount of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets and liabilities and profit or loss in the consolidated financial statements, which is in accordance with PFRS.

*Please refer to Exhibit 1.*

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## 8. Cash and Cash Equivalents

This account consists of:

	<b>September 30, 2020</b>	December 31, 2019
	<b>(Unaudited)</b>	(Audited)
Cash on hand and in banks	<b>2,645,433,322</b>	1,852,507,801
Short-term placements	<b>357,308,136</b>	402,463,855
	<b>3,002,741,458</b>	2,254,971,656

Cash in banks earn interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to nine months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Interest income earned from bank deposits and short-term investments amounted to ₱11.87 million and ₱18.32 million for the nine months ended September 30, 2020 and 2019, respectively.

## 9. Trade and Other Receivables

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade:		
Television and radio airtime	9,313,578,636	5,227,766,620
Subscription receivable	183,307,811	386,954,129
Others	207,465,332	183,958,408
Nontrade:		
Advances to officers and employees	7,157,933	5,913,890
Others	3,039,852	2,194,508
	9,714,549,564	5,806,787,555
Less allowance for doubtful accounts	581,726,113	549,639,602
	9,132,823,451	5,257,147,953

### Trade Receivables

*Television and Radio Airtime.* Television and radio airtime receivables are noninterest-bearing and are generally on a 60–90 days terms upon receipt of invoice by the customer. Invoicing normally takes around 30 days from airing.

Television and radio airtime receivables include unbilled airtime receivables, arising when advertisements have been aired during the year but billing or acceptance by the customer has been delayed due to time lag in completing all required documents.

*Subscriptions Receivable.* Subscriptions receivable include receivables pertaining to revenue generated from international channel subscriptions and advertisements. These are noninterest-bearing and normally collected within 30–60 days.

*Other Trade Receivables.* Other trade receivables are noninterest-bearing and are generally on 60-90 day terms upon receipt of invoice by the customers.

### Nontrade Receivables

*Advances to Officers and Employees and Other Nontrade Receivables.* Advances to officers and employees and other nontrade receivables are noninterest-bearing and are normally collected within the next financial year.

### Allowance for ECL

The movements in the allowance for doubtful accounts on trade receivables are as follows:

	Corporate	Individual	Total
Balance at January 1, 2019	517,554,094	13,788,161	531,342,255
Provision (reversal) for the year	21,630,411	(3,333,064)	18,297,347
Balance at December 31, 2019	539,184,505	10,455,097	549,639,602
Provision for the period (see Note 26)	32,086,511		32,086,511
Balance at September 30, 2020	571,271,016	10,455,097	581,726,113

*Please see Exhibit 2 for the Aging of receivables.*

## 10. Program and Other Rights

Details and movements in this account are as follows:

September 30, 2020 (Unaudited)				
	Program and Film Rights	Story / Format Rights	Program Rights - Incidentals	Total
Cost:				
Balance at beginning of period	983,996,591	30,699,307	26,796,291	1,041,492,189
Additions	607,494,541	6,724,629	32,723,313	646,942,483
Program and other rights usage (see Note 25)	(430,927,305)	(2,950,195)	(42,762,839)	(476,640,339)
Balance at end of period	1,160,563,827	34,473,741	16,756,765	1,211,794,333
Accumulated impairment in value	(2,702,260)	-	-	(2,702,260)
	1,157,861,567	34,473,741	16,756,765	1,209,092,073
Less noncurrent portion	207,455,017	-	-	207,455,017
	950,406,550	34,473,741	16,756,765	1,001,637,056

December 31, 2019 (Audited)				
	Program and Film Rights	Story / Format Rights	Program Rights - Incidentals	Total
Cost:				
Balance at beginning of period	917,873,774	5,219,240	16,843,662	939,936,676
Additions	985,927,729	25,480,067	78,851,454	1,090,259,250
Program and other rights usage	(919,804,912)	-	(68,898,825)	(988,703,737)
Balance at end of period	983,996,591	30,699,307	26,796,291	1,041,492,189
Accumulated impairment in value -	(2,702,260)	-	-	(2,702,260)
	981,294,331	30,699,307	26,796,291	1,038,789,929
Less noncurrent portion	196,376,347	-	-	196,376,347
	784,917,984	30,699,307	26,796,291	842,413,582

## 11. Prepaid Expenses and Other Current Assets

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Advances to suppliers	427,451,057	266,638,047
Prepaid production costs	376,734,837	282,840,960
Prepaid expenses	208,133,538	99,951,719
Input VAT	165,492,593	134,200,895
Creditable withholding taxes	92,905,158	61,906,171
Materials and supplies inventory - at cost	84,641,514	12,756,017
Tax credits	2,135,140	58,699,529
Others	2,682,262	1,908,021
	1,360,176,099	918,901,359

Advances to suppliers are noninterest-bearing and are generally applied to acquisition of inventories and fixed assets and availment of services within the next financial year.

Prepaid production represents costs paid in advance prior to the airing of the programs or episodes. The Group expects to air the related programs or episodes within the next financial year.

Input VAT pertains to value-added tax on purchase of goods and services including capital acquisitions, a portion of which is realizable within the next twelve months.

Prepaid expenses include prepayments for rentals, insurance and other expenses.

Creditable withholding taxes represent amounts withheld by the Company's customers and is deducted from the Company's income tax payable.

Tax credits represent claims of the Parent Company from the government arising from airing of government commercials and advertisements. The Parent Company expects to utilize these tax credits within the next financial year.

Materials and supplies inventory includes Group's office supplies, spare parts, digital set-top box and production materials.

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## 12. Financial Assets at Fair Value Through Other Comprehensive Income

This account consists of the following:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Listed equity instruments	175,756,355	175,669,513
Non-listed equity instruments	67,763,547	67,763,547
	<b>243,519,902</b>	243,433,060

Investment in equity instruments pertains to shares of stock and club shares which are not held for trading. The Group assessed the equity instruments to be strategic in nature.

### IP E-Games

In 2015, IP E-Games Ventures, Inc. (IPE) issued 13 billion of its own common shares to the Group in exchange of the Group's investment in X-Play Online Games Incorporated (X-Play) and in settlement of ₱30.00 million advances and ₱50.00 million airtime credits granted by the Group to X-Play. At initial recognition, the Group recognized at fair value the IPE shares as AFS financial assets amounting to ₱130.00 million.

Of the ₱50.00 million airtime credits, ₱22.00 million has not been implemented at date of exchange and therefore was recognized by the Group as unearned revenue presented as "Contract liabilities", included as part of trade payables and other current liabilities as at September 30, 2020 and December 31, 2019.

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## 13. Investments and Advances

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Investments in an associate and interests in joint ventures	80,073,834	80,073,834
Permanent advances in an associate (see Note 23)	99,975,590	99,692,915
	<b>180,049,424</b>	179,766,749



The movements in the accounts are as follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Investments in an associate and joint ventures		
Acquisition cost -		
Balance at beginning and end of period	131,722,056	131,722,056
Accumulated equity in net losses:		
Balance at beginning of period	(51,648,222)	(65,068,298)
Equity in net earnings during the period	-	13,420,076
Balance at end of period	(51,648,222)	(51,648,222)
	80,073,834	80,073,834
Advances to an associate:		
Balance at beginning of period	97,121,830	89,017,031
Advances during the period	282,675	8,104,799
Balance at end of period	97,404,505	97,121,830
Advances to joint ventures:		
Balance at beginning of period	2,571,085	2,544,542
Advances during the period	-	26,543
Balance at end of period	2,571,085	2,571,085
Total investments and advances	180,049,424	179,766,749

The ownership interests in an associate and joint ventures, which were all incorporated in the Philippines, and are accounted for under the equity method, as at September 30, 2020 and December 31, 2019 follows:

	Principal Activities	Percentage of Ownership	
		Direct	Indirect
Associate -			
Mont-Aire Realty and Development Corporation			
(Mont-Aire)	Real Estate	49	-
Joint Ventures:			
INQ7 Interactive, Inc. (INQ7)*	Internet Publishing	50	-
Philippine Entertainment Portal (PEP)**	Internet Publishing	-	50
Gamespan, Inc. (Gamespan)**	Betting Games	-	50

\*Not operational.

\*\*Indirect investment through GNMI.

The carrying values of investments and the related advances as at September 30, 2020 and December 31, 2019 are as follows:

	September 30, 2020		
	Investments	Advances (see Note 23)	Total
Associate - Mont-Aire	38,350,619	97,703,011	136,053,630
Joint ventures:			
Gamespan	8,947,966	1,959,670	10,907,636
PEP	32,775,249	312,909	33,088,158
	41,723,215	2,272,579	43,995,794
	80,073,834	99,975,590	180,049,424

	December 31, 2019		
	Investments	Advances (see Note 23)	Total
Associate - Mont-Aire	38,350,619	97,121,830	135,472,449
Joint ventures:			
Gamespan	8,947,966	1,959,670	10,907,636
PEP	32,775,249	611,415	33,386,664
	41,723,215	2,571,085	44,294,300
	80,073,834	99,692,915	179,766,749

The associate and joint ventures are not listed in any public stock exchanges.

#### PEP

On April 16, 2007, the Group and Summit Publishing, Co. entered into a shareholder's agreement for the establishment of PEP. The joint venture was organized to design, conceptualize, operate and maintain websites that make available all kinds of show business, entertainment and celebrity information, video or pictures in the internet worldwide web or other forms of seamless communication.

No share in net earnings (losses) of PEP was recognized for the six months period ended September 30, 2020 and 2019.

#### Gamespan

On March 22, 2012, the Group, through GNMI, executed a Shareholder's Agreement with Manila Jockey Club (MJC) for the establishment of Gamespan, a joint venture corporation. The joint venture was organized to operate and manage the hardware and software owned by MJC, set-up new media infrastructure for offering and taking bets in horse racing and other sports.

Gamespan has not started its commercial operations since its establishment. In 2014, the Group and MJC agreed to terminate its shareholder's agreement and to close Gamespan. As at September 30, 2020, the process of cessation of Gamespan is ongoing. Since Gamespan already ceased its operation, the Group did not recognize any share in net earnings in 2020 and 2019.

#### INQ7

Losses of INQ7 recognized under the equity method in excess of the Group's carrying value of investment were applied against its advances to the Parent Company thereby reducing both advances and investments to zero as at September 30, 2020 and December 31, 2019. INQ7 ceased operations in 2007. In 2013, INQ7 submitted a request to liquidate its assets to SEC. The liquidation is still ongoing as at September 30, 2020.

The Group believes that its interests in joint ventures are not individually material.

#### Mont-aire

The table below shows the condensed financial information of Mont-Aire as at September 30, 2020 and December 31, 2019, respectively:

Current assets	₱53,469,276
Noncurrent assets	120,275,583
	173,744,859
Current liabilities	1,269,154
Noncurrent liabilities	94,209,136
	95,478,290
Net assets	78,266,569
Proportion of the Company's ownership	49%
Carrying amount of investment	₱38,350,619

Mont-Aire ceased commercial operations in 2009. Assets include real estate and parcels of land with an aggregate fair market value of ₱210.64 million, as determined by an accredited appraiser as at March 14, 2017, enough to cover for the carrying amount of the Group's investment in Mont-Aire. Management believes that there are no events or changes in circumstances indicating a significant change in the fair value of the abovementioned properties from the last appraisal made.

#### 14. Property and Equipment at Cost

*Please refer to Exhibit 3 for the rollforward analysis of property and equipment at cost.*

Construction in progress pertains to the costs incurred for installation of equipment, signal strengthening of transmitters nationwide and construction/improvement of studios and stations in the regions.

The reclassification relates to the cost of low-value assets amounting to ₱0.16 million and software that were transferred to other noncurrent assets amounting to ₱0.15 million in December 31, 2019.

The Group disposed various property and equipment as at September 30, 2020 and 2019 resulting to the recognition of gain on sale amounting to ₱6.41 million and ₱21.38 million, respectively (see Note 28)

As at September 30, 2020 and December 31, 2019, no property and equipment have been pledged as collateral or security for any of the Group's liabilities.

#### 15. Land at Revalued Amounts

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Cost	359,617,345	359,617,345
Additions	2,688,350	-
	362,305,695	359,617,345
Revaluation increment	2,443,578,839	2,443,578,839
	2,805,884,534	2,803,196,184

Land used in operations was last appraised on November 19, 2018 by an accredited firm of appraisers and is valued in terms of its highest and best use. The fair value of the land was not determined as at September 30, 2020. The Group's management believes that there were no conditions present in 2019 that would significantly reduce the fair value of the land.

The fair value was arrived at through the use of the "Market Data Approach" as determined by independent professionally qualified appraisers. The fair value represents the amount that would be received to sell the property in an orderly transaction between market participants at the date of valuation. The description of valuation techniques used and key inputs to fair valuation are as follows:

	Valuation Technique	Significant Unobservable Inputs	Range
Land	Market comparable assets	Price per square metre	₱200-₱97,000

The fair value is categorized under Level 3 of the fair value hierarchy and represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in accordance with International Valuation Standards.

As at September 30, 2020 and December 31, 2019, no land has been pledged as collateral or security for any of the Group's liabilities and the Group has no restrictions on the realizability of its land and no contractual obligation to purchase, construct or develop land or for repairs, maintenance and enhancements.

## 16. Investment Properties

	September 30, 2020 (Unaudited)		
	Land and Improvements	Buildings and Improvements	Total
Cost:			
Balance at beginning of period	23,761,823	72,276,684	96,038,507
Disposals	-	-	-
Balance at end of period	23,761,823	72,276,684	96,038,507
Accumulated depreciation:			
Balance at beginning of period	-	55,933,645	55,933,645
Depreciation during the period	-	1,036,790	1,036,790
Balance at end of period	-	56,970,435	56,970,435
Accumulated impairment:			
Balance at beginning and end of period	-	3,852,641	3,852,641
	23,761,823	11,453,608	35,215,431

	December 31, 2019 (Audited)		
	Land and Improvements	Buildings and Improvements	Total
Cost:			
Balance at beginning of period	23,761,823	77,028,321	100,790,144
Disposals	-	(4,751,637)	(4,751,637)
Balance at end of period	23,761,823	72,276,684	96,038,507
Accumulated depreciation:			
Balance at beginning of period	-	56,933,519	56,933,519
Depreciation during the period	-	1,421,877	1,421,877
Disposals	-	(2,421,751)	(2,421,751)
Balance at end of period	-	55,933,645	55,933,645
Accumulated impairment:			
Balance at beginning of period	-	3,852,641	3,852,641
Provisions during the period	-	-	-
Balance at end of period	-	3,852,641	3,852,641
	23,761,823	12,490,398	36,252,221

The Group disposed investment properties in 2019 resulting to recognition of gain and loss on sale amounting to ₱2.58 million.

Certain properties were provided with allowance for impairment in prior years. Management believes that the carrying values after impairment approximate its recoverable values.

The fair market value of investment properties owned by the Group amounted to ₱203.90 million as at December 31, 2019. The land was last appraised on November 19, 2018 by an accredited appraiser and was valued in terms of its highest and best use. The fair value of land was not determined as at September 30, 2020. The Group's

management believes that there were no conditions present as of September 30, 2020 that would significantly reduce the fair value of the land.

The fair value was arrived at through the use of the “Market Data Approach”. The fair value represents the amount that would be received to sell the property in an orderly transaction between market participants at the date of valuation.

The description of the valuation techniques used and key inputs to fair valuation are as follows:

	Valuation Technique	Significant Unobservable Inputs	Range
Land	Market comparable assets	Price per square metre	₱1,400-₱3,500
Building for lease	Market comparable assets	Price per square metre	₱22,000-₱117,000

The fair value is categorized under Level 3 of the fair value hierarchy and represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

As at September 30, 2020 and December 31, 2019, no investment properties have been pledged as collateral or security for any of the Group’s liabilities and the Group has no restriction on the realizability of its investment properties and no contractual obligation to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

## 17. Other Noncurrent Assets

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Advances to contractors	138,460,124	65,237,688
Software costs	103,203,673	120,396,750
Deferred input VAT	43,487,087	34,785,450
Restricted cash	42,445,046	42,445,046
Refundable deposits (see Notes 31 and 32)	20,269,397	19,235,359
Investments in artworks	10,186,136	10,186,136
Guarantee deposits	7,797,119	9,486,557
Development costs	5,767,800	5,767,800
Facilities	2,423,007	2,732,089
Deferred production costs	1,085,989	1,088,162
Others	2,941,176	3,676,470
	<b>378,066,554</b>	<b>315,037,507</b>

Software cost relates to software applications and website development costs which provide an edge on the Group’s online presence and other software issues.

Advances to contractors pertain to advance payments made by the Parent Company for the construction of assets to be classified as property and equipment.

Restricted cash pertains to time deposits under the custody of the courts as a collateral for pending litigation.

Deferred input VAT pertains to the VAT on the Group’s acquisitions of capital goods exceeding ₱1.00 million in any given month which are to be amortized over the 60 months or the life of the asset, whichever is shorter.

Investments in artworks are the paintings and other work of art usually displayed in the Parent Company's hallways.

Guarantee and other deposits consist of the Meralco refund and refundable rental deposits used for Parent Company's programs.

Deferred production costs pertain to the costs incurred in relation to the production of music compact discs and are measured at cost upon recognition. Deferred production costs are being amortized as the related compact discs are sold.

The movements in software costs follow:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Cost:		
Balance at beginning of period	451,769,256	386,132,486
Additions during the period	13,837,584	65,484,770
Reclassifications during the period	-	152,000
Balance at end of period	465,606,840	451,769,256
Accumulated amortization:		
Balance at beginning of period	331,372,506	304,584,117
Amortization during the period (see Notes 26)	31,030,661	26,788,389
Balance at end of period	362,403,167	331,372,506
	103,203,673	120,396,750

## 18. Short-term Loans

The Parent Company obtained unsecured short-term peso from local banks in 2020 and 2019. Details and movements of the short-term loans are as follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of period	400,000,000	500,000,000
Additions	968,680,000	1,517,500,000
Payments	(400,000,000)	(1,617,500,000)
Foreign exchange gain	1,220,000	-
Balance at end of period	969,900,000	400,000,000

The loans consist of fixed rate notes with the following details:

Lender	Currency	Amount	Interest Rate (per annum)	Terms	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Citibank	USD	\$15,000,000	1.80%	Availed in 2020; payable in 180 days	₱727,425,000	
Citibank	USD	\$5,000,000	1.80%	Availed in 2020; payable in 120 days	242,475,000	
BPI	Peso	₱400,000,000	6.00%	Availed in 2019; payable in 300 days		₱400,000,000

Interest expense amounted to ₱8.26 million and ₱36.24 million for the nine-month period ended September 30, 2020 and 2019, respectively.

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**19. Trade Payables and Other Current Liabilities**

This account consists of:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Payable to government agencies	<b>1,487,953,264</b>	979,415,546
Trade payables	<b>320,886,686</b>	531,035,796
Customers' deposits	<b>34,949,775</b>	53,328,199
Contract liabilities	<b>261,899,238</b>	127,281,915
Accrued expenses:		
Utilities and others	<b>401,090,683</b>	248,948,047
Payroll and talent fees	<b>174,776,283</b>	202,685,388
Production costs	<b>134,949,258</b>	168,964,614
Commissions	<b>73,402,426</b>	38,736,098
Others	<b>90,617,819</b>	56,329,156
	<b>2,980,525,432</b>	2,406,724,759

Payable to government agencies is composed of the Group's statutory compensation-related contributions to government agencies and net VAT and withholding taxes payable to the Bureau of Internal Revenue (BIR). The difference between the accrual accounting under the accounting standards and cash-basis accounting as prescribed by the BIR for service-related companies caused the Group to normally incur deferred output VAT which forms a substantial part of the Group's payable to government agencies. These payables are remitted within 30 days after reporting period.

Trade payables to suppliers are noninterest-bearing and are normally settled on terms ranging from 7-60 days.

Customers' deposits include guaranty deposits from advertising agencies to secure payment of bills by advertisers. These deposits are non-interest bearing and normally refunded once the related broadcasts are paid by the advertisers. It also includes deposits from the Group's lessees upon inception of the lease agreements.

Contract liabilities pertain to payments received before broadcast and before delivery of goods and services which were previously reclassified from "Advances from customers" on January 1, 2018, upon adoption of PFRS 15. These are recognized as revenue when the Group performs the obligation under the contract.

Accrued expenses and other payables are noninterest-bearing and are generally settled within the next 12 months.

Others include unpaid subscriptions and retention payables. These are noninterest-bearing and are normally settled within one year.

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**20. Obligations for Program and Other Rights**

Obligations for program and other rights represent liabilities to foreign and local film suppliers for program and other rights purchased by the Group. Outstanding unpaid balance as at September 30, 2020 and December 31, 2019 amounted to ₱462.78 million and ₱133.78 million, respectively. Obligations for program and other rights are noninterest-bearing and are generally payable in equal monthly or quarterly installments.

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## 21. Material Events

- A. Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

As of September 30, 2020, there are no known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

- B. Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.

The 2020 Capital Expenditure budget of the parent company amounts to ₱1,223.77 million. This will be financed from internally-generated funds.

- C. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

GMA Network's results of operations depend largely on the ability to sell airtime for advertising. The Company's business may be affected by the general condition of the economy of the Philippines.

- D. Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration or an obligation.

As of September 30, 2020, there are no events which may trigger a direct or contingent financial obligation that is material to the Company.

- E. Any significant elements of income or loss that did not arise from the issuer's continuing operations.

As of September 30, 2020, there are no significant elements of income or loss that did arise from the issuer's continuing operations.

- F. Any seasonal aspects that had a material effect on the financial condition or results of operations.

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

- G. Any material events that were unusual because of their nature, size or incidents affecting assets, liabilities, equity, net income, or cash flows.

There are no material events that were unusual because of their nature, size or incidents affecting assets, liabilities, equity, net income, or cash flows.

- H. Any material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

There were no material events, subsequent to the end of interim period that have not been reflected in the financial statements for the interim period.



## 22. Equity

### a. Capital Stock

There were no movements in capital stock as of September 30, 2020 and December 31, 2019 with composition as follows:

	Preferred		Common	
	Number of Shares	Peso Equivalent	Number of Shares	Peso Equivalent
Authorized - ₱0.20 par value per preferred share/₱1.00 par value per common share	7,500,000,000	₱1,500,000,000	5,000,000,000	₱5,000,000,000
Subscribed and issued	7,500,000,000	1,500,000,000	3,364,692,000	3,364,692,000
Treasury shares	492,816	98,563	3,645,000	3,645,000
Underlying shares of the acquired PDRs	—		750,000	₱750,000

The preferred shares are of equal rank, preference and priority and are identical in all respect regardless of series. Preferred shares are participating at the rate of one fifth (1/5) of the dividend paid to common shares, the rate of which is adjusted proportionately by the Parent Company's BOD consequent to any stock split or stock dividend declaration affecting the common shares and preferred shares. Preferred shares are convertible at the option of the shareholders at the ratio of five (5) preferred shares to one (1) common share, based on par value.

Preferred shares enjoy priority over common shares in the distribution of assets of the Parent Company in the event of dissolution and liquidation, at such rates, terms and conditions as the BOD may determine. Each preferred share is entitled to one vote and shall have the same voting rights as the common shares.

The Parent Company's BOD may specify other terms and conditions, qualifications, restrictions and privileges of the preferred shares or series/classes thereof, insofar as such terms, conditions, qualifications, restrictions and privileges are not inconsistent with the articles of incorporation and any applicable law or regulation.

The following summarizes the information on the Parent Company's registration of securities with the SEC which was approved on June 20, 2007, as required by Securities Regulation Code Rule 68, As Amended (2011):

Securities	Authorized and issued shares	Issue/Offer Price
Initial public offering	91,346,000	8.50
Underlying common share of PDRs	945,432,000	8.50
Over-allotment common shares	13,701,000	8.50
Common shares covering employee stock option plan	57,000,000	8.50

In prior years, the Parent Company has acquired 750,000 PDRs issued by GMA Holdings, Inc. at acquisition cost of ₱5.79 million. In as much as each PDR share grants the holder, upon payment of the exercise price and subject to certain other conditions, the delivery of one (1) Parent Company share or the sale and delivery of the proceeds of such sale of Parent Company share, such PDRs held by the Parent Company is being treated similar to treasury shares.

## b. Retained Earnings

The retained earnings of the Parent Company is restricted for the payment of dividends to the extent of ₱34.27 million as at September 30, 2020 and December 31, 2019, representing the cost of shares held in treasury and underlying shares of the acquired PDRs amounting to ₱28.48 million and ₱5.79 million, respectively.

The Parent Company's retained earnings available for dividend declaration, computed based on the guidelines provided in SRC Rule 68, As Amended (2011), amounted to ₱2,432.91 million as at December 31, 2019. The difference between the consolidated retained earnings and the Parent Company's retained earnings available for dividend declaration primarily consist of undistributed earnings of subsidiaries. Stand-alone earnings of the subsidiaries are not available for dividend declaration by the Parent Company until declared by the subsidiaries as dividends.

The Parent Company's BOD approved the declaration of the following cash dividends:

Year	Declaration Date	Record Date	Cash Dividend Per Share	Total Cash Dividend Declaration
<b>2020</b>	<b>June 8, 2020</b>	<b>June 24, 2020</b>	<b>P0.30</b>	<b>P1,458,059,531</b>
2019	March 29, 2019	April 22, 2019	P0.45	P2,187,089,297
2018	April 5, 2018	April 23, 2018	P0.50	P2,430,099,218

The Parent Company's outstanding dividends payable amounts to ₱20.38 million and ₱18.73 million as at September 30, 2020 and December 31, 2019, respectively.

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## 23. Related Party Disclosures

Parties are considered to be related if one party has the ability, directly and 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. Related parties may be individual or corporate entities.

The Parent Company has an approval requirement such that material related party transactions (RPTs) shall be reviewed by the Audit and Risk Management Committee (the Committee) and submitted to the BOD for approval. Material RPTs are those transactions that meet the threshold value amounting to ten percent (10%) or higher of the Company's total consolidated assets based on its latest audited financial statements either individually, or in aggregate over a twelve (12)-month period with the same related party.

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. For periods ended September 30, 2020 and December 31, 2019, the Group has not recorded any impairment of receivables on amounts owed by the related parties. The assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

In the ordinary course of business, the Group transacts with associates, affiliates, jointly controlled entities and other related parties on advances, reimbursement of expenses, and future stock subscriptions.

The transactions and balances of accounts as at and for the periods ended September 30, 2020 and December 31, 2019 with related parties are as follows:

Transactions with related parties are as follows:

Related Party	Category	Year	Amount/ Volume of Transactions	Receivables (Payables)	Terms	Conditions
<b>Associate -</b>						
Mont-Aire	Advances (see Note 13)	<b>2020</b>	<b>581,181</b>	<b>97,703,011</b>	Noninterest-	Unsecured;
		2019	8,104,799	97,121,830	bearing	not impaired
<b>Common stockholders:</b>						
GMA Kapuso Foundation, Inc.	Reimbursable charges	<b>2020</b>	<b>500,000</b>	<b>3,039,852</b>	On demand,	Unsecured;
		2019	2,000,000	2,194,508	noninterest-bearing	not impaired
Belo, Gozon, Elma Law	Legal, consulting and retainers' fees	<b>2020</b>	<b>7,420,000</b>	-	On demand,	Unsecured;
		2019	14,017,565	-	noninterest-bearing	not impaired
<b>Joint ventures:</b>						
Gamespan	Advances (see Note 13)	<b>2020</b>	-	<b>1,959,670</b>	Noninterest-	Unsecured;
		2019	-	1,959,670	bearing	not impaired
PEP	Advances (see Note 13)	<b>2020</b>	-	<b>312,909</b>	Noninterest-	Unsecured;
		2019	25,543	611,415	bearing	not impaired

The advances made by the Parent Company to Mont-Aire and PEP are intended for future capital subscription. On the other hand, the advances to INQ7 were fully impaired as a result of the application of the Group's share in the losses of INQ7 recognized under the equity method in excess of the Group's carrying value of investment (see Note 13).

#### Compensation of Key Management Personnel

The compensation of key management personnel of the Group, by benefit type, follows:

	<b>September 30, 2020</b>	September 30, 2019
	(Unaudited)	
Salaries and short-term benefits	<b>525,195,540</b>	414,215,223
Pension benefits	<b>200,298,902</b>	138,214,818
	<b>725,494,442</b>	552,430,041

#### Equity Investments of the Retirement Fund

The Group's retirement fund includes equity investments in GMA Network, Inc. and GMA PDRs amounting to ₱35.38 million and ₱269.01 million as at September 30, 2020, respectively and ₱37.12 million and ₱295.19 million as at December 31, 2019, respectively.

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## 24. Net Revenues

Set out below is the disaggregation of the Group's revenues from contract with customers for the nine months ended:

	September 30, 2020	September 30, 2019
	(Unaudited)	
<b>Type of service</b>		
Sale of service		
Advertising revenue	11,467,607,185	11,264,122,267
Subscription revenue	702,674,744	806,448,518
Consumer sales	413,353,926	-
Revenue from distribution and content provisioning	49,689,471	60,756,038
Production revenue	23,404,785	86,579,871
	12,656,730,111	12,217,906,694
	-	-
<b>Geographical markets</b>		
Local	11,904,064,168	11,356,247,818
International	752,665,943	861,658,876
	12,656,730,111	12,217,906,694
<b>Timing of revenue recognition</b>		
Services transferred at one point in time	11,954,055,367	11,411,458,176
Services transferred over time	702,674,744	806,448,518
	12,656,730,111	12,217,906,694

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## 25. Production Costs

	September 30, 2020	September 30, 2019
	(Unaudited)	
Talent fees and production personnel costs (see Note 27)	1,161,439,401	2,188,916,650
Program and other rights usage	476,640,339	778,427,850
Facilities and production services	680,793,673	532,051,976
Rental	177,360,654	626,514,547
Tapes sets and production supplies	116,745,776	377,954,719
Depreciation (see Note 14)	114,945,738	101,341,018
Transportation and communication	44,319,439	119,987,496
	2,772,245,020	4,725,194,256

## 26. General and Administrative Expenses

	September 30, 2020	September 30, 2019
	(Unaudited)	
Personnel costs (see Note 27)	2,873,550,774	2,813,985,056
Depreciation (see Notes 14, 16 and 29)	281,313,677	293,195,934
Professional fees	184,662,445	148,692,707
Communication, light and water	173,335,951	241,066,041
Taxes and licenses	131,112,696	127,226,230
Repairs and maintenance	76,030,738	118,738,941
Research and surveys	69,507,939	60,258,920
Advertising	67,155,109	157,226,474
Software maintenance	57,960,624	57,909,632
Facilities	54,599,480	48,554,974
Security services	49,103,955	51,394,766
Transportation and travel	36,808,798	35,303,186
Marketing expenses	35,965,596	67,196,307
Provision for ECL	32,086,511	-
Amortization of software costs (see Note 17)	31,030,661	19,395,648
Insurance	19,508,749	21,380,789
Janitorial services	18,040,854	18,199,965
Rental	17,521,842	24,829,917
Materials and supplies	6,934,662	12,130,893
Entertainment, amusement and recreation	5,408,016	8,381,039
Others	65,195,198	67,222,628
	4,286,834,275	4,392,290,047

Others include expenses incurred for messengerial services, other manpower services, dues and subscriptions, donations and other miscellaneous expenses.

### Depreciation and Amortization

	September 30, 2020	September 30, 2019
	(Unaudited)	
Property and equipment:		
Production costs (see Notes 14 and 25)	114,945,738	101,341,018
General and administrative expenses (see Note 14)	272,839,442	292,119,654
Right-of-Use assets		
General and administrative expenses (see Note 29)	7,437,445	-
Investment properties -		
General and administrative expenses (see Note 16)	1,036,790	1,076,280
	396,259,415	394,536,952

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**27. Personnel Costs**

This account consists of:

	<b>September 30, 2020</b>	September 30, 2019
	(Unaudited)	
Salaries and wages	<b>1,925,968,663</b>	1,715,062,348
Talent fees	<b>1,092,081,452</b>	2,127,038,202
Employee benefits and allowances	<b>553,186,302</b>	813,834,368
Sick and vacation leaves expense	<b>142,408,477</b>	118,206,504
Pension expense	<b>321,345,281</b>	228,760,284
	<b>4,034,990,175</b>	5,002,901,706

The said amounts were distributed as follows:

	<b>September 30, 2020</b>	September 30, 2019
	(Unaudited)	
Production costs (see Note 25)	<b>1,161,439,401</b>	2,188,916,650
General and administrative expenses (see Note 26)	<b>2,873,550,774</b>	2,813,985,056
	<b>4,034,990,175</b>	5,002,901,706

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**28. Others - Net**

This account consists of the following income (expenses):

	<b>September 30, 2020</b>	September 30, 2019
	(Unaudited)	
Commissions from Artist Center	<b>38,886,687</b>	28,711,428
Rental	<b>5,541,122</b>	6,784,445
Gain on sale of property and equipment	<b>6,410,713</b>	21,376,880
Bank charges	<b>(1,066,918)</b>	(1,871,324)
Merchandising income	<b>525,409</b>	1,279,807
Income from mall shows	<b>170,134</b>	4,497,312
Dividends	<b>1,899,606</b>	500,000
Others	<b>949,642</b>	602,788
	<b>53,316,395</b>	61,881,336

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**29. Agreements****Lease Agreements****Starting January 1, 2019 - Upon adoption of PFRS 16***Group as a Lessee*

The Group entered into various lease agreements for land, building, studio and office spaces that it presently occupies and uses for periods ranging from two to 12 years. The lease agreements can be renewed subject to mutual agreement and can be terminated at the option of the Group. Previously, these leases were classified as operating leases under PAS 17.

The Group also has certain leases with lease terms of 12 months or less. The Group applies the “short-term lease” recognition exemptions for these leases.

The rollforward analysis of right-of-use assets follows:

	September 30, 2020 (Unaudited)		
	Right-of-use:		Right-of-use:
	Right-of-use: Land	Buildings, studio and office spaces	Total
<b>Cost</b>			
At January 1, 2020	94,553,477	65,911,762	160,465,239
Additions (Cancellations)	-	(12,435,399)	(12,435,399)
At September 30, 2020	94,553,477	53,476,363	148,029,840
<b>Accumulated Depreciation</b>			
At January 1, 2020	16,797,383	13,865,670	30,663,053
Depreciation	-	7,437,445	7,437,445
At September 30, 2020	16,797,383	21,303,115	38,100,498
<b>Net Book Value</b>	<b>77,756,094</b>	<b>32,173,248</b>	<b>109,929,342</b>

	December 31, 2019 (Audited)		
	Right-of-use:		Right-of-use:
	Right-of-use: Land	Buildings, studio and office spaces	Total
<b>Cost</b>			
At January 1, 2019, as previously reported	-	-	-
Effect of adoption of PFRS 16 (see Note 2)	70,667,431	28,320,921	98,988,352
At January 1, 2019, as restated	70,667,431	28,320,921	98,988,352
Additions	23,886,046	37,590,841	61,476,887
At December 31, 2019	94,553,477	65,911,762	160,465,239
<b>Accumulated Depreciation</b>			
At January 1, 2019, as previously presented	-	-	-
Depreciation	16,797,383	13,865,670	30,663,053
At December 31, 2019	16,797,383	13,865,670	30,663,053
<b>Net Book Value</b>	<b>77,756,094</b>	<b>52,046,092</b>	<b>129,802,186</b>

The rollforward analysis of lease liabilities follows:

As at January 1, as previously reported	-
Effect of adoption of PFRS 16	<b>66,535,587</b>
As at January 1, as restated	<b>66,535,587</b>
Additions	<b>53,959,212</b>
Accretion of interest	<b>6,987,979</b>
Payments	<b>(21,694,663)</b>
As at December 31, 2019	<b>105,788,115</b>
Accretion of interest	<b>1,615,178</b>
Payments	<b>(19,649,946)</b>
As at September 30, 2020	<b>87,753,347</b>

The rollforward analysis of dismantling provision follows:

As at January 1, as previously reported	-
Effect of adoption of PFRS 16	<b>32,452,765</b>
As at January 1, as restated	<b>32,452,765</b>
Additions	<b>7,517,685</b>
Accretion of interest	<b>2,421,745</b>
As at December 31, 2019	<b>42,392,195</b>
Accretion of interest	<b>488,585</b>
Payments	-
As at September 30, 2020	<b>42,880,780</b>

Also, in June 2012, the Parent Company agreed to extend its non-cancellable Co-production/ Blocktime Rental Agreement with ZOE Broadcasting Network, Inc. (ZBN) for another seven (7) years from June 2012 to May 2019. On the first year of the contract renewal, the Parent Company shall pay ZBN an amount equivalent to total payments from June 2011 to May 2012, subject to yearly escalation of 10.00%. The agreement has ended in May 2019.

The Group's other lease arrangements consist of short-term leases, on a need basis.

Total rental expense amounted to ₱194.88 million and ₱651.34 million as of September 30, 2020 and 2019, respectively (see Notes 25 and 26).

Group as Lessor. The Group leases out certain properties for a period of one year, renewable annually. The leased-out properties include investment properties, and broadcasting equipment. Total rental income amounted to ₱2.59 million and ₱3.40 million as of September 30, 2020 and 2019, respectively (see Note 28).

#### Subscription Agreements

The Parent Company entered into various subscription agreements with international cable providers for the airing of its programs and shows abroad. The agreements generally have terms of three to five years and are based on certain agreed service package rates.

Total subscription income amounted to ₱702.67 million and ₱806.45 million for the nine months ended September 30, 2020 and 2019, respectively (see Note 24).



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### 30. EPS Computation

The computation of basic EPS follows:

	September 30, 2020	September 30, 2019
	(Unaudited)	
Net income attributable to Equity Holders of Parent Company (a)	3,895,779,840	2,176,050,550
Less attributable to preferred shareholders	1,202,273,087	671,548,989
Net income attributable to common shareholders (b)	2,693,506,753	1,504,501,561
Common shares issued at the beginning of year	3,364,692,000	3,364,692,000
Treasury shares (see Note 22)	(3,645,000)	(3,645,000)
Underlying shares on the acquired PDRs ( see Note 22)	(750,000)	(750,000)
Weighted average number of common shares for basic EPS ( c )	3,360,297,000	3,360,297,000
Weighted average number of common shares	3,360,297,000	3,360,297,000
Effect of dilution - assumed conversion of preferred shares	1,500,000,000	1,500,000,000
Reacquired preferred shares	(492,816)	(492,816)
Weighted average number of common shares adjusted for the effect of dilution (d)	4,859,804,184	4,859,804,184
Basic EPS (b/c)	0.802	0.448
Diluted EPS (a/d)	0.802	0.448

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### 31. Financial Risk Management Objectives and Policies

The Group's principal financial instruments include cash and cash equivalents. The main purposes of these financial instruments include raising financing for the Group's operations and managing identified financial risks. The Group has other financial assets and liabilities such as trade and other receivables, refundable deposits, trade payables and other current liabilities (excluding payable to government agencies, customers' deposits and contract liabilities), short-term loans, obligations for program and other right, dividends payable and other long-term employee benefits, which arise directly from its operations, and financial assets at FVOCI. The main risks arising from the use of financial instruments are liquidity risk, foreign currency exchange risk and credit risk. The Group is not exposed to interest rate risk as most of its financial assets and financial liabilities have fixed rates. The BOD reviews and approves the Group's objectives and policies.

*Liquidity Risk.* The Group is exposed to the possibility that adverse changes in the business environment and/or its operations would result in substantially higher working capital requirements and subsequently pose difficulty in financing the additional working capital.

The Group manages liquidity risk by using its cash and cash equivalents from operations to meet its short-term liquidity needs. The Group likewise regularly evaluates other financing instruments and arrangements to broaden the Group's range of financing sources.

The tables below summarize the maturity profile of the Group's financial assets used for liquidity risk based on contractual undiscounted payments as at September 30, 2020 and December 31, 2019:

September 30, 2020 (Unaudited)					
	On Demand	> 3 Months	3 to 12 Months	More than 1 year	Total
Cash and cash equivalents	2,645,433,322	357,308,136	-	-	3,002,741,458
Trade receivables:					
Television and radio airtime	1,783,602,238	7,019,646,761	-	-	8,803,248,999
Subscription	59,211,782	68,370,459	-	-	127,582,241
Others	130,512,764	61,281,662	-	-	191,794,426
Nontrade receivables					
Advances to officers and employees	-	-	7,157,933	-	7,157,933
Others	2,661,559	378,293	-	-	3,039,852
Refundable deposits*	-	-	-	20,269,397	20,269,397
Financial assets at FVOCI	-	-	-	243,519,902	243,519,902
	<b>4,621,421,665</b>	<b>7,506,985,311</b>	<b>7,157,933</b>	<b>263,789,299</b>	<b>12,399,354,208</b>
Trade payables and other current liabilities**	352,735,018	661,884,776	181,103,361	-	1,195,723,155
Short-term loans***	-	969,900,000	-	-	969,900,000
Obligation for program and other rights	-	163,417,333	299,360,026	-	462,777,359
Lease liability	-	14,674,744	15,080,130	57,998,473	87,753,347
Dividends payable	20,380,414	-	-	-	20,380,414
	<b>373,115,432</b>	<b>1,809,876,853</b>	<b>495,543,517</b>	<b>57,998,473</b>	<b>2,736,534,275</b>

\*Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 17).

\*\* Excluding payable to government agencies, customers' deposits and contract liabilities amounting to P1,487.95 million, P34.95 million and P261.90 million, respectively (see Note 19).

\*\*\*Gross contractual payments.

December 31, 2019 (Audited)					
	On Demand	> 3 Months	3 to 12 Months	More than 1 year	Total
Cash and cash equivalents	1,852,507,801	402,463,855	-	-	2,254,971,656
Trade receivables:					
Television and radio airtime	1,084,175,736	3,664,972,758	-	-	4,749,148,494
Subscriptions	233,691,355	96,532,218	-	-	330,223,573
Others	110,679,514	58,987,974	-	-	169,667,488
Nontrade receivables					
Advances to officers and employees	-	-	5,913,890	-	5,913,890
Others	2,003,237	191,271	-	-	2,194,508
Refundable deposits*	-	-	-	19,235,359	19,235,359
Financial assets at FVOCI	-	-	-	243,433,060	243,433,060
	<b>3,283,057,643</b>	<b>4,223,148,076</b>	<b>5,913,890</b>	<b>262,668,419</b>	<b>7,774,788,028</b>
Trade payables and other current liabilities**	560,644,264	664,935,106	21,119,729	-	1,246,699,099
Short-term loans***	-	404,333,333	-	-	404,333,333
Obligation for program and other rights	-	133,784,154	-	-	133,784,154
Lease liability	-	1,268,251	22,002,611	112,631,542	135,902,404
Dividends payable	18,734,008	-	-	-	18,734,008
	<b>579,378,272</b>	<b>1,204,320,844</b>	<b>43,122,340</b>	<b>112,631,542</b>	<b>1,939,452,998</b>
Liquidity Portion (Gap)	<b>2,703,679,371</b>	<b>3,018,827,232</b>	<b>(37,208,450)</b>	<b>150,036,877</b>	<b>5,835,335,030</b>

\*Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 17).

\*\* Excluding payable to government agencies, customers' deposits and contract liabilities amounting to P979.42 million, P127.28 million and P53.33 million, respectively (see Note 19).

\*\*\*Gross contractual payments.

**Foreign Currency Exchange Risk.** Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group's exposure to foreign currency exchange risk results from its business transactions denominated in foreign currencies. It is the Group's policy to ensure that capabilities exist for active but conservative management of its foreign currency exchange risk.

The Group's foreign currency-denominated monetary assets and liabilities are as follows:

	September 30, 2020		December 31, 2019	
	(Unaudited)		(Audited)	
<b>Assets</b>				
Cash and cash equivalents	\$5,463,051	P264,957,994	\$7,179,428	P363,530,337
	C\$1,307,278	47,323,472	C\$596,756	23,103,528
Trade receivables	\$2,561,062	124,211,507	\$1,819,381	92,315,395
	C\$1,432,923	51,871,800	C\$7,233,455	280,044,657
	S\$170,691	5,999,803	S\$16,936	634,931
	A\$16,259	558,602	A\$202,851	7,152,526
	DH50,478	666,111	DH132,843	1,835,890
	-	-	¥10,738,238	4,970,730
	P495,589,289		P773,583,007	
<b>Liabilities</b>				
Trade payables	\$2,587,114	P125,475,029	\$1,083,401	P54,858,010
Short-term loans	\$19,997,938	969,899,993	-	-
Obligations for program and other rights	\$6,946,456	336,903,116	2,171,343	109,945,953
	P1,432,278,138		P164,803,963	
	(P936,688,849)		P608,874,031	

In translating the foreign currency-denominated monetary assets and liabilities into Philippine peso amounts, the exchange rate used were ₱48.50 to US\$1.00 and ₱50.74 to US\$1.00, the Philippine peso to U.S. dollar exchange rate, as at September 30, 2020 and December 31, 2019, respectively. The exchange rate for Philippine peso to Canadian dollar was ₱36.20 to CAD\$1.00 as at September 30, 2020. The peso equivalents for the Singaporean Dollar, Australian Dollar and Dirham are ₱35.15, ₱34.36 and ₱13.20, respectively, as at September 30, 2020 and ₱35.58, ₱30.85 and ₱12.86, respectively, as at December 31, 2019.

The following table demonstrates the sensitivity to a reasonably possible change in US\$ exchange rate, with all other variables held constant, of the Group's income before income tax from reporting date up to next reporting date (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Group's equity other than those already affecting profit or loss.

Appreciation/ (Depreciation) of Peso	Effect on Income before Income Tax						
	USD	CAD	SGD	AUD	AED	JPY	Total
September 30, 2020	0.50 (₱2,359,820)	(₱342,525)	(₱21,336)	(₱2,032)	(₱6,310)	₱-	(₱1,987,617)
	(0.50) 2,359,820	342,525	21,336	2,032	6,310	-	1,987,617
December 31, 2019	0.50 (₱2,863,995)	(₱3,915,106)	(₱8,468)	(₱101,426)	(₱66,422)	(₱5,369,119)	(₱12,324,536)
	(0.50) 2,863,995	3,915,106	8,468	101,426	66,422	5,369,119	12,324,536

**Credit Risk.** Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk.

The Group ensures that sales of products and services are made to customers with appropriate credit history. The Group has an internal mechanism to monitor the granting of credit and management of credit exposures. The Group has made provisions, where necessary, for potential losses on credits extended. The Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of the

instruments. The Group does not require any collateral for its financial assets, thus, maximum exposure to credit risk is equal to the carrying value of the financial instruments.

The following table shows the maximum exposure to credit risk for the components of the consolidated financial position as at September 30, 2020 and December 31, 2019:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Financial assets at amortized cost		
Cash and cash equivalents*	2,392,517,553	1,988,824,410
Trade receivables:		
Television and radio airtime	8,803,248,999	4,749,148,494
Subscription	127,582,241	330,223,573
Others	191,794,426	169,667,488
Nontrade receivables:		
Advances to officers and employees	7,157,933	5,913,890
Others	3,039,852	2,194,508
Refundable deposit**	20,269,397	19,235,359
	<b>11,545,610,401</b>	7,265,207,722
Financial assets at FVOCI	<b>243,519,902</b>	243,433,060
	<b>11,789,130,303</b>	7,508,640,782

*\*Excluding cash on hand and production fund amounting to P610.22 million and P244.75 million as at September 30, 2020 and December 31, 2019, respectively.*

*\*\*Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 17).*

The maximum exposure for cash and cash equivalents (excluding cash on hand) is the carrying amount less insured amount by the Philippine Deposit Insurance Corporation equivalent to the actual cash balance to a maximum of ₱0.50 million per depositor per bank. The maximum exposure of trade and non-trade receivables and refundable deposits is equal to its carrying amount.

#### Credit quality of Financial Assets, Other than Trade Receivables

The financial assets of the Group are grouped according to stage whose description is explained as follows:

Stage 1 - Those that are considered current and up to 120 past due and based on change in rating delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - Those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 120 to 360 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - Those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The credit quality of the Group's financial assets are as follows:

September 30, 2020 (Unaudited)				
	Fair Value			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
<b>Financial assets at amortized cost</b>				
Cash and cash equivalents*	2,392,517,553	-	-	2,392,517,553
Nontrade receivables:				
Advances to offices and employees	7,157,933	-	-	7,157,933
Others	3,039,852	-	-	3,039,852
Refundable deposits**	20,269,397	-	-	20,269,397
	2,422,984,735	-	-	2,422,984,735
<b>Financial assets at FVOCI</b>	243,519,902	-	-	243,519,902
	2,666,504,637	-	-	2,666,504,637

\*Excluding cash on hand amounting to P610.22 million as at September 30, 2020.

\*\*Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 17).

December 31, 2019 (Audited)				
	Fair Value			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
<b>Financial assets at amortized cost</b>				
Cash and cash equivalents*	2,010,218,215	-	-	2,010,218,215
Nontrade receivables:				
Advances to offices and employees	5,913,890	-	-	5,913,890
Others	2,194,508	-	-	2,194,508
Refundable deposits**	19,235,359	-	-	19,235,359
	2,037,561,972	-	-	2,037,561,972
<b>Financial assets at FVOCI</b>	243,433,060	-	-	243,433,060
	2,280,995,032	-	-	2,280,995,032

\*Excluding cash on hand amounting to P244.75 million as at December 31, 2019.

\*\*Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 17).

### Credit Quality of Trade Receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segment with similar loss patterns (i.e, by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions

Set out below is the information about the credit risk exposure of the Group's trade receivables using provision matrix:

September 30, 2020					
Expected credit loss rate	Days past due				
	Current	0-30 days	31 - 60 days	61 - 90 days	91 days and above
	1%	6%	6%	17%	36%
					Total

Estimated total gross carrying amount at default	<b>₱6,346,643,757</b>	<b>₱311,858,500</b>	<b>₱490,796,625</b>	<b>₱250,317,831</b>	<b>₱2,304,735,066</b>	<b>₱9,704,351,779</b>
Expected credit loss	<b>47,562,387</b>	<b>18,971,665</b>	<b>17,431,750</b>	<b>19,176,191</b>	<b>478,584,120</b>	<b>581,726,113</b>

	December 31, 2019					
	Days past due					
	Current	0-30 days	31 - 60 days	61 - 90 days	91 days and above	Total
Expected credit loss rate	1%	6%	6%	17%	36%	
Estimated total gross carrying amount at default	₱3,820,492,950	₱338,458,290	₱288,235,907	₱115,027,335	₱1,236,464,675	₱5,798,679,157
Expected credit loss	47,562,387	18,971,665	17,431,750	19,176,191	446,497,609	549,639,602

### Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, payoff existing debts, return capital to shareholders or issue new shares.

The Parent Company is not subject to externally imposed capital requirements.

No changes were made in the objectives, policies or processes for periods ended September 30, 2020 and December 31, 2019.

The Group monitors its capital gearing by measuring the ratio of interest-bearing loan to total equity. The Group's interest-bearing loans, which are short-term loans, amounted to ₱969.90 and ₱400.00 million as at September 30, 2020 and December 31, 2019, respectively. The Group's total equity attributable to equity holders of the Parent Company as at September 30, 2020 and December 31, 2019 amounted to ₱12,020.17 million and ₱9,586.43 million, respectively.

## 32. Fair Value Measurement

The table below presents the carrying values and fair values of the Group's assets and liabilities, by category and by class, as at September 30, 2020 and December 31, 2019:

	September 30, 2020 (Unaudited)			
	Fair Value			Significant Unobservable Inputs (Level 3)
	Carrying Value	Quoted Prices in Active Market (Level 1)	Significant Observable Input (Level 2)	
<i>Assets Measured at Fair Value</i>				
Land at revalued amount	<b>2,805,884,534</b>	-	-	<b>2,805,884,534</b>
AFS financial assets	<b>243,519,902</b>		<b>15,925,000</b>	<b>227,594,902</b>
<i>Assets for which Fair Value are Disclosed</i>				
Investment properties	<b>35,215,431</b>	-	-	<b>202,865,758</b>
Loans and receivables - Refundable deposits*	<b>20,269,397</b>	-	-	<b>19,336,812</b>
	<b>3,104,889,264</b>	-	-	<b>3,255,682,006</b>

\*Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 17).

December 31, 2019 (Audited)				
		Fair Value		
	Carrying Value	Quoted Prices in Active Market (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
<i>Assets Measured at Fair Value</i>				
Land at revalued amount	2,803,196,184	-	-	2,803,196,184
Financial assets at FVOCI	243,433,060	-	15,925,000	227,508,060
<i>Assets for which Fair Value are Disclosed</i>				
Investment properties	36,252,221	-	-	203,902,548
Loans and receivables - Refundable deposits*	19,235,359	-	-	18,350,350
	3,102,116,824	-	15,925,000	3,252,957,142

\*Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 17).

The fair values of equity instruments in listed and non-listed companies classified under Level 3 were determined through the following valuation approach: asset-based approach and market approach. Asset-based approach is based on the value of all the tangible and intangible assets and liabilities of the company. Market approach is predicated upon the concept that the value of an asset can be estimated by comparing its value to assets with similar features.

Presented below are the significant unobservable inputs used in the market approach valuation of the Group's financial assets in September 30, 2020 and December 31, 2019:

Description	Unobservable Inputs	Range
<b>Listed equity instrument:</b>		
Casinos and gaming industry	Price-to-book value multiple	1.2-2.4
	Discount for lack of marketability	10%-30%
<b>Non-listed equity instruments:</b>		
Media and entertainment industry	Enterprise value-to-EBITDA multiple	9.9-25.9
	Discount for lack of marketability	10%-30%

An increase (decrease) in the significant unobservable inputs used in the valuation of the equity investments will decrease (increase) the fair value of the equity investments.

#### Fair Value Determination

The following methods and assumptions are used to estimate the fair value of each asset and liability for which it is practicable to estimate such value:

#### *Cash and Cash Equivalents, Short-term Investments and Trade and Other Receivables*

The carrying values of cash and cash equivalents, short-term investments and trade and nontrade receivables approximate their fair values primarily due to the relatively short-term maturity of these financial instruments.

#### *Refundable Deposits*

The fair value of refundable deposits is based on the present value of the future discounted cash flows. Discount rates used range from 5.60% to 5.86% in 2020 and 3.26% to 4.44% in 2019.

#### *Financial assets at FVOCI*

The Group's investments in club shares were based on prices readily available from brokers and other regulatory agencies as at reporting date. The fair values of equity investments in listed and non-listed companies have been

estimated using the net asset value model and market approach. The valuation using market approach requires management to make certain judgments in deriving the set of comparable companies for each entity and in the selection of the appropriate multiples within the range, considering qualitative and quantitative factors specific to the measurement.

*Investment Properties and Land at Revalued Amount*

The valuation for investment properties and land at revalued amount was derived through market data approach based upon prices paid in actual market transactions. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property adjusted based on certain elements of comparison (e.g. market conditions, location, physical condition and amenities). Significant unobservable valuation input in determining the fair value of investment properties includes adjusted price per square meter that ranges from ₱1,400 to ₱117,000. On the other hand, significant unobservable valuation input in determining fair value of land at revalued amount includes adjusted price per square meter that ranges from ₱200 to ₱97,000.

Significant increases (decreases) in estimated price per square meter would result in a significantly higher (lower) fair value of the properties.

*Trade Payables and Other Current Liabilities (excluding Payable to Government Agencies and Advances from Customers), Short-term Loans, Obligations for Program and Other Rights and Dividends Payable*

The carrying values of trade payables and other current liabilities, short-term loans, current portion of obligations for program and other rights and dividends payable approximate their fair values due to the relatively short-term maturity of these financial instruments.

*Lease liabilities*

The fair value is based on the discounted value of future cash flows using the applicable rates for similar types of loans plus the applicable credit spread. Discount rates used ranged from 3.07% to 5.43% in 2020 and 2019.

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### **33. Other Matters**

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

As of reporting period, the Community Quarantine continued to prevail since the last half of March this year. This affected most of the Company's business partners especially during the initial months of the lockdown as a wait-and-see strategy was observed, resulting in cutback in advertising spending. However, starting June this year, the levels of community quarantines have begun transitioning into an atmosphere that is more encouraging for businesses to resume as health protocols started to ease off allowing the economy to regain strength. More and more industries have started to adapt to the new normal set-up. As a result, the setback experienced in the top line at the height of the ECQ was only for a brief period. By the end of the first half this 2020 and the whole of the third quarter, revenues have regained its momentum. In terms of operations, GMA Network, Inc. and Subsidiaries has likewise increased operational activities, albeit still on less-than-full capacity. It was only during the latter part of the third quarter wherein tapings of soaps commenced in a bubble/locked-in arrangement.



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### 34. Causes for Material Changes in the Financial Statements

#### Statements of Financial Position (September 30, 2020 vs. December 31, 2019)

- Cash and cash equivalents of ₱3,002.74 million increased by ₱747.77 million or 33% from 2019 balance of ₱2,254.97 million as a result of net cash flows used in operating activities amounting to ₱2,096.95 exceeding the cash used in investing and financing activities of ₱393.24 million and ₱930.47 million, respectively. The growth in net cash from operating activities was due to the remarkable hike in sales during the quarter.
- Trade and other receivables closed at ₱9,132.82 million, 74% higher than previous year's ₱5,257.15 million also arising from dramatic hike in revenues coupled by slower collections due to the challenges brought about by the pandemic/lockdown.
- Income tax payable also climbed in between reporting period from ₱512.38 million as of December 31, 2019 to ₱1,597.02 million as of end-September 2020 due to the considerable climb in taxable income for the third quarter ended.
- Retained earnings grew by 89% to ₱5,164.96 million directly attributed to the net income generated for the nine months ended September 30, 2020 offset by the cash dividends declared in June 2020.

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### 35. Other Notes to 2020 and 2019 Operations and Financials

The key performance indicators that the Group monitors are the following:

	<b>September 30, 2020</b>	September 30, 2019
	<b>(Unaudited)</b>	
Revenues	<b>12,656,730,111</b>	12,217,906,694
Airtime revenues	<b>10,993,159,533</b>	10,904,864,329
Cash operating expenses	<b>6,123,062,368</b>	7,925,123,853
EBITDA	<b>6,501,994,346</b>	4,353,123,077
Net income before tax	<b>5,599,565,293</b>	3,142,845,509
Net income after tax	<b>3,909,399,641</b>	2,192,373,655

	<b>September 30, 2020</b>	December 31, 2019
	<b>(Unaudited)</b>	<b>(Audited)</b>
Current ratio	<b>2.40</b>	2.66
Asset-to-Equity ratio	<b>1.79</b>	1.69
Debt-to-Equity ratio	<b>0.08</b>	0.04

	<b>September 30, 2020</b>	September 30, 2019
	<b>(Unaudited)</b>	
Interest Rate Coverage ratio	<b>540.02</b>	192.49
EBITDA margin	<b>51%</b>	36%
Net income margin	<b>31%</b>	18%

**GMA NETWORK, INC. AND SUBSIDIARIES**  
**UNAUDITED SEGMENTED RESULTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 and 2019**

**EXHIBIT 1**

Business Segment Data

The following table shows revenue and expense information and certain asset and liability information regarding business segments for each of the period ended September 30:

	Television and Radio Airtime		International		Other Businesses		Eliminations		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>NET REVENUES</b>										
External sales	10,993,159,533	10,904,864,329	752,665,943	887,085,866	910,904,635	425,956,499	-	-	12,656,730,111	12,217,906,694
Inter-segment sales	-	-	-	-	365,286,496	398,501,304	(365,286,496)	(398,501,304)	-	-
	10,993,159,533	10,904,864,329	752,665,943	887,085,866	1,276,191,131	824,457,803	(365,286,496)	(398,501,304)	12,656,730,111	12,217,906,694
<b>NET INCOME</b>										
Segment results	4,847,101,423	2,213,339,319	649,052,538	705,417,824	79,256,675	161,091,142	22,240,180	20,574,106	5,597,650,816	3,100,422,391
Interest expense	(9,739,466)	(36,235,619)	-	-	(626,965)	(69)	-	-	(10,366,431)	(36,235,688)
Foreign exchange gain (loss)	(2,439,094)	645,093	(47,168,029)	(3,212,256)	(3,296,158)	1,026,062	-	-	(52,903,281)	(1,541,101)
Interest income	11,195,507	16,393,890	-	-	672,287	1,924,681	-	-	11,867,794	18,318,571
Other income	165,043,518	134,141,912	-	-	55,501,292	39,113,531	(167,228,415)	(111,374,107)	53,316,395	61,881,336
Income tax	(1,475,597,708)	(673,561,335)	(177,232,231)	(210,661,670)	(33,960,713)	(62,873,849)	(3,375,000)	(3,375,000)	(1,690,165,652)	(950,471,854)
	3,535,564,180	1,654,723,260	424,652,278	491,543,898	97,546,418	140,281,498	(148,363,235)	(94,175,001)	3,909,399,641	2,192,373,655
<b>ASSETS AND LIABILITIES</b>										
<b>Assets</b>										
Segment assets	21,116,478,706	15,174,957,240	257,154,850	400,689,353	1,311,616,731	1,225,408,353	(1,683,908,483)	(1,440,708,393)	21,001,341,804	15,360,346,553
Investment in an associate - at equity	38,350,619	38,350,619	-	-	41,723,215	28,303,139	-	-	80,073,834	66,653,758
Deferred income tax assets	397,309,348	101,792,761	-	-	50,370,332	44,716,679	112,486,866	89,680,681	560,166,546	236,190,121
	21,552,138,673	15,315,100,620	257,154,850	400,689,353	1,403,710,278	1,298,428,171	(1,571,421,617)	(1,351,027,712)	21,641,582,184	15,663,190,432
<b>Liabilities</b>										
Segment liabilities	9,627,933,209	7,459,725,174	195,471,995	214,581,791	764,967,082	652,609,086	(1,033,368,734)	(821,696,307)	9,555,003,552	7,505,219,744
Deferred income tax liabilities	-	-	-	-	-	-	-	-	-	-
	9,627,933,209	7,459,725,174	195,471,995	214,581,791	764,967,082	652,609,086	(1,033,368,734)	(821,696,307)	9,555,003,552	7,505,219,744

Geographical Segment Data

The following table shows revenue information regarding geographical segments for each of the period ended September 30:

	Local		International		Eliminations		Consolidated	
	Television and Radio Airtime	Other Businesses	Television and Radio Airtime	Other Businesses	Television and Radio Airtime	Other Businesses	Television and Radio Airtime	Other Businesses
	2020	2019	2020	2019	2020	2019	2020	2019
<b>NET REVENUES</b>								
External sales	10,993,159,533	10,904,864,329	910,904,635	425,956,499	752,665,943	887,085,866	-	-
Inter-segment sales	-	-	365,286,496	398,501,304	-	-	(365,286,496)	(398,501,304)
	10,993,159,533	10,904,864,329	1,276,191,131	824,457,803	752,665,943	887,085,866	(365,286,496)	(398,501,304)

**GMA NETWORK, INC. AND SUBSIDIARIES**  
**UNAUDITED AGING OF RECEIVABLES**  
**AS OF SEPTEMBER 30, 2020**

**EXHIBIT 2**

	<b>Trade</b>				
	<b>Television and Radio Airtime</b>	<b>Subscriptions</b>	<b>Others</b>	<b>Nontrade</b>	<b>Total</b>
Neither past due or impaired	6,240,835,590	54,792,193	51,015,974	1,649,886	6,348,293,643
Past due but not impaired:					
1 - 30 days	297,152,637	8,641,204	6,064,659	110,861	311,969,361
31 - 60 days	481,658,534	4,937,062	4,201,029	91,932	490,888,557
61 - 90 days	240,666,591	5,421,463	4,229,777	227,975	250,545,806
91 - 180 days	437,824,800	28,257,447	6,355,334	334,995	472,772,576
181 - 365 days	449,654,109	9,497,777	47,760,019	646,348	507,558,253
Over 1 year	655,456,738	16,035,095	72,167,634	7,135,788	750,795,255
	<u>8,803,248,999</u>	<u>127,582,241</u>	<u>191,794,426</u>	<u>10,197,785</u>	<u>9,132,823,451</u>

**GMA NETWORK, INC. AND SUBSIDIARIES**  
**UNAUDITED ROLLFORWARD OF PROPERTY AND EQUIPMENT**  
**AS OF SEPTEMBER 30, 2020**

**EXHIBIT 3**

	<b>DECEMBER 31, 2019</b>	<b>ADDITIONS</b>	<b>DISPOSALS</b>	<b>RECLASSIFICATION</b>	<b>SEPTEMBER 30, 2020</b>
<b>At cost</b>					
Buidings and leasehold improvements	3,036,255,584	208,436	-	20,092,807	3,056,556,827
Broadcast equipment	6,925,656,694	82,957,257	-	387,852,817	7,396,466,768
Communication & mechanical equipment	1,395,705,030	24,944,332	-	42,767,610	1,463,416,972
Transportation equipment	683,069,684	41,686,088	(16,719,639)	-	708,036,133
Furniture, fixtures and equipment	164,319,492	3,620,014	(84,045)	-	167,855,461
	<u>12,205,006,484</u>	<u>153,416,127</u>	<u>(16,803,684)</u>	<u>450,713,234</u>	<u>12,792,332,161</u>
<b>Accumulated Depreciation</b>					
Buidings and leasehold improvements	(2,297,846,060)	(105,014,328)	-	-	(2,402,860,388)
Broadcast equipment	(6,066,907,770)	(166,199,800)	-	-	(6,233,107,570)
Communication & mechanical equipment	(1,197,047,853)	(63,690,518)	-	-	(1,260,738,371)
Transportation equipment	(543,061,237)	(50,082,950)	15,185,223	-	(577,958,964)
Furniture, fixtures and equipment	(154,327,809)	(2,797,584)	33,114	-	(157,092,279)
	<u>(10,259,190,729)</u>	<u>(387,785,180)</u>	<u>15,218,337</u>	<u>-</u>	<u>(10,631,757,572)</u>
Equipment for installation	749,346,732	150,475,081	-	(450,713,234)	449,108,579
<b>Net book value</b>	<b>2,695,162,487</b>	<b>(83,893,972)</b>	<b>(1,585,347)</b>	<b>-</b>	<b>2,609,683,168</b>

**GMA Network, Inc. and Subsidiaries**  
**Financial Ratios**  
**For the Nine Months Ended September 30, 2020**

**Exhibit 4**

<b>Ratios</b>	<b>Formula</b>	<b>In PhP</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	14,497,378,064 6,041,153,582	2.40	2.66
Net Debt-to-Equity Ratio	$\frac{\text{Interest-bearing loans and borrowings less cash and cash equivalents}}{\text{Total Equity}}$	(2,032,841,458) 12,086,578,632	(0.17)	(0.19)
Assets-to-Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	21,641,582,184 12,086,578,632	1.79	1.69
Interest Rate Coverage Ratio	$\frac{\text{EBIT}}{\text{Interest expense}}$	5,598,063,930 10,366,431	540.02	68.34
<b><u>Profitability Ratios</u></b>				
Gross Profit Margin	$\frac{\text{Gross Profit}}{\text{Net Revenues}}$	9,884,485,091 12,656,730,111	78%	61%
Net Income Margin	$\frac{\text{Net Income}}{\text{Net Revenues}}$	3,909,399,641 12,656,730,111	31%	18%

## SIGNATURE

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

Issuer: **GMA NETWORK, INC.**

By:



**FELIPE S. YALONG**  
TREASURER, EVP & CHIEF FINANCIAL OFFICER



**RONALDO P. MASTRILI**  
SVP, FINANCE & ICT

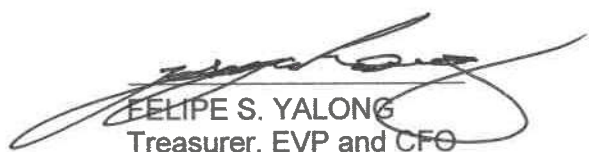
Date: November 13, 2020

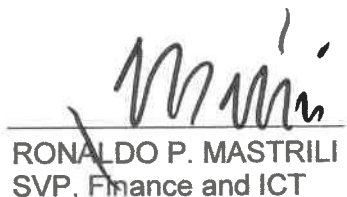
# Certification

We Felipe S. Yalong (Treasurer, EVP and Chief Financial Officer) and Ronaldo P. Mastrili (SVP of Finance and ICT Departments) of GMA Network Inc. with SEC registration number 5213 with principal office at GMA Network Center Timog Avenue corner EDSA Quezon City, on oath state:

- 1.) That on behalf of GMA Network Inc., we have caused this SEC Form 17-Q to be prepared;
- 2.) That we read and understood its contents which are true and correct of our own personal knowledge and/or based on true records;
- 3.) That the company GMA Network Inc. will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of report and/or documents through electronic mail; and
- 4.) That we are fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, we have hereunto set our hands this NOV 13 2020 day of November, 2020.

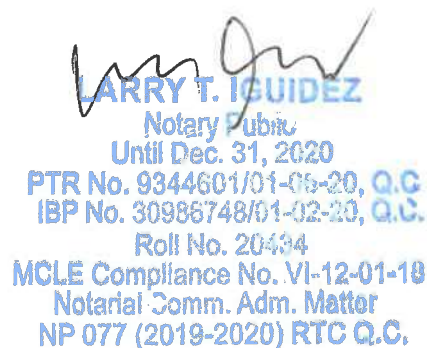
  
FELIPE S. YALONG  
Treasurer, EVP and CFO

  
RONALDO P. MASTRILI  
SVP, Finance and ICT

SUBSCRIBED AND SWORN to before me this NOV 13 2020 day of November, 2020 affiants exhibiting to me their government IDs as follows;

Names	Government I.D.	Date of Issue	Place of Issue
Felipe S. Yalong	Passport No. P2459589A	March 27, 2017	DFA, Manila
Ronaldo P. Mastrili	Driver's License	NI 5-83-035933	

Doc. No. 177  
Page No. 29  
Book No. 11  
Series of 2020.

  
LARRY T. IGUIDEZ  
Notary Public  
Until Dec. 31, 2020  
PTR No. 9344601/01-06-20, Q.C.  
IBP No. 30986748/01-02-20, Q.C.  
Roll No. 20434  
MCLE Compliance No. VI-12-01-18  
Notarial Comm. Adm. Matter  
NP 077 (2019-2020) RTC Q.C.