

SEC Number: 1177
File Number: _____

GLOBE TELECOM, INC.

**27th Floor, The Globe Tower
32nd Street corner 7th Avenue,
Bonifacio Global City, Taguig 1634
(632) 7797-2000**

SEC Form 17-A

FOR THE FISCAL YEAR ENDED

31 DECEMBER 2020

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE REVISED SECURITIES ACT AND
SECTION 141 OF CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: **31 December 2020**
2. SEC Identification Number: **1177**
3. BIR Tax Identification No. **000-768-480-000**
4. Exact name of registrant as specified in its charter: **Globe Telecom, Inc.**
5. Province, Country or other jurisdiction of incorporation or organization: **Philippines**
6. Industry Classification Code: _____(SEC Use Only)
7. Address of principal office: **27th Floor, The Globe Tower 32nd Street corner 7th Avenue,
Bonifacio Global City, Taguig City** Postal Code: **1634**
8. Registrant's telephone number: **(632) 7797-2000**
9. Former name, former address, and former fiscal year: **N/A**
10. Securities registered pursuant to Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Par Value</u>	<u>No. of Shares</u>	<u>Amount</u>
Common	₱ 50	133,432,727	₱ 6,671,636,350
Voting Preferred	5	158,515,021	792,575,105
Non-Voting Preferred	50	20,000,000	1,000,000,000
		<u>311,947,748</u>	<u>₱ 8,464,211,455</u>

11. Are any or all of these securities listed on the Philippine Stock Exchange? Yes [] No []
12. Check whether the registrant:
 - (a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports): Yes [] No []
 - (b) has been subject to such filing requirements for the past 90 days: Yes [] No []
13. Aggregate market value of the voting stock held by non-affiliates of the registrant as of 31 December 2020: **₱58.6 billion**

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PART I – BUSINESS AND GENERAL INFORMATION

Any reference in this report to “we”, “us”, “our”, “Company” means the Globe Group including its wholly-owned subsidiaries and references to “Globe” mean Globe Telecom, Inc., the parent company, not including its wholly-owned subsidiaries. Also, unless otherwise stated or the context indicates otherwise, references to Board of Directors, committees, management, directors, officers and stockholders are references to the Board of Directors, committees, management, directors, officers and stockholders of Globe and references to the Bylaws, Articles of Incorporation or other documents are references to the Bylaws, Articles of Incorporation or other documents of Globe.

Item 1. Business

Globe Telecom, Inc. is a leading full-service telecommunications services in the Philippines, supported by over 8,300 employees and over 1.1 million AutoloadMax (AMAX) retailers, distributors, suppliers, and business partners nationwide. The company serves the telecommunications and technology needs of consumers and businesses across an entire suite of products and services including mobile, fixed, broadband, data connectivity, internet and managed services. It has major interests in financial technology, digital marketing solutions, venture capital funding for startups, and virtual healthcare. Globe currently has 76.6 million mobile subscribers (including fully mobile broadband), and 3.8 million Home Broadband customers, and 1.6 million landline subscribers.

Globe is one of the largest companies in the country, and has been consistently recognized both locally and internationally for its corporate governance practices. It is listed on the Philippine Stock Exchange under the ticker symbol GLO and had a market capitalization of US\$5.6 billion as of the end of December 2020.

The Company's principal shareholders are Ayala Corporation and Singapore Telecom, both acknowledged industry leaders in the country and in the region. Aside from providing financial support, this partnership has created various synergies and has enabled the sharing of best practices in the areas of purchasing, technical operations, and marketing, among others.

Sustainability at Globe is anchored on The Globe Purpose, “In everything we do, we treat people right to do a Globe of Good.” As a purpose-led organization, the Company aims to contribute to the UN Sustainable Development Goals by promoting innovation and technology for greater social impact. Together with business growth, Globe actively participate in nation-building through an engaged and empowered workforce that strives to achieve inclusive and sustainable development for all. In 2019, Globe became a signatory to the United Nations Global Compact, committed to implement universal sustainability principles.

Globe Bridging Communities (GlobeBridgeCom) is the corporate social responsibility arm of the company, which leads various programs that promote quality education, environmental conservation, social innovation, active citizenship through volunteerism and responsible use of information and communications technology to enrich the lives of our key stakeholders.

The Globe Group is composed of the following companies:

- Globe Telecom, Inc. (Globe) provides digital wireless communications services in the Philippines under the Globe Postpaid, Globe Prepaid, and Touch Mobile (TM) brands, using a fully digital network. It also offers domestic and international long-distance communication services or carrier services;
- Innove Communications Inc. (Innove), a wholly-owned subsidiary, holds a license to provide digital wireless communication services in the Philippines. Innove also has a license to establish, install, operate and maintain a nationwide local exchange carrier (LEC) service, particularly integrated local telephone service with public payphone facilities and public calling stations, and to render and provide international and domestic carrier and leased line services.

On November 2, 2015, Innove and Techzone Philippines incorporated TechGlobal Data Center, Inc. (TechGlobal), a joint venture company formed for the purpose of operating and managing all kinds of data centers, and providing information technology-enabled, knowledge-based and

computer-enabled support services. Innove and Techzone hold ownership interest of 49% and 51%, respectively. TechGlobal started commercial operations in August 2017;

- GTI Business Holdings, Inc. (GTI) is a wholly-owned subsidiary with authority to provide VOIP services. GTI was incorporated and registered under the laws of the Philippines, on November 25, 2008, as a holding company.

GTI Corporation (GTIC)

In July 2009, GTI incorporated a wholly owned subsidiary, GTI Corporation (GTIC), a company organized under the General Corporation Law of the United States of America, State of Delaware as a wireless and data communication services provider.;

Globe Telecom HK Limited (GTHK)

In December 2011, GTI incorporated a wholly owned subsidiary, Globe Telecom HK Limited (GTHK), a limited company organized under the Companies Ordinance of Hong Kong as a marketing and distribution company. On March 17, 2015, GTHK applied for a services-based operator license (SBO) with the Office of the Communications Authority in Hong Kong (OFCA) which was subsequently approved on May 7, 2015. As of June 1, 2020, the SBO was cancelled and surrendered to the OFCA. GTHK is engaged in the marketing and selling of telecommunication products and services in the international market, except the United States of America and the Philippines, under a distributor arrangement.;

Globetel European Limited (GTEU) and Subsidiaries

On May 10, 2013, GTI incorporated a wholly owned subsidiary, Globetel European Limited (GTEU) as holding company for the operating companies of the Globe Group located in the United Kingdom, Spain and Italy.

In 2013, GTEU incorporated its wholly owned subsidiaries, UK Globetel Limited (UKGT), Globe Mobilé Italy S.r.l. (GMI), and Globetel Internacional European España, S.L. (GIEE), for the purpose of establishing operations in Europe by marketing and selling Mobile telecommunications services to Filipino individuals and businesses located in the United Kingdom, Spain and Italy

On June 2, 2016, the BOD approved the cessation of the operations of UKGT, GMI and GIEE effective July 31, 2016. UKGT and GMI completed the liquidation process in 2018. On July 30, 2019, GIEE completed its regulatory requirements for liquidation.;

Globetel Singapore Pte. Ltd. (GTSG)

On November 12, 2014, GTI incorporated GTSG, a wholly owned subsidiary, for the purpose of offering full range of international data services in Singapore under a facilities-based operations license (FBO) with Infocomm Media and Development Authority (IMDA) in Singapore which was granted on January 7, 2015;

Third Pillar Business Applications, Inc. (TPBAI) and a Subsidiary

On August 17, 2020, GTI entered into a Share Purchase Agreement for the acquisition of 67% of TPBAI. TPBAI, a corporation organized under the laws of the Philippines, is engaged in systems integration, license reselling, and data management services. TPBAI previously owns 11% of Third Pillar Global Delivery Center Inc. (TPGDC). GTI's acquisition of TPBAI also mandated TPBAI's acquisition of the remaining 89% ownership of TPGDC making TPBAI the sole owner of TPGDC. TPGDC is engaged in software implementation and maintenance services and the outsourcing arm of TPBAI.;

CaelumPacific Corp. (CaelumPacific) and Subsidiaries

On July 30, 2020, GTI incorporated CaelumPacific, a wholly owned subsidiary organized under the laws of the Philippines for the purpose of providing technical consulting and IT related services.

On July 31, 2020, Caelum US Holdings Inc. (Caelum US), a wholly owned subsidiary of Caelum Pacific, was incorporated under the laws of the state of Delaware as holding company.

On August 3, 2020, Caelum Northwest Corp. (Caelum Northwest), a wholly owned subsidiary of Caelum US, was incorporated under the laws of the state of Washington for the purpose of customized cloud software development and providing cloud consulting services.

On November 3, 2020, the definitive agreements between Caelum Group and Cascadeo have been signed and executed following the completion of all relevant conditions relating to the sale of assets of Cascadeo in the Philippines and the US. Cascadeo is a group of companies in the Philippines and US which offers cloud-native consulting and managed services capabilities for enterprises and small and medium business customers.;

- Kickstart Ventures, Inc. (Kickstart), a wholly-owned subsidiary and is the Philippines' most active Corporate Venture Capital firm investing in Seed to Series D digital startups. On March 28, 2012, Globe Telecom incorporated Kickstart, a stock corporation organized under the laws of the Philippines and formed for the purpose of investing in individual, corporate, or start-up businesses, and to do research, technology development and commercializing of new business ventures.

In February 2014, Kickstart acquired 40% equity interest in Flipside Publishing Services, Inc. (FPSI). Since Kickstart was able to demonstrate control over FPSI despite of less than 50% ownership interest, FPSI was assessed to be a subsidiary of Kickstart and is included in the consolidation of Globe Group. FPSI is engaged primarily to acquire publishing rights, produce, publish, market, and sell printed and electronic books (e-books) and other electronic documents and content for international and domestic sales. FPSI ceased operations in July 2016. FPSI remains a dormant company as of reporting date;

In February 2020, Kickstart registered three Cayman Islands exempted companies with limited liabilities, namely (1) Kickstart Capital Co. Ltd. (KCCL), a wholly owned subsidiary of Kickstart; (2) AG Active Associated I, Limited, a wholly owned subsidiary of KCCL; and, (3) Kickstart Ventures Co. Ltd., a 65% owned subsidiary of KCCL. These entities were formed as a platform for the management of third-party venture capital investment funds.;

- Asticom Technology, Inc., a wholly-owned subsidiary is primarily engaged in providing business process and shared service support, as well as IT system integration and consultancy services.

On June 3, 2014, Globe Telecom signed an agreement with Azalea Technology Investments Inc. (ASTI) and SCS Computer Systems, Pte. Ltd. acquiring 100% ownership stake in Asticom.

On August 20, 2020, Asticom incorporated its wholly owned subsidiary, Asticom Business Services, Inc. (ABSI). ABSI was incorporated to leverage Asticom's business growth, particularly its full-BPO services offering.;

- Globe Capital Venture Holdings, Inc. (GCVHI), a wholly-owned subsidiary incorporated on June 29, 2015. GCVHI as an investing and holding company primarily engaged in purchasing, subscribing, owning, holding, assigning real and personal property, shares of stock and other securities. In August 2019, GCVHI was rebranded to "917 Ventures" and will house Globe Telecom's non-telco incubated products.

On October 13, 2015, GCVHI incorporated its wholly owned subsidiary Adspark Holdings, Inc. (AHI), a holding company established for the acquisition of additional investment in Globe Telecom's non-core business. AHI holds 100% of Adspark Inc. (AI), an advertising company. On January 29, 2016, AI acquired 70% of the outstanding shares of Socialytics Inc. (Socialytics), a social media marketing firm. In 2020, AI acquired the remaining 30% of the outstanding shares of Socialytics making it a wholly owned subsidiary of AI.

GCVHI owns 40% ownership interest in Globe Fintech Innovations, Inc. (GFI) and 50% ownership interest in Global Telehealth, Inc. (GTHI).

On February 4, 2020, GCVHI incorporated 917Ventures, Inc. as a holding company for GCVHI's business incubators.;

- Bayan Telecommunications, Inc. (Bayan), is a provider of data and communications services such as dedicated domestic and international leased lines, frame relay services, Internet access, and other managed data services like Digital Subscriber Lines (DSL). Globe Telecom owns approximately 99% of BTI.

BTI's subsidiaries are: Radio Communications of the Philippines, Inc. (RCPI), Telecoms Infrastructure Corp. of the Philippines (Telicphil), Sky Internet, Incorporated (Sky Internet), GlobeTel Japan (formerly BTI Global Communications Japan, Inc.), and NDTN Land, Inc. (NLI), (herein collectively referred to as "BTI Group").;

- TaoDharma (Tao), 67% owned by Globe Telecom. Tao was established to operate and maintain retail stores in strategic locations within the Philippines that will sell telecommunications or internet-related services, and devices, gadgets and accessories.;
- GTowers Inc. (GTowers), a fully owned subsidiary of Globe Telecom incorporated. On August 17, 2018, GTowers was incorporated and registered under the laws of the Philippines. GTowers is still under pre-operating stage as of reporting date.;
- Yondu, Inc., is engaged in the development and creation of wireless products and services accessible through mobile devices or other forms of communication devices. It also provides internet and mobile value-added services, information technology and technical services including software development and related services. Yondu is registered with the Department of Transportation and Communication (DOTC) as a content provider.

As of December 31, 2018, Yondu was 51% owned by Xurpas Inc. (Xurpas) and 49% owned by Globe Telecom. On September 11, 2019, the BOD of Globe Telecom approved the acquisition of 51% of the outstanding shares of Yondu, equivalent to 22,950 shares. The acquisition increased Globe Telecom's ownership interest from 49% to 100% and was accounted for as an acquisition of a subsidiary.

Yondu holds 100% of Rocket Search, Inc. (formerly Yondu Software Labs, Inc.), a company primarily engaged in providing information technology (IT) products and services and engaged in IT placement services.

- Electronic Commerce Payments, Inc. (ECPay), is primarily engaged in the business of providing IT and e-commerce solutions, including, but not limited to, prepaid phone and internet products, bills payments and others. On October 25, 2019, Globe Telecom signed and executed an agreement with third parties to complete its transaction to acquire 77% ownership of ECPay.

The Company is a grantee of various authorizations and licenses from the National Telecommunications Commission (NTC) as follows: (1) license to offer and operate facsimile, other traditional voice and data services and domestic line service using Very Small Aperture Terminal (VSAT) technology; (2) license for inter-exchange services; and (3) Certificate of Public Convenience and Necessity (CPCN) for: (a) international digital gateway facility (IGF) in Metro Manila, (b) nationwide digital cellular mobile telephone system under the GSM standard (CMTS-GSM), (c) nationwide local exchange carrier (LEC) services after being granted a provisional authority in June 2005, and (d) international cable landing stations located in Nasugbu, Batangas, Ballesteros, Cagayan and Brgy. Talomo, Davao City.

A. Business Development and Corporate History

In 1928, Congress passed Act No. 3495 granting the Robert Dollar Company, a corporation organized and existing under the laws of the State of California, a franchise to operate wireless long distance message services in the Philippines. Subsequently, Congress passed Act No. 4150 in 1934 to transfer the franchise and privileges of the Robert Dollar Company to Globe Wireless Limited which was incorporated in the Philippines on 15 January 1935.

Globe Wireless Limited was later renamed as Globe-Mackay Cable and Radio Corporation ("Globe-Mackay"). Through Republic Act ("RA") 4630 enacted in 1965 by Congress, its franchise was further expanded to allow it to operate international communications systems. Globe-Mackay was granted a new franchise in 1980 by Batasan Pambansa under Batas Pambansa 95.

In 1974, Globe-Mackay sold 60% of its stock to Ayala Corporation, local investors and its employees. It offered its shares to the public on 11 August 1975.

In 1992, Globe-Mackay merged with Clavecilla Radio Corporation, a domestic telecommunications pioneer, to form GMCR, Inc. ("GMCR"). The merger gave GMCR the capability to provide all forms of telecommunications to address the international and domestic requirements of its customers. GMCR was subsequently renamed Globe Telecom, Inc. ("Globe").

In 1993, Globe welcomed a new foreign partner, Singapore Telecom, Inc. (STI), a wholly-owned subsidiary of Singapore Telecommunications Limited ("SingTel"), after Ayala and STI signed a Memorandum of Understanding.

In 2001, Globe acquired Isla Communications Company, Inc. ("Islacom") which became its wholly-owned subsidiary effective 27 June 2001. In 2003, the National Telecommunications Commission ("NTC") granted Globe's application to transfer its fixed line business assets and subscribers to Islacom, pursuant to its strategy to integrate all of its fixed line services under Islacom. Subsequently, Islacom was renamed as Innove Communications, Inc. ("Innove").

In 2004, Globe invested in G-Xchange, Inc. ("GX1"), a wholly-owned subsidiary, to handle the mobile payment and remittance service marketed under the *GCash* brand using Globe's network as transport channel. GX1 started commercial operations on 16 October 2004.

In November 2004, Globe and seven other leading Asia Pacific mobile operators ('JV partners') signed an agreement ('JV agreement') to form Bridge Alliance. The joint venture company operates through a Singapore-incorporated company, Bridge Mobile Pte. Limited (BMPL) which serves as a commercial vehicle for the JV partners to build and establish a regional mobile infrastructure and common service platform to deliver different regional mobile services to their subscribers. The Bridge Alliance currently has a combined customer base of over 250 million subscribers among its partners in India, Thailand, Hong Kong, South Korea, Macau, Philippines, Malaysia, Singapore, Australia, Taiwan and Indonesia.

In 2005, Innove was awarded by the NTC with a nationwide franchise for its fixed line business, allowing it to operate a Local Exchange Carrier service nationwide and expand its network coverage. In December 2005, the NTC approved Globe's application for third generation (3G) radio frequency spectra to support the upgrade of its cellular mobile telephone system ("CMTS") network to be able to provide 3G services. The Company was assigned with 10-Megahertz (MHz) of the 3G radio frequency spectrum.

On May 19, 2008, following the approval of the NTC, the subscriber contracts of *Touch Mobile* or *TM* prepaid service were transferred from Innove to Globe which now operates all wireless prepaid services using its integrated cellular networks.

In August 2008, and to further grow its mobile data segment, Globe acquired 100% ownership of Entertainment Gateway Group ("EGG"), a leading mobile content provider in the Philippines. EGG offers a wide array of value-added services covering music, news and information, games, chat and web-to-mobile messaging.

On 25 November 2008, Globe formed GTI Business Holdings, Inc. (GTIBH) primarily to act as an investment company.

On October 30, 2008, Globe, the Bank of the Philippine Islands (BPI) and Ayala Corporation (AC) signed a memorandum of agreement to form a joint venture that would allow rural and low-income customers' access to financial products and services. Last October 2009, the Bangko Sentral ng Pilipinas (BSP) approved the sale and transfer by BPI of its shares of stock in Pilipinas Savings Bank, Inc. (PSBI), formalizing the creation of the venture. Globe's and BPI's ownership stakes in PSBI is at 40% each, while AC's shareholding is at 20%. The partners plan to transform PSBI (now called BPI Globe BankKO, Inc.) into the country's first mobile microfinance bank. The bank's initial focus will be on wholesale lending to other microfinance institutions but will eventually expand to include retail lending, deposit-taking, and micro-insurance. BPI Globe BankKO opened its first branch in Metro Manila in the first quarter of 2011 and now has 6 branches nationwide, over 2,000 partner outlets, 261,000 customers and over ₱2.4 billion in its wholesale loan portfolio.

On March 2012, Globe launched Kickstart Ventures, Inc. (Kickstart) to help, support and develop the dynamic and growing community of technopreneurs in the Philippines. Kickstart is a business incubator that is focused on providing aspiring technopreneurs with the efficient environment and the necessary mechanisms to start their own business. Since its launch, Kickstart has 10 companies in its portfolio covering the digital media and technology, and web/mobile platform space.

In October 2013, following the court's approval of the Amended Rehabilitation Plan (jointly filed by Globe and Bayantel in May 2013), Globe acquired a 38% interest in Bayantel by converting Bayantel's unsustainable debt into common shares. This follows Globe's successful tender offer for close to 97% of Bayantel's outstanding indebtedness as of December 2012. As part of the amended rehab plan and pending regulatory approvals, Globe would further convert a portion of its sustainable debt into common shares of Bayantel, bringing up its stake to around 56%. On October 2014, Globe Telecom received a copy of the temporary restraining order (TRO) issued by the Court of Appeals (CA) stopping the National Telecommunications Commission's (NTC) proceedings in connection with the bid of Globe Telecom Inc. to take over Bayan Telecommunications Inc. (Bayantel). Despite the lapse of the Temporary Restraining Order (TRO) last December 9, 2014, the Court of Appeals has advised the NTC to refrain from conducting any proceedings in connection with the bid of Globe assume majority control of Bayantel.

On June 3, 2014, Globe signed an agreement with Azalea Technology, Inc. and SCS Computer Systems, acquiring the entire ownership stake in Asticom, a systems integrator and information technology services provider to domestic and international markets.

On July 20, 2015, Globe Telecom, Inc. ("Globe") has agreed to purchase from Bayan Telecommunications Holdings, Corporation ("BTHC") and Lopez Holdings, Corporation ("LHC") all the equity in the capital stock of Bayan Telecommunications, Inc. ("Bayan") that is held by BTHC and LHC. The transaction involved up to 70,763,707 Bayan shares and increased Globe's equity interests in Bayan from 56.87% to 98.57% of outstanding capital stock.

On November 12, 2015, Globe received the resolution from the rehabilitation court granting its motion for the termination of the rehabilitation proceedings involving Bayan. The resolution sets a key milestone for Bayan, wherein it successfully exits rehabilitation and provides key steps for Globe to continue to unlock opportunities for synergies with Bayan.

Globe Telecom, Inc. (Globe), Ayala Corporation (AC) and Bank of the Philippine Islands (BPI) signed an agreement on August 27, 2015 to turn over full ownership of BPI Globe BankO (BankO) to BPI, one of the majority owners of the joint venture. Despite the change in shareholder structure, BankO will continue to provide broader and more competitive access to funds and critical financial services to the underbanked. Globe and AC sold their respective 40% and 20% stakes in BankO to BPI, which already owned 40% of BankO.

Xurpas Inc. signed an agreement with Globe Telecom on September 1, 2015, investing Php900 Million for a 51% equity stake in Yondu Inc. The investment solidifies the Globe and Xurpas partnership in the internet and digital space and will transform Yondu into a regional arm for digital content distribution and other technology driven services. The strategic alliance of Globe and Xurpas in Yondu bolsters Globe's track record of partnering with leading digital players to strengthen its position as the purveyor of the Filipino digital lifestyle.

On September 1, 2015, Yondu Inc. and GCVHI entered into a Deed of Assignment to assign the former's interest in Global Telehealth, Inc. ("GTHI") to GCVHI for a total consideration of ₱15 million.

On September 15, 2015, Globe Telecom sold its controlling interest in Yondu for a total consideration of ₱670 million. On the same date, Yondu issued additional 5,000 common shares from its unissued authorized capital stock to a third party which further dilutes Globe Telecom's ownership interest to 49% as of September 2015.

On May 30, 2016, the Board of Directors of Globe, through its Executive Committee, approved the acquisition and signing of a sale and share purchase agreement and other related definitive agreements for the following entities:

- 50% of the issued and outstanding capital stock of Vega Telecom, Inc. (“VTI”) from San Miguel Corporation (“SMC”) (PSE: SMC);
- 50% of the issued and outstanding capital stock of Bow Arken Holdings Company Inc. (“BAHC”); and,
- 50% of the issued and outstanding capital stock of Brightshare Holdings Corporation (“BHC”).

VTI owns an equity stake in Liberty Telecom Holdings, Inc., a publicly listed company in the Philippine Stock Exchange. It also owns, directly and indirectly, equity stakes in various enfranchised companies, including Bell Telecommunication Philippines, Inc., Eastern Telecom Philippines, Inc., Express Telecom, Inc., and Tori Spectrum Telecom, Inc., among others.

The remaining 50% equity stake in VTI, BAHC and BHC was acquired by Philippine Long Distance Telephone Company (PLDT) under similar definitive agreements.

The acquisition provided Globe access to certain frequencies assigned to Bell Tel in the 700 Mhz, 900 Mhz, 1800 Mhz, 2300 Mhz and 2500 Mhz bands through a co-use arrangement approved by the NTC on May 27, 2016. NTC's approval is subject to the fulfilment of certain conditions including roll out of telecom infrastructure covering at least 90% of the cities and municipalities in three years to address the growing demand for broadband infrastructure and internet access.

On June 21, 2016, Globe Telecom exercised its rights as holder of 50% equity interest of VTI to cause VTI to propose the conduct of a tender offer on the common shares of Liberty Telecom Holdings, Inc. (LIB) held by minority shareholders as well as the voluntary delisting of LIB. At the completion of the tender offer and delisting of LIB, VTI's ownership of LIB is at 99.1%.

On August 17, 2018, Globe Telecom incorporated GTowers, Inc., a fully owned subsidiary aimed at the building and deployment of cellular towers in the country. GTowers is still under pre-operating stage as of reporting date.

On September 11, 2019, the BOD of Globe Telecom approved the acquisition of 51% of the outstanding shares of Yondu, equivalent to 22,950 shares. The acquisition increased Globe Telecom's ownership interest from 49% to 100% and was accounted for as an acquisition of a subsidiary.

On October 25, 2019, Globe Telecom signed and executed an agreement with third parties to complete its transaction to acquire 77% ownership of ECPay. ECPay is a company engaged in the provision of information technology and electronic commerce related solutions in the Philippines.

On August 2020, Globe Telecom, through its wholly-owned subsidiary GTI Business Holdings, Inc. entered into a share purchase agreement for the acquisition of 67% of Third Pillar Business Applications, Inc. (TPBAI). Third Pillar is a Business Application Consulting and Systems Integration company. It focuses on delivering innovative enterprise solutions that help organizations boost sales, improve customer intimacy, ensure data integrity, and reduce annual spending.

On November 2020, Globe Telecom, through its wholly-owned subsidiary GTI Business Holdings, Inc., acquired substantially all of Cascadeo's assets. Cascadeo is a group of companies in the Philippines and US which offers cloud-native consulting and managed services capabilities for enterprises and small and medium business customers.

There was no bankruptcy, receivership or similar proceedings initiated during the past four years.

B. Business Segments

1. Mobile Business

Globe provides digital Mobile communication and internet-on-the-go services nationwide using a fully digital network based on the Global System for Mobile Communication (GSM), 3G, HSPA+, 4G, and LTE technologies. It provides voice, SMS, data and value-added services to its Mobile subscribers through three major brands: *Globe Postpaid*, *Globe Prepaid* and *TM* (including fully Mobile, internet-on-the-go service).

Postpaid

Globe Postpaid is the leading brand in the postpaid market, with various plan offerings. Over the years, these plans have evolved in order to cater to the changing needs, lifestyles and demands of its customers.

In order to keep up with the growing and changing demands of its customers, Globe once again highlights its portfolio of postpaid plans featuring "*ThePLAN PLUS*" or the Company's SIM-ONLY (No Lock-up) Plans. "*ThePLAN PLUS*" gives customers freedom to customize their plan according to your needs, get access to bigger data, more affordable all-net calls and texts, enjoy more rewards points, access to premium content, and additional perks. With *ThePLAN PLUS* all customers have to do is bring their own smartphone and get a minimum of 3GB to as much as 61GB of data for more time online plus Free Konsulta MD, 6-months free subscription to Amazon Prime Video and 1GB allocation of Facebook per month.

"*ThePlan*", the Company's postpaid plan with device likewise ranges from plan 599 to 2999 includes a choice of handset, packs that fits the customer's lifestyle (gadget care, surf pack, lifestyle pack, call and text pack). *ThePlan* 1299 and up come with unlimited All-Net calls and text, Free Konsulta MD, Amazon Prime Video (6 mos. subscription), and 1GB allocation of Facebook per month for 24 months).

Renewal of mobile postpaid plan (once the subscriber get past their contract period of 24 months) likewise was simplified online. Subscriber can simply go to www.globe.com.ph/shop/plan-renewal and follow the steps (1) Choose the preferred plan or device, and click "My Plan Renewal" (2) Verify the account details (3) Check the account qualifications (4) Accomplish the checkout form (5) Upon submitting the form, subscriber will receive a confirmation email regarding their order.

Prepaid

Globe Prepaid and *TM* are the prepaid brands of Globe. *Globe Prepaid* is focused on the mainstream market while *TM* caters to the value-conscious segment of the market. Each brand is positioned at different market segments to address the needs of the subscribers by offering affordable innovative products and services.

Globe Prepaid's GoSakto is a self-service menu that provides its subscribers easy access to avail of the latest promos and services of Globe by simply dialing *143# or through the *GoSakto* Mobile app (available on Android and iOS). This menu also allows the subscribers to build their own promos (call, text and surf promos) that are best suited for their needs and lifestyle. *Globe Prepaid* customers can personalize their call, text and surfing needs for 1 day, 2 days, 3 days, 7 days, 15 days or even for 30 days. They can also select the type and number of call minutes and texts they need and adjust data allocation (in MBs) of Mobile surfing the way they want it.

Globe Prepaid and *TM* subscribers can reload airtime value or credits using various reloading channels including prepaid call and text cards, gcash, bank channels such as ATMs, credit cards, and through internet banking. Subscribers can also top-up via AutoLoad Max retailers nationwide, all at affordable denominations and increments. A consumer-to-consumer top-up facility, Share-A-Load, is also available to enable subscribers to share prepaid load credits via SMS.

Loyalty & Rewards Program

The Globe Rewards Program - "MyRewards MyGlobe" is the Company's way of granting special treats to its active customers for their continued loyal use of Globe's products and services. Awesome rewards await its loyal customers in exchange for the points earned -- more rewards points mean more wonderful perks. All customers with active Globe/TM SIMs are automatically members of the program. No registration required. Subscribers can:

- *Earn Points* from Prepaid reloads or monthly Postpaid usage.
- *Redeem Rewards* in the form of Mobile promos, bill rebates, gadgets and gift certificates, and more or use the earned points as cash at partner stores. Subscribers have the option to redeem rewards instantly, or accumulate points to avail of higher value rewards. Redeemed points in the form of telecom services is netted out against revenues whereas points redeemed in the form of non-telco services such as gift certificates and other products are reflected as marketing

expense. At the end of each period, Globe estimates and records the amount of probable future liability for unredeemed points.

- *Enjoy Perks* through special discounts, exclusive treats, and more wonderful surprises

(a) Mobile Voice

Globe's voice services include local, national and international long-distance call services. It has one of the most extensive local calling options designed for multiple calling profiles. In addition to its standard, pay-per-use rates, subscribers can choose from bulk and unlimited voice offerings for all-day, and in several denominations to suit different budgets.

Globe keeps Filipinos connected wherever they may be in the world, through its tie-up with 780 roaming partners in 237 calling destinations worldwide. Globe also offers roaming coverage on-board selected shipping lines and airlines, via satellite. Globe also provides an extensive range of international call and text services to allow OFWs (Overseas Filipino Workers) to stay connected with their friends and families in the Philippines. This includes prepaid reloadable call cards and electronic PINs available in popular OFW destinations worldwide.

(b) Mobile SMS

Globe's Mobile SMS service includes local and international SMS offerings. Globe also offers various bucket and unlimited SMS packages to cater to the different needs and lifestyles of its postpaid and prepaid subscribers.

(c) Mobile Data

Globe's Mobile Data services allow subscribers to access the internet using their internet-capable handsets, devices, laptops with USB modems, a plug-and-play USB modem/Mobile Wifi. Data access can be made using various technologies including LTE, HSPA+, 4G, 3G with HSDPA, EDGE and GPRS or Wi-Fi. The Company spearheaded the shift from unlimited time-based data plans to volume-based consumable plans, geared towards improving the Mobile data experience of its subscribers and ensures the most appropriate pricing of data. Globe and TM subscribers can choose from a variety of GoSurf consumable data plans, ranging from Php15 for 100 MB to Php2,499 for 50 GB per month.

Globe's Value-Added Services offers a full range of downloadable content covering multiple topics including news, information, and entertainment through its web portal. Subscribers can purchase or download music, movie pictures and wallpapers, games, Mobile advertising, applications or watch clips of popular TV shows and documentaries as well as participate in interactive TV, do Mobile chat, and play games, among others. Additionally, Globe subscribers can send and receive Multimedia Messaging Service (MMS) pictures and video, or do local and international video calling.

2. Fixed Line and Broadband Business

Globe offers a full range of fixed line communications services, wired and wireless Broadband access, and end-to-end connectivity solutions customized for consumers, SMEs (Small & Medium Enterprises), large corporations and businesses.

(a) Fixed Line Voice

Globe's fixed line voice services include local, national and international long-distance calling services in postpaid and prepaid packages through its Globelines brand. Subscribers get to enjoy toll-free rates for national long-distance calls with other Globelines subscribers nationwide. Additionally, postpaid fixed line voice consumers enjoy free unlimited dial-up internet from their Globelines subscriptions. Low-MSF (monthly service fee) fixed line voice services bundled with internet plans are available nationwide and can be customized with value-added services including multi-calling, call waiting and forwarding, special numbers and voice mail. For corporate and enterprise customers, Globe offers voice solutions that include regular and premium conferencing, enhanced voice mail, IP-PBX solutions and domestic or international toll-free services. With the Company's cutting-edge Next Generation Network (NGN), Globe Business Voice solutions offer

enterprises a bevy of fully-managed traditional and IP-based voice packages that can be customized to their needs.

(b) Corporate Data

Corporate Data services include end-to-end data solutions customized according to the needs of businesses. Globe's product offerings include international and domestic leased line services, wholesale and corporate internet access, data center services and other connectivity solutions tailored to the needs of specific industries.

Globe's international data services provide corporate and enterprise customers with the most diverse international connectivity solutions. Globe's extensive data network allow customers to manage their own virtual private networks, subscribe to wholesale internet access via managed international private leased lines, run various applications, and access other networks with integrated voice services over high-speed, redundant and reliable connections. In addition to bandwidth access from multiple international submarine cable operators, Globe also has two international cable landing stations situated in different locales to ensure redundancy and network resiliency.

The Company's domestic data services include data center solutions such as business continuity and data recovery services, 24x7 monitoring and management, dedicated server hosting, maintenance for application-hosting, managed space and carrier-class facilities for co-location requirements and dedicated hardware from leading partner vendors for off-site deployment. Other Corporate Data services include premium-grade access solutions combining voice, Broadband and video offerings designed to address specific connectivity requirements. These include Broadband Internet Zones (BIZ) for Broadband-to-room internet access for hotels, and Internet Exchange (GiX) services for bandwidth-on-demand access packages based on average usage.

Globe Business knows that success is made up of different elements: effective products, streamlined processes, and reliable manpower, and that is why Globe's business solutions are a fusion of all three. Among the products and solutions are as follows:

- Mobility - Maintain your business momentum with Mobility solutions that increase productivity within and beyond the workplace. With Globe's enterprise mobility solutions, it's easier to build and maintain the business momentum: (1) Postpaid - Leverage on flexible Postpaid plans that suit companies of every scale (2) Enterprise Mobile Management - Gain more control over enterprise Mobile devices while simultaneously maximizing workforce productivity (3) IsatPhone Pro - Take communications to the next level with a satellite phone that lets you call, text, and do more-even from remote places around the globe.
- Voice - Simplify your communications infrastructure with Globe's wide range of cost-efficient Voice Solutions and enjoy the freedom of tailoring the services to fit your business needs. (Globelines; ISDN-PRI; Toll-Free Services; Enhanced Managed Voice Solution (EMVS); Managed IP-PBX; SIP Trunk; Hosted PBX System & Services; Collaboration Solutions).
- Connectivity - Keep your business up to speed with a fast and resilient connection powered by dedicated and reliable technologies (Domestic Data; International Data; Internet Services; Managed Services).
- Cloud - Improve efficiency and agility in the face of evolving business environments while keeping costs low with Globe's range of cloud services: Infrastructure-as-a-Service (IaaS); Backup-as-a-Service (BaaS); Disaster-Recovery-as-a-Service (DRaaS); Amazon Web Services; AWS Direct Connect.
- Data Center - Globe Data Center provides a superior experience that goes beyond technology. Ease your worries on day-to-day operations by outsourcing your data center hosting and management, so you can focus more on your business.
- Cybersecurity - Handle security threats and IT infrastructure cost-effectively. Manage your tasks and functions cost-effectively with Globe Business' Cybersecurity. Gain access to the best-in-class tool sets, hardware, software, and even niche technology experts while only paying for what you need, when you need it.
- Business Applications - Choose from a diverse range of solutions to streamline and enhance the business' operations, and raise efficiency, productivity, and customer satisfaction (G Suite; Go Canvas, Office 365; Learning Management Solutions, HR Solutions, M2M).

In November 2019, Globe Business, the enterprise arm of Globe, introduces another game-changing solution for Philippine businesses that will enable them with a reliable cloud platform for video and audio conferencing, collaboration, chat, and webinars across mobile devices, desktops, telephones, and room systems. **Zoom**, a video-first unified communications solution provided by Zoom Video Communications, Inc., is designed to eliminate overlapping communication systems, on-premise hardware, and weak mobile experience. Zoom can do all these things for one reason: Zoom's architecture was built video-first from the ground up, which results in a platform that is highly scalable and globally distributed. By remaining digitally agile, Globe can extend the same services to its corporate clients so that they can optimize the way they do business and harness the inevitable digital changes.

(c) Home Broadband

Globe offers wired and fixed wireless Broadband services, across various technologies and connectivity speeds for its residential and business customers. Globe Home Broadband consists of wired or DSL Broadband packages bundled with voice, or Broadband data-only services which are available with download speeds ranging from 1 Mbps up to 15 Mbps. Globe also expanded its Long-Term Evolution (LTE) footprint through LTE @Home offerings, bringing latest internet technology to households and allowing subscribers to surf the internet at ultrafast speeds to watch high-definition videos, downloading and uploading large files, seamless music streaming, and voice-over-internet-protocol (VOIP) calling with clear quality. This LTE service is backed by the largest 4G network in the country deployed by Globe. In June 2019, Globe joined leaders of the global telecommunications industry, by being the first in Southeast Asia to commercially introduce 5G fixed wireless Home Broadband service in the Philippines. This makes use of fixed location wireless radios instead of fiber and could provide fiber-like speeds ranging from 50 Mbps to 100 Mbps.

Home Broadband Plans available are GoUnli and GoBIG Plans. GoUnli is the ultimate unlimited data offering that allows customers to stream video, play music and games without having to worry about lock-up period, data capping, and speed throttling. GoUnli wired plans start at Php1,699 a month, which come with unlimited surfing and streaming up to 5 Mbps. Faster speeds are also available with the following plans: Plan 1899 for speeds up to 10, 15, or 20 Mbps, Plan 2499 for speeds up to 50 Mbps, and Plan 2899 for speeds up to 100 Mbps. To avail of the no-lock up offer, interested parties need only pay for a one-time modem fee of Php2,500 or Php4,500 depending on the chosen plan. Those who choose to discontinue their subscription within the first 15 days will get a 100% refund of their modem fee upon the return of the modem and telephone set provided during installation. For those looking for an option without modem fees, 24-month contract plans are also available. GoBig plans have bigger data allocations at affordable rates alongside fast and reliable speeds. Access to free content apps also remain a major part of the Broadband bundle. For Plan 1299, customers can enjoy 150GB of data allocation per month, with speeds of up to 10Mbps. Those who want to stream more can avail of Plan 1699, which has a data allowance of 600GB and speeds of up to 20Mbps; Plan 4499, which has 1.5TB of data and speeds of up to 200Mbps, Plan 6,999, which has 3TB of data with speeds up to 500Mbps or Plan 9499, which has 6TB of data with speeds up to 1Gbps. All Broadband Plans (GoUnli and GoBIG) come with free landline with unlimited calls to Globe and TM for 24 months plus free nine months subscription to DisneyLife, FOX+, HOOQ, Amazon Prime Video, iflix.

Experience reliable prepaid internet that is not just easy to install but also easy on the budget. Globe At Home Prepaid Wifi is an improved WiFi connection, with wide internet coverage, ready-to-use freebie and features. Load, track, and manage your Prepaid WiFi with the Globe At Home App. In addition, Globe Streamwatch Xtreme Prepaid, the world's first all-in-one entertainment device, is likewise available. It is equipped with free clear local live TV channels and serves as an internet TV with over a million videos, shows, and movies. It also boasts of an internet connection that is 2x faster, 2x stronger, with 2x wider coverage than your average pocket WiFi device. Multiple devices can also be connected to Globe Streamwatch Xtreme, so everyone can access all the content they want at the same time.

In June 2019, Globe launched the Globe At Home Air Fiber 5G postpaid plans. The Globe At Home Air Fiber 5G postpaid plans which offer fiber-like speeds up to 100Mbps and super-sized data packages of up to 2 terabytes was initially available in select areas in Pasig, Cavite, and Bulacan. Globe at Home Air Fiber 5G was made available to eligible customers in July 2019. Plans come at

Php1,899 per month for up to 20Mbps, Php2,499 for up to 50Mbps and Php2,899 for up to 100Mbps. All plans come with up to 2TB data capacity.

In November, 2019, Globe At Home Prepaid WiFi customers subscribed to *HomeSurf199* and up can enjoy free 1GB of YouTube daily for the duration of the promo subscribed to. Globe At Home Prepaid *HomeSurf* promos may be availed through the Globe At Home App (downloaded for free via Google Play Store or the App Store).

In 2020, Globe Home Broadband launched the following promos to boost usage and to help customers particularly during the Covid-19 pandemic:

- Globe At Home Prepaid WiFi gets a whole new price cut from Php1,999 to just Php999. Customers can get their hands on the reloadable device that is 2x faster, with 2x stronger signal and 2x wider coverage than your usual pocket WiFi for the whole family. Likewise, Globe Streamwatch Xtreme Prepaid was made available for only Php1,999 from the original SRP of Php4,999. At over half of its original price, its customers can level up their home with high-quality internet, Google Assistant voice command feature, built-in karaoke, free local TV channels, and internet TV with 1M videos, shows, and movies. Every purchase of Globe At Home Prepaid WiFi and Streamwatch Xtreme Prepaid device comes with free 10 GB of data valid for 7 days. For additional data, customers can avail of affordable promos like the new HomeWatch. For HomeWatch199, customers can get 34 GB with Free 4 GB of videos daily to stream their favorite content via YouTube, iWant, Netflix, iflix, HOOQ, Tiktok, and even NBA.
- As part of Globe's purpose of delighting its customers amid the enhanced community quarantine (ECQ), Globe At Home offered Php1,000 off on all postpaid plans with free installation until March 31, 2020. Likewise, the Company assured customers that repairmen and installers during the coronavirus outbreak undergo stringent health checks before carrying out its home services.
- Exclusive offer for globe mobile postpaid subscribers for a 50% off for 6 months broadband internet plans, which is a perfect fit for the work-from-home setup. Globe postpaid subscribers can choose from the high-speed internet plans and enjoy not only the 50% discount but also the exciting freebies that comes with the plan. Promo period until Oct. 31, 2020.

Globe at Home Prepaid WiFi introduces its new and leveled-up HomeSURF599+ and 1499+ promos with bigger data allocation and extended promo validity, exclusively available on Gcash. Allocation of 30GB for HomeSurf599+, while HomeSurf1499+ comes with 120 GB. Both promos last up to 30 days and comes with Free 1 GB daily access to Watch & Learn (YouTube, Google G Suite, DepED Commons, TESDA), Chat (Facebook Messenger, WhatsApp, Viber), and Earn (Lazada, Shopee, GCash, Grab) apps, allowing customers to enjoy more content on top of their other connectivity needs.

C. Sales and Distribution

Globe has various sales and distribution channels to address the diverse needs of its subscribers.

1. Independent Dealers

Globe utilizes a number of independent dealers throughout the Philippines to sell and distribute its prepaid wireless services. This includes major distributors of wireless phone handsets who usually have their own retail networks, direct sales force, and sub-dealers. Dealers are compensated based on the type, volume and value of reload made in a given period. This takes the form of fixed discounts for prepaid airtime cards and SIM packs, and discounted selling price for phonekits. Additionally, Globe also relies on its distribution network of over 1.1 million *AutoloadMax* retailers nationwide who offer prepaid reloading services to *Globe* and *TM* subscribers.

2. Globe Stores

As of December 31, 2020, the Company has a total of 197 Globe Stores all over the country where customers are able to inquire and subscribe to wireless, broadband and fixed line services, reload prepaid credits, make *GCASH* transactions, purchase handsets and accessories, request for handset repairs, try out communications devices, and pay bills. The Globe Stores are also registered with the Bangko Sentral ng Pilipinas (BSP) as remittance outlets.

In line with the Company's thrust to become a more customer-focused and service-driven organization, Globe departed from the traditional store concept which is transactional in nature and launched the redesigned Globe Store which carries a seamless, semi-circular, two-section design layout that allows anyone to easily browse around the product display as well as request for after sales support. It boasts of a wide array of mobile phones that the customers can feel, touch and test. There are also laptops with high speed internet broadband connections for everyone to try. The Globe store has an Express Section for fast transactions such as modification of account information and subscription plans; a Full-Service Section for more complex transactions and opening of new accounts; and a Cashier Section for bill payments. The store also has a self-help area where customers can, among others, print a copy of their bill, and use interactive touch screens for easy access to information about the different mobile phones and Globe products and services. Globe stores also include NegoStore areas, which serve as additional sales channels for current and prospective Globe customers. Moreover, select stores also have 'Tech Coaches' or device experts that can help customers with their concerns on their smartphones. The Company opened the first concept store in Greenbelt 4 in 2010 and accelerated its roll-out throughout 2011, averaging 4-5 new stores a month.

In 2012, Globe introduced other store formats in response to the need for more customer service channels to accommodate more subscribers availing of Globe postpaid, prepaid and internet services. The new store formats - the premium dealership store, pop-up store, microstore, kiosk, and store-on-the-go – were carefully designed based on demographics, lifestyle and shopping behaviors of its customers, each providing a different retail mix and experience to subscribers.

In 2013, Globe opened 50 concept stores as part of its commitment to a wonderful customer service experience.

In 2014, Globe simultaneously unveiled its Generation 3 flagship stores in SM North EDSA, Quezon City, Manila and in Limketkai Mall, Cagayan de Oro. Designed by Tim Kobe, the founder and CEO of Eight, Inc. and designer of Apple Stores, the Globe Gen3 stores features reconfigurable and interactive elements, all designed to empower the growing digital lifestyle of customers. The stores feature four lifestyle zones – music, entertainment, productivity, and life – each with their own interactive kiosks.

Continuing with its journey of transforming customer experience, Globe opened two more Gen3 stores in 2015. On July 2015, Globe opened its third Gen3 store in Ayala Center, Cebu and on August 2015, opened its fourth Gen3 and first two-storey store in Greenbelt, Makati.

In 2016, Globe opened its Flagship ICONIC store in Bonifacio Global City Central Square Taguig. Designed by Tim Kobe of Eight Inc., the same designer of the Globe GEN3 stores, the Globe ICONIC store is the first all-in-one retail and entertainment space and was launched in two phases. Phase 1 was completed in the June 2016 and featured the entertainment space that will house shows, concerts, and a variety of on-ground events and activities. Phase 2, completed in December 2016 features the complete Globe ICONIC Store with a glass bridge that links two Globe stores from opposite sides of the BGC Central Square.

3. Customer Facing Units

To better serve the various needs of its customers, Globe is organized along two key customer facing units (CFUs) tasked to focus on the integrated mobile, Fixed Line and international voice and roaming needs of specific market segments. The Company has a Consumer CFU with dedicated marketing and sales groups to address the needs of retail customers, and a Business CFU (Globe Business) focused on the needs of big and small businesses. Globe Business provides end-to-end mobile and Fixed Line solutions and is equipped with its own technical and customer relationship teams to serve the requirements of its client base. Globe Business also caters to the international voice and roaming needs of overseas Filipinos, whether transient or permanent. Moreover, it is tasked to grow the Company's international revenues by leveraging on Globe's product portfolio and developing and capitalizing on regional and global opportunities.

4. Others

Globe also distributes its prepaid products SIM packs, prepaid call cards and credits through consumer distribution channels such as convenience stores, gas stations, drugstores and bookstores.

D. Operating Revenues

Gross Operating Revenues by Business Segment (in Php Mn)	Year Ended December 31			
	2020	% of total	2019	% of total
Service Revenues				
Mobile*	103,113	64%	110,965	67%
Voice ¹	20,130	13%	24,002	14%
SMS ²	11,029	7%	15,531	9%
Data ³	71,954	45%	71,432	43%
Fixed Line and Home Broadband**	41,957	26%	37,384	22%
Home Broadband ⁴	26,798	17%	21,747	13%
Corporate Data ⁵	12,539	8%	12,969	8%
Fixed Line Voice ⁶	2,620	2%	2,668	2%
Others***	1,317	1%	662	0%
Service Revenues	146,388	91%	149,010	89%
Non Service Revenues	14,131	9%	17,650	11%
Operating Revenues	160,519	100%	166,660	100%

Note: 2019 Service Revenues has been restated to reclass non-telco revenues from subsidiaries to Other revenues

*Mobile business includes mobile and fully mobile broadband

**Home Broadband includes fixed wireless and wired broadband

***Others includes non-telco revenues from subsidiaries

¹ Mobile voice service revenues include the following:

- Prorated monthly service fees on consumable minutes of postpaid plans;
- Subscription fees on unlimited and bucket voice promotions including the expiration of the unused value of denomination loaded;
- Charges for intra-network and outbound calls in excess of the consumable minutes for various Globe Postpaid plans, including currency exchange rate adjustments, or CERA, net of loyalty discounts credited to subscriber billings;
- Airtime fees for intra network and outbound calls recognized upon the earlier of actual usage of the airtime value or expiration of the unused value of the prepaid reload denomination (for Globe Prepaid and TM) which occurs between 3 and 120 days after activation depending on the prepaid value reloaded by the subscriber net of (i) bonus credits and (ii) prepaid reload discounts; and revenues generated from inbound international and national long distance calls and international roaming calls; and
- Mobile service revenues of GTI.

Revenues from (a) to (e) are reduced by any payouts to content providers.

² Mobile SMS revenues consist of revenues from value-added services such as inbound and outbound SMS and MMS, infotext, and subscription fees on unlimited and bucket prepaid SMS services, net of any interconnection or settlement payouts to international and local carriers and content providers.

³ Mobile Data service revenues consist of revenues from Mobile internet browsing and content downloading, Mobile commerce services, other add-on value added services (VAS), and service revenues of GXI and Yondu, net of any interconnection or settlement payouts to international and local carriers and content providers, except where Globe is acting as principal to the contract where revenues are presented at gross billed to subscriber and settlement pay-out are classified as part of costs and expenses. Beginning 2017, revenues from premium content services (where Globe is acting as principal to the contract) will be reported gross of the licensors' fees.

⁴ Home broadband service revenues consist of the following:

- Monthly service fees of wired, fixed wireless, bundled voice and data subscriptions;
- Browsing revenues from all postpaid and prepaid wired and fixed wireless broadband packages in excess of allocated free browsing minutes and expiration of unused value of prepaid load credits;
- Value-added services such as games;
- Installation charges and other one-time fees associated with the service; and
- Beginning 2017, revenues from premium content services (where Globe is acting as principal to the contract) will be reported gross of the licensors' fees. Licensors' fees will be reflected as part of maintenance expense.

⁵ Corporate data (previously called Fixed line data) service revenues consist of the following:

- Monthly service fees from international and domestic leased lines;
- Other wholesale transport services;
- Revenues from value-added services; and
- Connection charges associated with the establishment of service.

⁶ Fixed Line voice service revenues consist of the following:

- Monthly service fees;
- Revenues from local, international and national long distance calls made by postpaid, prepaid fixed line voice subscribers and payphone customers, as well as broadband customers who have subscribed to data packages bundled with a voice service. Revenues are net of prepaid and payphone call card discounts;

- c) Revenues from inbound local, international and national long distance calls from other carriers terminating on Globe's network;
- d) Revenues from additional landline features such as caller ID, call waiting, call forwarding, multi-calling, voice mail, duplex and hotline numbers and other value-added features;
- e) Installation charges and other one-time fees associated with the establishment of the service; and
- f) Revenues from DUO and SUPERDUO (fixed line portion) services consisting of monthly service fees for postpaid and subscription fees for prepaid subscribers.

Globe's mobile business contributed ₱103.1 billion in 2020 accounting for 64% of total operating revenues, 7% below last year's level of ₱111 billion. Mobile voice service revenues amounted to ₱20.1 billion in 2020, contributing 13% of operating revenues. Mobile SMS service revenues contributed ₱11.0 billion or 7% of operating revenues. Mobile data service revenues contributed ₱72 billion in 2020, 45% of operating revenues.

Accounting for 26% of total operating revenues, Globe's fixed line and broadband business grew 12%, registering ₱42 billion in 2020, compared to ₱37.4 billion in 2019. Home broadband contributed revenues of ₱26.8 billion, or 17% of operating revenues. Corporate data contributed 8%, at ₱12.5 billion and fixed line voice contributed 2% at ₱2.6 billion.

E. Competition

1. Industry, Competitors and Methods of Competition

(a) Mobile Market

The Philippine mobile market has a total industry SIM base of more than 149 million with an industry penetration rate of 133% as of December 31, 2020. With the growing penchant of Filipinos for smartphones, the mobile data business in the Philippines presents more opportunities for revenue growth. Mobile data usage of both prepaid and postpaid subscribers continues to be a promising market with fast-paced growth.

The Philippine government liberalized the communications industry in 1993, after a framework was developed to promote competition in the industry and accelerate the development of the telecommunications market. Ten (10) operators were granted licenses to provide CMTS services – Globe, Innove (previously Isla Communications, Inc. or "Islacom"), Bayan Telecommunications, Inc. ("Bayantel"), Connectivity Unlimited Resources Enterprises ("CURE"), Digitel Telecommunications Philippines, Inc. ("Digitel"), Express Telecom ("Extelcom"), MultiMedia Telephony, Inc., Next Mobile ("NEXTEL"), Pilipino Telephone Corporation ("Piltel") and Smart Communications, Inc. ("Smart"). Nine of the ten operators continued on to operate commercially except for Bayantel, which have yet to roll out their CMTS services commercially.

When Sun Cellular, Digitel's mobile brand, entered the market in 2003, it introduced to the market value-based unlimited call and text propositions, allowing it to build subscriber scale over time. With the market's preference for these value-based unlimited and bulk call and text services, Globe and Smart responded by creating a new set of value propositions for their subscribers. Today, with the high level of mobile penetration, driven by the prevalence of multi-SIMming (i.e., individuals having two SIMs), the competition in the mobile market remains intense, albeit in a more rational environment.

	Mobile Subscribers (Mn)	Penetration Rates (%)	Growth Rate
1998	1.62	2.5	43%
1999	2.68	3.8	65%
2000	5.26	8.6	96%
2001	10.53	14.2	100%
2002	15.17	19.0	44%
2003	22.31	27.3	47%
2004	32.87	39.4	47%
2005	34.61	40.6	5%
2006	42.04	48.3	21%

2007	54.86	61.2	30%
2008	68.03	74.6	24%
2009	75.43*	82.3	11%
2010	86.15*	93.0	14%
2011	93.74*	98.7	9%
2012	102.99*	106.4	10%
2013	108.52*	110.0	5%
2014	113.89*	116.0	5%
2015	124.79	115.2	10%
2016 ¹	125.56	120.4	1%
2017 ²	118.98	111.9	-5%
2018 ³	134.59	124.3	13%
2019	167.32	151.8	24%
2020	149.58	133.3	-11%

* Estimated end of year figures.

Source: National Telecommunications Commission, publicly available information and Company estimates

¹ Starting 2016, nomadic subscribers are included in mobile subscribers (previously reported under broadband subscribers)

² In 2017, the industry has excluded in their reporting the prepaid subscribers who do not reload within 90 days of the second expiry period, versus the previous cut-off of 120 days

³ In 2018, under Joint Memorandum Circular No. 05-12-2017, all prepaid load now carries a one-year expiration period

Since 2000, the mobile communications industry has experienced a number of consolidations and ushered in new entrants, namely:

- In 2000, Philippine Long Distance and Telephone Company (“PLDT”) acquired and consolidated Smart and Piltel, complementing the former’s fixed line businesses with the latter’s wireless businesses. Subsequently in 2008, PLDT, through Smart, purchased CURE, one of the four recipients of 3G licenses awarded by the NTC, and has since launched another wireless brand in the market in Red Mobile, further heightening competition in the market at that time.

In October 2011, PLDT also acquired 99.4% of the outstanding common stock of Digitel, which owns the Sun Cellular brand, thereby allowing it to control over two-thirds of the industry subscribers. As a condition of PLDT’s acquisition of Digitel, PLDT returned to the NTC the 3G license in CURE.

- In 2008, San Miguel Corporation (“SMC”), partnering with Qatar Telecom, bought interests in Liberty Telecom Holdings, Inc. (“Liberty”) and announced plans to enter the mobile and broadband businesses.

In 2010, SMC acquired 100% stake in Bell Telecommunication Philippines, Inc. (“BellTel”), after acquiring shares in three companies that own the shares of BellTel. Also in 2010, SMC purchased a 40% stake in Eastern Telecommunications Philippines, Inc. (“ETPI”) to expand its telecommunications services. SMC subsequently gained a majority stake of ETPI in 2011. It now owns 77.7% of the telecommunications company.

In 2012, NTC has granted BellTel, San Miguel Corporation’s mobile telephony arm, an extension to its operating license to provide cellular mobile telephone system (CMTS) service in the country for another three years.

- In 2001, Globe acquired Islacom (now Innove). Globe, likewise, acquired approximately 96.5% of the total debt of Bayantel, in December 2012. On October 2013, Globe converted a portion of the debt it holds in Bayantel into a 38% interest in the latter, based on the Amended Rehabilitation Plan approved by the Rehabilitation Court in August of the same year. Upon obtaining relevant and regulatory approvals, Globe would further convert debt into a total 56.6% share of the common stock of Bayantel.
- In May 2013, ABS-CBN Convergence, Inc. (“ABS-C”, formerly Multimedia Telephony, Inc.) announced the launch of its mobile brand, ABS-CBN Mobile. The launch of the new mobile

brand was being supported through a network sharing agreement with Globe, wherein the latter provides network capacity and coverage to ABS-C on a nationwide basis. ABS-C formally launched the brand in November 26, 2013. On November 30, 2018, ABS-C discontinued its mobile phone services business and terminated the mobile network sharing arrangement with Globe Telecom.

- In November 2015, Cherry Mobile, a leading mobile phone company in the Philippines, entered into a co-branding partnership with Globe to launch the Cherry Prepaid SIM that also comes bundled with a Cherry Mobile phone. The Cherry Prepaid SIM will operate through a network sharing agreement with Globe, similar to ABS-CBN-Mobile.
- In November 2018, the Department of Information and Communications Technology (DICT) and the National Telecommunications Commission (NTC) declared Mislattel a new major telco player, a consortium composed of Mindanao Islamic Telephone Inc., Udenna Corporation, Chelsea Logistics Holdings, and China Telecom. In 2019, Mislattel was renamed to DITO Telecommunity Corporation. DITO is scheduled to launch commercial operations on March 2021.
- In October 2020, Globe launched the fully digital telecom brand GOMO aimed towards digitally savvy Filipinos.

Today, only the PLDT Group and the Globe Group have built significant bases of mobile subscribers.

(b) Fixed Line Market

Fixed Line Voice

The number of lines in service in the fixed line voice market is estimated at 4.6 million lines as of December 31, 2020 with PLDT's subscriber market share at 66% and Globe subscriber market share at 34%.

The fixed line voice market is currently in decline as the country continues to shift towards alternative communication solutions like VoIP and chat messaging applications.

Corporate Data

The fixed line data business is a growing segment of the fixed line industry. As the Philippine economy grows, businesses are increasingly utilizing new networking technologies and the internet for critical business needs such as sales and marketing, intercompany communications, database management and data storage. The expansion of the local IT Enabled Service (ITES) industry which includes call centers and Business Process Outsourcing (BPO) companies has also helped drive the growth of the corporate data business.

Dedicated business units have been created and organized within the Company to focus on the mobile and fixed line needs of specific market segments and customers – be they residential subscribers, wholesalers and other large corporate clients or smaller scale industries. This structure has also been driven by Globe's corporate clients' preferences for integrated mobile and fixed line communications solutions.

(c) Home Broadband Market

Home broadband continues to be a major growth area for the local telecom industry. In a 2-player market, industry home broadband subscribers is now at 6.9 million, up 65% versus 2019 with Globe's subscriber market share at 55% as of December 31, 2020. A high-speed fixed broadband operator, Converge ICT, has emerged as a third player, with over 1 million home broadband subscribers as of December 31, 2020, bringing industry subscribers to 7.9 million. The aggressive network roll-out of the various operators, the wider availability of affordable prepaid broadband packages, as well as lower PC and tablet prices were the main drivers of subscriber growth. Operators used both wired and wireless technologies to serve the growing demand for internet connectivity.

While household penetration rates remains low, competition continues to intensify as telecom operators aim to capture the market by accelerating the rollout of broadband network to provide subscribers with faster internet connection and introducing more affordable and bundled offerings.

2. Principal Competitive Strengths of the Company

(a) Market Leadership Position

Globe is a major provider of telecommunications services in the Philippines. It is a strong player in the market and operates one of the largest and most technologically-advanced mobile, fixed line and broadband networks in the country, providing reliable, superior communications services to individual customers, small and medium-sized businesses, and corporate and enterprise clients. Globe's distinct competitive strengths include its technologically advanced mobile, fixed line and broadband network, a substantial subscriber base, high quality customer service, a well-established brand identity and a solid track record in the industry.

(b) Strong Brand Identity

The Company has some of the best-recognized brands in the Philippines. This strong brand recognition is a critical advantage in securing and growing market share, and significantly enhances Globe's ability to cross-sell and push other product and service offerings in the market.

(c) Financial Strength and Prudent Leverage Policies

Globe's financial position remains strong with ample liquidity, and gearing comfortably within bank covenants. At the end of 2020, Globe had total interest bearing debt of ₱167.7 billion representing 67% of total book capitalization. As of December 31, 2020, consolidated gross debt to equity ratio is at 2.02x, well within the 3:1 debt to equity limit. Additionally, debt to EBITDA is also well within the 3.5:1 covenant level, currently at 2.42x. Approximately 71% of its debt is in pesos while the balance of 29% is denominated in US dollars. Expected US dollar inflows from the business offset any unhedged US dollar liabilities, helping insulate Globe's balance sheet from any volatilities in the foreign exchange markets.

Globe intends to maintain its strong financial position through prudent fiscal practices including close monitoring of its operating expenses and capital expenditures, debt position, investments, and currency exposures.

(d) Proven Management Team

Globe has a strong management team with the proven ability to execute on its business plan and achieve positive results. With its continued expansion, it has been able to attract and retain senior managers from the telecommunications, consumer products and finance industries with experience in managing large scale and complex operations.

(e) Strong Shareholder Support

The Company's principal shareholders are Ayala Corporation (AC) and Singapore Telecom (STI), both industry leaders in the country and in the region. Apart from providing financial support, this partnership has created various synergies and has enabled the sharing of best practices in the areas of purchasing, technical operations, and marketing, among others.

F. Suppliers

Globe works with both local and foreign suppliers and contractors. Equipment and technology required to render telecommunications services are mainly sourced from foreign countries. Its principal suppliers, among others, are as follows:

The Company's suppliers of mobile equipment include Huawei Technologies Co., Ltd. (China) and Nokia Corporation (Finland); and for transmission and IP equipment, Company has partnered with Huawei Technologies Co., Ltd. (China), Nokia Corporation (Finland), NEC (Japan), ECI Telecom, Ltd.

(Israel), Aviat Networks (USA), and Coriant (USA, recently acquired by Infinera (USA)). For providing cell site backhaul via Very Small Aperture Terminal (VSAT), Globe partnered with Gilat Satellite Networks, Inc. (Israel). For small cell access solutions for residential and enterprise, Globe partnered with IP Access Inc, (UK) for small cell access solutions for residential and enterprise.

For Fixed Line and Fixed Broadband Service, Globe's principal equipment suppliers include Huawei Technologies Co., Ltd. (China), FiberHome Telecom Tech (China), Nokia Corporation (Finland), Juniper Networks (USA), ZTE Corporation, and Tellabs (USA/Singapore).

For WiFi service, Company partnered with Aruba Networks (USA) and Ruckus Networks (USA).

For Network Management and Operational Support Systems, Globe's primary solution provider includes IBM (USA), Mycom OSI (United Kingdom), Incognito (Canada), Netcracker (USA), Radcom (Israel) among others.

For the Company's IT systems and infrastructure, Globe also engaged Amdocs for continuous enhancement of its Services and Operations. Amdocs Intelligent Operations will assist Globe in managing third-party systems and cloud management solutions. This includes modernizing and running IT operations for multiple lines of businesses, including prepaid and postpaid mobile services, fixed-line broadband, and enterprise services. Globe has also invested in a new digital infrastructure leveraging best-of-breed technologies from Cisco, Dell, EMC and Palo Alto. The new Globe cloud computing capabilities will host various platforms & systems in support of Globe's modernization program.

G. Customers

Globe has a large subscriber base across the country, ending 2020 with 76.6 million mobile subscribers, comprised of 2.5 million postpaid and 74.1 million prepaid subscribers. Globe also has 3.8 million home broadband subscribers and 1.6 million landline subscribers.

No single customer and contract accounted for more than 20% of the Company's total sales in 2020.

H. Licenses, Patents, and Trademarks

1. Licenses

Globe currently holds the following major licenses:

Service	Type of License	Date Issued or Last Extended	Expiration Date
Globe			
Wireless	CPCN ⁽¹⁾	July 22, 2002	December 24, 2030
Local Exchange Carrier	CPCN ⁽¹⁾	July 22, 2002	December 24, 2030
International Long Distance	CPCN ⁽¹⁾	July 22, 2002	December 24, 2030
Interexchange Carrier	CPCN ⁽¹⁾	February 14, 2003	December 24, 2030
VSAT	CPCN ⁽¹⁾	February 6, 1996	February 6, 2021 ⁽²⁾
International Cable Landing Station & Submarine Cable System (Nasugbu, Batangas)	CPCN ⁽¹⁾	October 19, 2007	December 24, 2030
International Cable Landing Station & Submarine Cable System (Ballesteros, Cagayan)	CPCN ⁽¹⁾	June 29, 2010	December 24, 2030

Innove	Type of License	Date Issued or Last Extended	Expiration Date
Wireless	CPCN ⁽¹⁾	December 14, 2018	January 29, 2044
Local Fixed line	CPCN ⁽¹⁾	December 14, 2018	January 29, 2044
International Long Distance	CPCN ⁽¹⁾	December 14, 2018	January 29, 2044
Interexchange Carrier	CPCN ⁽¹⁾	December 14, 2018	January 29, 2044

Bayantel	Type of License	Date Issued or Last Extended	Expiration Date
Local Exchange Carrier			
(a) <i>Quezon City, Malabon & Valenzuela, all in M.M., Albay, Camarines Norte, Camarines Sur, Catanduanes, Sorsogon & Masbate, all in Bicol Region</i>	CPCN ⁽¹⁾	(a) July 19, 1999	(a) July 18, 2024
(b) <i>Manila, Caloocan, Navotas</i>	CPCN ⁽¹⁾	(b) January 27, 2021	(b) August 9, 2046
(c) <i>Tacloban City, Tanauan and Palo, Leyte & Sogod, Southern Leyte</i>	CPCN ⁽¹⁾	(c) January 27, 2021	(c) August 9, 2046
(d) <i>Leyte (Abuyog, Baybay, Burauen, Carigara, Dulag, Hilongos, Isabel, Palompon & Hilaga Eastern Samar (Guiuan & Borongan) Western Samar (Catbalogan & Basey) Southern Leyte (Maasin)</i>	CPCN ⁽¹⁾	(d) January 27, 2021	(d) August 9, 2046
(e) <i>Antique, Iloilo, Bohol (except Tagbilaran City), Bukidnon, Misamis Occidental, Misamis Oriental (except Cagayan de Oro City), Zamboanga del Sur, Davao del Norte (except Tagum City), Davao del Sur, Davao Oriental, Sarangani, South Cotabato and Surigao del Sur</i>	PA	(e) November 18, 2004	(e) July 25, 2006 ⁽³⁾
(f) <i>Aklan, Capiz (including Roxas City), Guimaras, Negros Occidental (including cities of Bacolod and Bago), Negros Oriental (including Dumaguete City), Cebu (including cities of Cebu, Lapu-Lapu and Mandaue), Zamboanga del Norte, Surigao del Norte (including Surigao City), Tagbilaran City, Cagayan de Oro City and Tagum City</i>	PA	(f) November 18, 2004	(f) May 18, 2006 ⁽³⁾
(g) <i>Butuan City, Agusan del Norte & Agusan del Sur</i>	PA	(g) June 27, 2002	(g) June 14, 2005 ⁽³⁾
VSAT	CPCN ⁽¹⁾	January 11, 2001	January 10, 2026
International Gateway Facility	CPCN ⁽¹⁾	April 19, 1996	April 18, 2021 ⁽²⁾
Trunked Mobile Radio System	CPCN ⁽¹⁾	April 2, 1998	April 1, 2023
Domestic Data and Voice Communications	CPCN ⁽¹⁾	January 27, 2021	August 9, 2046

¹Certificate of Public Convenience and Necessity.

² Motion for Extension of CPCN still pending with the NTC.

³ Motion for Extension of PA still pending with the NTC.

In July 2002, the NTC issued CPCNs to Globe and Innove which allow the Company to operate respective services for a term co-terminus with the congressional franchise under RA 7229 (Globe) and RA 11151 (amending RA 7372; Innove). Globe was granted permanent licenses after having demonstrated legal, financial and technical capabilities in operating and maintaining wireless

telecommunications systems, local exchange carrier services and international gateway facilities. Additionally, Globe and Innove have exceeded the 80% minimum roll-out compliance requirement for coverage of all provincial capitals, including all chartered cities within a period of seven years.

2. Trademarks

Globe has the following registered trademarks in the Philippines: Globe, 0917, Area 917, EasyShare, EasyExtend, GG30, GG50, Globe At Home, Globe At Home Air Fiber 5G, Globe Connected Home, Good Games, Midnight Surf, Sagad Surf, Supersurf, Ticket Hub., Elements Music Camp, Globe At Home Air, Globe at Home Air Fiber, TM, Globe Switch and GMovies.

Globe also applied for the following trademarks: TM Tambayan, Kapit WIFI, VIASH, Funaliw, Funsagad, Funpinoy Packs, Improve The Way You Live, Nasa Loob ang Galing, Homemade Awesome, The World, Right at Home., Recreate. the World Right at Home, Recreate. Better Days, Moments na Funpinoy, EZ Extend, TM Easy Plan, Easy Watch, TM Secret, Funkwentuhan, Funraket, Konek Tayo WIFI, Bawat Bahay may WIFI, Globe Business, Lifetech, GOMO, Easysurf50 Doble Data, 917V, Globe at Home Prepaid Wifi, Gomo, K-mmunity Ph, Secret Surf, and Sulit Surf,

Globe and Saga Events, Inc. own the registered trademark "Stylefestph".

Further, Globe also applied and registered the following brand names: **Globe Telecom** (Australia, Taiwan, Japan, Singapore, Macau, Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Korea, Canada, China, Saudi Arabia), **Globe and Globe Life Device** (Hong Kong, Taiwan, Singapore, Japan, Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Macau, Qatar, UAE, USA, Saudi Arabia), **Globe GCash** (Singapore, Hong Kong, United Kingdom, Taiwan, Japan, Macau, Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Qatar, Korea, UAE, Saudi Arabia, New Zealand, Ireland, Lebanon, Denmark, Sweden, Switzerland, Israel), **Globe Kababayan** (Singapore, Hong Kong, Taiwan, United Kingdom, Australia, Japan, Macau, USA, Saudi Arabia, Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Malaysia, UAE, Italy, Korea, Taiwan), **Globe Autoload Max** (Norway, Singapore, Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Japan, Hong Kong), **Globe M-Commerce Hub** (Taiwan, Singapore, Korea, Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Australia, Macau, Qatar, Malaysia), **Muzta, and Smiley With Salakot Device** (Japan, UK, Australia, Kuwait, USA, Saudi Arabia, Bahrain, UAE), **Smiley with Salakot** (Japan, United Kingdom, Australia, USA, Saudi Arabia, Bahrain, UAE), and Muzta (Bahrain, UAE, Canada, Qatar, Saudi Arabia, UAE), **GCash Remit and Logo** (Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Lebanon, Japan, Switzerland, Macau, Hong Kong, Taiwan, New Zealand, China, Japan, Israel), **GCash Express and Logo** (Hong Kong, Singapore, Taiwan, Malaysia), **Globe Load** (Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Macau).

Globe subsidiaries and affiliates have applied/registered their respective marks with the Intellectual Property Office, namely:

- a) Innove Communications, Inc. has registered the trademarks @Free, GoWifi, GoWifi Auto and EasySurf.

- b) Asticom Technology, Inc. has registered the trademark Asticom Technology, Inc.
- c) Globe Capital Venture Holdings, Inc. has filed the following trademarks: FreebieMNL, HealthNow, PureGo, and Zeal.
- d) GXchange, Inc. has the following registered trademarks: Powerpay+, G-Xchange, GCash Remit, GCash Logo, #WhatCantYouDo, What Can't You Do?, #WCYD, GCash App logo, GCash Forest, GCat, GSave, GCredit, GInvest, GInsure, GCash Loan, GInvestment, GLife, GLoans.
- e) Globe Fintech Innovations, Inc. has registered trademarks for the Mynt Logos.
- f) Fuse Lending, Inc. has the following registered trademarks: Fuse Lending, Installoan, Go Loan, Spark Loan, Fuse Business Loan, Power Payday Advance.

3. Patents

Gxchange, Inc. and UTIBA Pty Ltd. have registered the following patents in the Philippines:

1. A Method of Switching the Billing Mode of a Subscriber's Mobile Phone Services from Postpaid to Prepaid and Vice Versa Using One Subscriber Identity Module (SIM) Card Having One Mobile Phone Number;
2. Person-to-Person Virtual Cash Transfer Transaction Using Mobile Phones;
3. A Method of Converting Virtual Cash into Cash and Deducting from a Mobile Phone Cash Account.
4. A Method of Cashless, Cardless Purchase Transaction Using Mobile Phones; and
5. A Method of Converting Cash into Virtual Cash and Loading it to Mobile Phone Cash Account

Gxchange, Inc. and UTIBA Pty Ltd. have likewise registered the following patents in the United States:

1. Person-to-Person Virtual Cash Transfer Transaction Using Mobile Phones; and
2. A Method of Converting Cash into Virtual Cash and Loading It To A Mobile Phone Cash Account

Gxchange, Inc. and UTIBA Pty Ltd. have likewise registered the following patents in Indonesia:

1. Person-to-Person Virtual Cash Transfer Transaction Using Mobile Phones; and
2. A Method of Converting Virtual Cash to Cash and Deducting from a Mobile Phone Cash Account

I. Government approvals/regulations

The Globe Group is regulated by the NTC under the provisions of the Public Service Act (CA 146), Executive Order (EO) 59, EO 109, and RA 7925. Under these laws, Globe is required to do the following:

- a) To secure a CPCN/PA from the NTC for those services it offers which are deemed regulated services, as well as for those rates which are still deemed regulated, under RA 7925.
- b) To observe the regulations of the NTC on interconnection of public telecommunications networks.
- c) To observe (and has complied with) the provisions of EO 109 and RA 7925 which impose an obligation to rollout 700,000 fixed lines as a condition to the grant of its provisional authorities for the cellular and international gateway services.
- d) Globe remains under the supervision of the NTC for other matters stated in CA 146 and RA 7925 and pays annual supervision fees and permit fees to the NTC.

On October 19, 2007, the NTC granted Globe a CPCN to operate and maintain an International Cable Landing Station and submarine cable system in Nasugbu, Batangas.

On May 19, 2008, Globe Telecom, Inc. announced that the National Telecommunications Commission (NTC) has approved the assignment by its wholly-owned subsidiary Innove Communications

(Innove) of its Touch Mobile (TM) consumer prepaid subscriber contracts in favor of Globe. Globe would be managing all migrated consumer mobile subscribers of TM, in addition to existing Globe subscribers in its integrated cellular network.

On September 11, 2008, the NTC granted Globe a CPCN to operate and maintain an International Cable Landing Station in Ballesteros, Cagayan Province.

J. Research and Development

Globe incurred market research costs amounting to ₱163 million in 2020, a similar level versus 2019 spend.

K. Compliance with Environmental Laws

The Globe Group complies with the Environmental Impact Statement ('EIS') system of the Department of Environment and Natural Resources ('DENR') and pays nominal filing fees required for the submission of applications for Environmental Clearance Certificates ('ECC') or Certificates of Non-Coverage ('CNC') for its cell sites and certain other facilities, as well as miscellaneous expenses incurred in the preparation of applications and the related environmental impact studies. The Globe Group does not consider these amounts material.

Globe has not been subject to any significant legal or regulatory action regarding non-compliance to relevant environmental regulations.

L. Employees

The Globe Group has 8,339 active regular employees as of December 31, 2020, of which 3% or 276 are covered by a Collective Bargaining Agreement (CBA) through the Globe Telecom Employee's Union (GTEU).

Breakdown of employees by main category of activity from 2018 to 2020 are as follows:

Employee Type	2020	2019	2018
Rank & File, CBU	1,835	2,191	2,791
Supervisory	3,896	3,497	2,760
Managerial	2,043	1,839	1,698
Executives	565	521	480
Total	8,339	8,048	7,729

In conformance with the Department of Labor and Employment's (DOLE) Collective Bargaining Agreement (CBA), the Globe Telecom Employees Union-Federation of Free Workers (GTEU-FFW) remains active to pledge the right of every Ka-Globe to form a collective bargaining unit. All employees are allowed to participate in CBA and through GTEU-FFW, everyone is informed and made aware of the mandates.

Globe has a long-standing, healthy, and constructive relationship with the GTEU characterized by healthy and constructive discussions and industrial peace. Both have shared goals such as enhancing productivity levels and ensuring consistent quality of service to customers across various segments.

Globe and GTEU-FFW renewed their collective bargaining agreement for another 5 years, beginning 2016. This is a testament to the strong partnership built between them and the alignment in their advocacies.

M. Risk Management

Globe believes that effective Risk Management (RM) practices are crucial to sustaining its profitability and resilience as a company. Hence, Globe ensures that RM remains a core capability and an integral part of how decisions are made in the organization to deliver value to shareholders. The company's

thrust is to embed RM in the daily lives of employees, empowering them to make intelligent choices when confronted by risks and opportunities. Globe lives out its RM philosophy via three (3) key pillars - Structure, Process and Culture.

Roles and Responsibilities

1. Board of Directors

The Board of Directors oversees and conducts an annual review of Globe's material controls, covering operational, financial and compliance areas and overall RM systems. The overall responsibility for RM oversight rests with the Board. To enable the Board to effectively discharge Globe's RM function, various Board committees have been designated to provide RM oversight for specific risk areas.

2. Board Risk Oversight Committee

A Board Risk Oversight Committee (BROC) was created to provide focus and effectively consolidate the decentralized and overlapping risk oversight duties performed by various Board sub committees. The establishment of the BROC will ensure an integrated and holistic oversight on RM at the Board level.

The BROC is mandated to assist the Board in fulfilling its oversight responsibilities in relation to Risk Governance in Globe. This ensures that the Board and Globe's Management will be able to make well-informed and intelligent decisions based on thorough assessment of risks and opportunities. This includes:

- Ensuring that there is an effective, efficient and integrated risk management process working in place.
- Enabling the identification, analysis, and assessment of key risk exposures its impact to Globe's strategic and business objectives, as well as the formulation of an effective RM strategy.
- Cultivating a sound organizational structure with an effective Enterprise Risk Management ("ERM") framework working in place.
- Establishing clear definition of risk-taking authority, ownership, accountability, and proper segregation of duties.
- Fostering a risk-aware culture that is pervasive throughout Globe, and ensure transparency in reporting of key risks to relevant stakeholders.

The BROC is led by a Chairperson who must be an independent, nonexecutive director. At present, it is composed of four (4) directors, three (3) of which are independent, non-executive directors. The Board appoints all members of the committee.

The BROC meets on a quarterly basis or as frequently as needed. The BROC also submits and presents a report to the Board at least two (2) times a year containing updates on all actions initiated by the committee at the board meeting following the BROC meetings, as well as a year-end report outlining the committee's actions for the year, confirmation of how its responsibilities were discharged, assessment performed on the effectiveness of the committee, and recommendations for improvement.

The BROC has the following roles and responsibilities:

- Develop a formal Enterprise Risk Management Framework.
- Provide oversight on Globe's activities in identifying and managing key enterprise-wide and operational risks (but not limited to): Strategy, Technology, Financial, Credit, Market, Information/Cyber security, Data Privacy, Business Disruption, Legal, Regulatory, Fraud, Customer Experience, and other risk areas.
- Through the Enterprise Risk Management Department, exercise oversight and guidance over Globe's risk management and governance structure.
- Review and approve the annual work plan (i.e., activities and initiatives such as risk assessments, risk embedding programs, etc.) of the ERM Department, based on the priorities and direction of the company, and ensure that it remains relevant, comprehensive, and effective.
- Review disclosures regarding risks and risk management contained in Globe's Annual Integrated Report and other publicly-issued reports and statements as applicable.
- Ensure alignment, on a regular basis, with other assurance providers of Globe on critical risks and control identification and assessment.
- Secure independent expert advice on RM matters where considered necessary or desirable.

3. Management

With guidance provided by the BOD and sub-committees, Globe's management is fully responsible for decision-making over the day-to-day affairs of Globe including the design, development and implementation of the RM strategies, policies and systems intended to address the identified risks.

4. Chief Risk Executive

The President and Chief Executive Officer (CEO) acting as the Chief Risk Executive (CRE) is ultimately responsible for RM priorities, including strategies, tolerances and policies which he recommends to the Board for approval. The CRE:

- Acts as the final enforcer of the RM process;
- Establishes organizational structure, assigns authority and designates management of key risks to risk owners to ensure that the RM activities are carried out effectively;
- Reviews the continuing effectiveness and relevance of the RM framework, processes, organization and tolerances, as assisted by the Chief Risk Officer;
- Ensures that RM activities are linked to the risk owners' Key Result Areas.

5. Chief Risk Officer

The Chief Finance Officer (CFO) and concurrent Chief Risk Officer (CRO) supports the CRE at the management level. The CRO ensures that:

- There is adequate supervision and guidance over the development, implementation, maintenance and continuous improvement of RM policies, processes and documentation.
- Risk Management processes and activities are embedded within the organization's policies, business cycles, and operational decisions.
- Responsibilities for managing specific risks by Senior Management are clear.
- The level of risk accepted by the company is appropriate.
- An effective control environment exists for the company as a whole.
- In collaboration with the CEO/CRE and Senior Management, the BROC and the Board, and other Stakeholders are provided periodic information on the results of the annual risk assessment exercise and updates on the status of top risks, key risk mitigation activities, key risk and performance indicators and emerging risks that could impact the attainment of Globe's objectives.

On a quarterly basis, the Board, through the BROC is apprised on the company's critical risks, control issues and key mitigation plans by the CRO. Insights on the following are provided:

- Risk management processes are working as intended,
- Risk measures and mitigation plans are reported and continuously reviewed by risk owners for effectiveness; and
- Established risk policies and procedures are being complied with.

Outside the quarterly scheduled BROC Meetings, the CRO and the Enterprise Risk Management Department provides regular updates to the BROC Chairwoman via executive sessions, on the status of key risks, management's risk action plans and strategies and new or emerging risks needing immediate attention.

6. Enterprise Risk Management Department

The Enterprise Risk Management Department (ERMD) supports the CRO in undertaking her role. Key functions of the ERMD include:

- Facilitating Management Team's annual risk assessment exercise and reporting the results thereof
- Coordinating with risk owners to gather information and updates on Risk, the status of and its management/mitigation activities
- Facilitating the execution of Line Management's risk assessment exercise
- Developing and implementing risk culture building programs to drive and embed the RM discipline across the organization
- Serve as the BROC secretariat to support the discharge of the BROC's risk oversight functions.
- Enable the BROC to effectively exercise oversight and guidance over Globe's risk management and governance structure at the operating level.

7. Internal Audit

The Internal Audit Team provides independent assurance on the effectiveness of RM systems and processes. Internal Audit's examinations cover a regular evaluation of adequacy and effectiveness of RM and control processes encompassing the company's governance, operations, information systems, reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules and regulations.

8. Risk Owner

The Risk owner has overall accountability for the assigned risk/s and is granted authority to enable effective management of a particular risk. The Risk owner's function also includes:

- Understanding the risk/s and determining its drivers
- Planning for and executing appropriate RM strategies and mitigation plans for key risks identified, including the adoption of the necessary RM framework/s and standard/s.
- Securing required resources needed to effectively manage the risks
- Monitoring and reviewing the level of risk exposures and continuing relevance of RM strategies and plans
- Providing timely updates on the status of RM activities to concerned stakeholders.

Risk Management Approach

Globe Telecom's overall RM framework and policy are based on the ISO 31000:2018 framework for Risk Management. As risks continue to become more volatile, uncertain, complex, and ambiguous, Globe adopts a decentralized, 3-lines-of-defense model approach to effectively manage its risks.

- Risk Owners, having first hand experience and expertise in managing risks on a daily basis, are given the overall accountability to address risks, including the adoption of one or more specialized frameworks and best practices (e.g., Control Objectives for Information and related Technology (COBIT), Information Technology Infrastructure Library (ITIL), Commission of Sponsoring Organization of the Treadway Commission Framework (COSO), National Institute of Standards and Technology (NIST), Project Management Body Of Knowledge (PMBOK), various Management Systems (ISO), among others) that enables sound RM practices. Risk owners report timely updates on its risks and emerging threats to management.
- The CRO, enabled by the ERMD, provides oversight of critical enterprise-wide, and operational risks to ensure that the individual RM practices of risk owners are designed in accordance with the overall RM framework and policy, and managed appropriately in accordance with the company's set risk appetite and tolerance levels.
- The CAE, enabled by the Internal Audit team, provides independent assurance that the RM policies and practices are both designed effectively and operating as intended.

Both the CRO and CAE reports to the board via the BROOC and ARC committees respectively. Through the BROOC and ARC, in conjunction with other board committees, the board discharges and maintains its oversight role on the company's risks.

Risk Management Process

Globe's RM cycle starts with an enterprise-wide assessment of risks is performed by the Management Team as part of the annual planning and budgeting process. This process starts with the identification of key risks that threaten the achievement of Globe's business and strategic objectives at the corporate and business unit level. Risks are then identified, analyzed, evaluated, and assigned to the appropriate risk owner/s for the development of plans to manage said risks. The results of which are then reported to and reviewed by the Board via the BROOC.

The established strategies and mitigation plans to address the risks are continuously developed, updated, improved, and reviewed for effectiveness throughout the year as part of the company's continuing advocacy of embedding the RM discipline across the organization. In order to have an enterprise-wide view of both risks and its mitigation plans, Globe through the CRO and ERMD has institutionalized a process to monitor the status of risks with its risk owners and how said risks impact the organization on an enterprise level through monitoring key risk indicators, key performance indicators, status of mitigation plans, and identification of any emerging risks. On a regular basis, the ERMD, together with the risk owners, provide reports on the status of said risks to the CRO and management, and on a periodic basis to the board via the BROOC and other board committees. A summary of the risk topics discussed throughout the year can be found in the BROOC report to the BOD.

Throughout the year, management through the ERMD also conducts various coordinated, end-to-end risk assessment studies on identified critical risk areas and emerging risks. Management believes that these studies are essential for a strong RM process as it reinforces the lines of defense while providing relevant insights both decision making and the management of Globes top enterprise-wide risks. When necessary, the company seeks external technical support from 3rd party experts to aid management and the board in the performance of their RM duties and responsibilities.

Fostering the Right Risk Culture

Globe believes that fostering a culture of risk awareness and intelligence across the organization is essential in embedding and ensuring consistent application of sound RM practices in every decision point by every ka-Globe.

As a testament of Globe's risk aware and intelligent culture, Globe has been assessed to have an advanced level of risk maturity (5.0 on a 1 to 5 scale) in an independent assessment conducted by Aon Risk Consultants, Inc., in late 2018. This places Globe as one of the highest among the Ayala group of companies, and belonging to the top 1% of the 1,958 companies interviewed by Aon globally across 25 industries.

The ERMD partners with various risk owners to ensure that RM advocacies are effectively cascaded to every employee through culture building and continuous learning activities to further complement the RM advocacy. Various learning sessions, summits, and information drives are organized throughout the year by risk owners and in collaboration with ERMD. These activities provide every ka-Globe with opportunities to understand the latest technologies, solutions, and trends in various fields, and learning about the risks, both at present and in the future and how they are effectively managed. These activities provide every ka-Globe with opportunities to understand the latest technologies, solutions, and trends in various fields, and learning about the risks, both at present and in the future and how they are effectively managed.

Risk and Sustainability

Given the accelerated pace of change in the business landscape brought about by business disruptions, global megatrends, and changes in stakeholder mindsets, Globe's management looks into various Environmental, Social, and Governance (ESG) risks and how these interact with the company's principal risks. Globe also supports the Ayala vision of integrating RM and Sustainability practices as the way forward towards sustainable business growth and sound RM.

The ERMD, together with the Chief Sustainability Officer and Sustainability team, have initiated steps to integrate the activities as well as the reporting cadence of these two disciplines. In 2019, the teams' collaboration has led to the first Risk and Sustainability forum and integration of sustainability material topics into the annual enterprise-wide risk refresh exercise. Both teams also had begun institutionalizing regular reporting of sustainability risks, risk mitigation programs, and frameworks to the BROCC as a means to enable the board to exercise its risk oversight responsibilities on key sustainability risks. This includes the addition of ESG risks into the annual enterprise-wide risk assessment exercise. Globe's ERMD and Sustainability teams are also working closely with its Ayala counterparts towards working to implement the Task Force on Climate-related Financial Disclosures (TCFD) framework as a means to provide transparency on material climate-related risks and its financial impact to Globe's operations and growth. These will include scenario analysis to determine the impact of climate change and the enhancement of existing risk mitigation strategies over the upcoming years of implementation.

Operational Risk and Business Continuity Management

Globe continues to adapt and enhance its Business Continuity Management (ISO 22301), Environmental Management (ISO 14001), and Occupational Health and Safety (ISO 45001 / OHSAS 18001) programs in the midst of the continued global warming, pressure from stakeholders to adopt sustainable practices, and compliance to new and existing government laws and regulations on Occupational Safety & Health, Environmental Management, and Disaster Management. The company initiated projects to ensure that it is able to effectively respond to and recover from major disasters; while considering the minimum requirement of government agencies like the Department of Defense on Disaster Management, Department of Labor and Employment on Occupational Safety, Department

of Health on Occupational Health, and the Department of Environment and Natural Resources on environmental laws and regulations.

With the COVID-19 pandemic reaching Philippine shores, these programs played a vital role in ensuring that Globe continues to operate, ensure employee and 3rd party partner safety, while ensuring that Globe remains committed to its environmental and sustainability targets.

Key initiatives pursued during 2020 include, but not limited to:

- Mobilization of the COVID-19 taskforce to plan and execute the company's initiatives in ensuring continuity of operations and securing employee's / 3rd party partners' physical and mental health.
- Development of risk mitigation strategies that will enable Globe to adapt to the changing conditions brought about by the pandemic.
- Construction of a dedicated RTPCR laboratory to enable periodic COVID-19 testing and screening for all employees and critical 3rd party partners.
- Development of mobile applications that enable Globe to perform automated contact tracing activities, monitoring of WFH and CSF employee health, and health screening for employees returning to the company's offices.
- Certification of the Business Continuity (ISO22301), Occupational Health and Safety (ISO45001 / OHSAS 18001), and Environment Management Systems (14001);
- Digitization of the aforementioned management systems.
- Expand the Business Continuity, Occupational Health and Safety, and Environmental Management Programs to cover Globe subsidiaries.
- Operationalization and continuous improvement of Globe's Earthquake Response Plans, Volcanic Eruption Response Plans, and Emerging Infectious Disease Business Continuity Plans: to address risks related to business disruption events, and establish fully-resourced Disaster Response Teams
- Operationalization and continuous improvement of Globe's Crisis Management Plans
- Conduct of audit and integrated exercises with the critical vendors of Globe
- Pursued projects to support the sustainability program, which include, but not limited to:
 - Solid and hazardous waste management
 - Reduction of carbon footprint
 - Energy and water conservation
 - Smoke-free workplace
- Automation initiatives that aim to strengthen and optimize day-today activities.
- Integration initiatives towards a unified Risk Management Office for Enterprise Risk Management, Business Continuity Management, Occupational Health and Safety, and Environmental Management Programs.

N. Risk Factors

The achievement of Globe's key business objectives can be affected by a wide array of internal and external risk factors. Some of these risk factors are universal while some are unique to the telecommunications industry. The risks vary widely in occurrence and severity, some of which are beyond the company's control. There may also be risks that are either presently unknown or not currently assessed as significant, which may later prove to be material.

Globe aims to manage these exposures through developing appropriate RM strategies, establishing strong internal controls and capabilities, risk transfer methodologies (e.g., insurance covers) and close monitoring of risks (including emerging risks) and mitigation plans. This section outlines the various principal risks that impact Globe, listed in no particular order of significance:

1. Political and Socio-Economic Risks

Globe's growth and financial health is influenced by the nation's political and socio-economic structures and conditions. The uncertainties in the political, geopolitical and social environment may have an adverse impact on the Philippine economy which in turn directly impacts the company's business, financial condition or results of operations, including the ability to sustain and enhance the growth of its customer base, improve its revenue base and implement its business strategies.

The current administration is implementing major changes to the telecommunications industry that can either positively or negatively affect the company's business. These include the following possible scenarios:

- Network performance pressure and scrutiny
- Sharing of network/facilities across operators
- Portability of mobile numbers
- Government-mandated pricing
- Entry of a new telecom players
- Reallocation of spectrum to new telecom players
- Potential improved LGU support
- Increased infrastructure spend
- Changes to the current industry model
- Increase in fees and tariffs related to operating
- National roaming capabilities

The current proposal of shifting to a federal form of government could impact the company's business model. Geopolitical and geoeconomic volatility could also impact its way of doing business, these include:

- International and regional conflicts
- Protectionism and deglobalization
- Supply chain disruption
- Threats to national security, such as terrorism, nation sponsored cyber-attacks, pandemics, among others.

Mitigation:

- A regular environmental scanning exercise is performed to ensure the identification of any uncertainties arising from global and local political and socio-economic factors.
- Create fallback policies in cases of supply chain disruptions due to international trade ban and territorial lockdown
- Maintaining a healthy relationship with various government sectors including dialog with regulators and legislators.
- Strengthening the tie-ups with government programs and initiatives

2. Regulatory Risk

Globe Telecom is regulated by the National Telecommunications Commission (NTC), an attached agency of the Department of Information and Communications Technology (DICT), for its telecommunications business, and by the Securities and Exchange Commission (SEC) for other aspects of the business as well as the Philippine Stock Exchange (PSE) as one of its capital market regulators, to name a few. On the other hand, the Philippine Competition Commission (PCC) has oversight on the company's mergers, acquisitions, and other similar transactions as it is tasked to effectively level the playing field among businesses and penalize anticompetitive agreements and abuse of market dominance.

Some of the recent key legislation and regulations implemented by the Government and the Regulator, which impact Globe are listed below.

Globe is closely monitoring the developments in relation to laws and regulations and has taken the necessary steps to ensure compliance with such, especially those that aim to help the nation manage the ensuing pandemic.

- Bayanihan to Recover As One Act (RA 11494) - an act to provide COVID-19 response and recovery interventions and provide mechanisms to accelerate recovery and enhance resiliency of the Philippine economy.
- Common Tower Policy (DICT Ruling) - A policy promulgated by the DICT to ensure more access to cost-efficient ICT infrastructure in areas not adequately served, via common towers.
- Mobile Number Portability (RA11202) - A law that allows subscribers to switch from one network operator to another without having the need to change their mobile telephone numbers. The introduction of new, modified, or inconsistent application of laws or regulations from time to time, may significantly affect the company's operations, financial condition and reputation.

There is no assurance that the regulatory environment will support any increase in the company's business and financial activity.

Mitigation:

- Regular monitoring of rulings, especially those that could negatively impact the business
- Implement government-relations management strategies
- Quarterly reporting to Board of Directors on the updates from upcoming laws and regulations and the current implementation status of new laws and regulations
- Enhancing compliance effectiveness of Globe by/through:
 - Proactive internal compliance assessments
 - Enhancing internal controls on processes impacted by specific laws and regulations
 - Training the required staff and management on new laws and regulations
 - Programs that will establish and enhance the culture of compliance

3. Competition Risk

(a) Traditional Competition

Competition remains intense in the Philippine telecommunications industry amidst a mature mobile market and high growth data business, as current competitors seek to regain market share with aggressive offerings. In July 2019, a new player was given its permit to operate as the third telecommunications player of the Philippines. Its commercial operations were initially targeted to start by September 2019 but were eventually moved to March 2021 following its delayed rollout due to COVID-19 lockdown. These factors are seen to further heighten the competitive dynamics amidst a mature mobile market.

Mitigation:

- Assert Globe's market position through offering of personalized plans and launching of innovative products and services that are relevant and responsive to the need of the customers, focusing on superior customer experience,
- Continuously invest, build, and improve the Globe network to deliver superior network experience to customers.
- Launch programs that aim to maintain high value customers and improve customer loyalty for both consumer and business segments.
- Delivery of superior customer experience as a key differentiator.

(b) Substitute and Alternative Competition

The competitiveness of the industry is further underscored by cheap alternatives to communication such as instant messaging, social network services and voice over internet protocol (VOIP). These alternatives are also driven by the proliferation of affordable smartphones and internet-capable mobile devices. As customers move towards an "everything on demand" lifestyle, there is an increased demand for telecom operators to be more than just service providers, opening the door for companies to offer content, media, and other services bundled with internet services at competitive prices as substitute products and services as compared with traditional telecom data services. As new technology and innovations emerge, such as 5G, Internet of Things (IoT), Smart Cities, exploration towards Satellite Internet Access (e.g., SpaceX's Starlink, Google's Loon, Amazon's Project Kuiper), among others, potential new substitutes and alternatives to existing telecom services may arise in the future that can impact the company's growth and sustainability should it fail to respond well.

Mitigation:

- Partner with leading providers of content, mobile messaging, social media and other popular applications in order to provide products and services that anticipate and cater to shifting customer preferences
- Enable swift response to new market developments and customer preferences by implementing an agile organization and open technologies
- Develop innovative services with new business and pricing models that will cater to the changing needs of the customers

- Develop a monitoring program that will identify key changes and developments in market environment, supply chain management, technological advancements and customer preferences.

4. Talent and Succession Risks

Globe believes that its greatest asset is its people, thus ensuring that the company is able to acquire and retain competent, purpose-driven, and future-thinking talents is crucial to the company's continued success.

Succession planning is also a critical area as in order to build a Globe that lasts, developing the next generation of leaders ensures that there will always be people who can, and will, lead Globe into the future. Increasing need for specialized talent that is in short supply, the threat of talent poaching both from competition and other industries that aim to acquire talents with telecom exposure, the allure of working abroad versus working locally due to better compensation and opportunities are the key risks that Globe faces in securing talent. On the other hand, the lack of ready-now talents for key leadership positions, as well as the inability to provide the right work environment, office culture, and development opportunities where high potential talents can thrive and develop into the next generation of leaders and where the entire people of the organization remains engaged and productive, are the key risks that Globe faces in retaining and developing talent.

The COVID-19 pandemic has also placed our current talent bench at risk, as not only it places employees' physical health at risk, thereby potentially leaving talent and leadership gaps that can hamper the achievement of Globe's business objectives, but also places employee mental health at risk as the protracted community quarantines, working from home, and general anxiety and fear of the virus places strain on employee mental health.

Mitigation:

- Development of robust talent succession development program that identifies high potential talents and ensure a healthy supply of ready-now talents to key leadership positions
- Implementation of various people engagement and development programs and activities that boost employee morale, including programs that promote workplace psychological safety and fostering purpose-driven mindset to all ka-Globe.
- Robust internal training programs for continuous learning and development, including specialized courses that upskill the workforce to new technologies and disciplines that would otherwise be not readily available on traditional learning channels.
- Strict compliance monitoring for accredited third-party vendor partners on pertinent labor laws and regulations
- Adopting protocols and safety measures to ensure minimal risk of contracting COVID-19 for employees, whether working from home or being part of the skeletal workforce, extending to critical 3rd party partners' personnel.
- Implementing measures to enable employees to conduct health screenings and options to care for their mental health, as well as providing medical assistance to those infected by the virus wherever possible.

5. Financial Risks

(a) Foreign Exchange Risk

Globe is exposed to two types of Foreign Exchange (FOREX) risks - transaction exposures and translation exposure. FOREX transaction exposures results from inflows of US Dollar (USD) from operations during a peso appreciation. The company's FOREX translation exposures result primarily from movements of the Philippine peso against the USD with respect to USD-denominated financial assets, liabilities, revenues and expenditures.

There are no assurances that declines in the value of the peso will not occur in the future or that the availability of foreign exchange will not be limited. Recurrence of these conditions may adversely affect the company's financial condition and results of operations.

Mitigation:

Manage FOREX risks in such a way that transaction exposures will offset translation exposures. This is done by:

- Assessing FOREX risk through sensitivity analysis estimating the Profit & Loss (P&L) impact of a change in the USD/PHP rate
- Entering into forward contracts to hedge against peso appreciation in the case of a FOREX transaction exposure
- Entering into short-term foreign currency forwards and longterm foreign currency swaps in the case of a FOREX translation exposure
- Entering into principal-only swaps to hedge FOREX risk exposure to principal repayments on USD debts

(b) Interest Rate Risk

In order to fund the company's major expenditures, Globe has entered into various short and long-term debt obligations, which exposes the company to the risk of changes in interest rates.

Mitigation:

Manage interest rate risk in such a way that levels of debt can achieve a balance between cost and volatility. This is achieved through:

- Assessing interest rate risk through sensitivity analysis estimating the P&L impact of an indicated movement in interest rates
- Setting a target level of fixed and variable debt mix
- Entering into interest rate swaps to reduce volatility related to interest rate movements

(c) Liquidity Risk

Globe revolves in an industry where there is rapid technological advances. This puts a great pressure on the company's financial structure to generate sufficient cash flows to finance its capital investments and refinance its outstanding debts.

The COVID-19 pandemic adds to this risk, as the need to fund the ramp-up of network builds amidst a challenged economy places strain on cash flows.

Mitigation:

- Evaluate Globe's projected and actual cash flows and continuously assess conditions in the financial markets for opportunities to pursue fund raising activities
- Strengthen Capital Expenditure (CAPEX) planning supported by data-driven decision making process
- Ensure stable access to the capital market by maintaining an investment grade credit rating, strong liquidity position and balance in resource allocation between CAPEX and Operational Expenditures (OPEX).

6. Information and Communications Technology Risk

The transformation of Globe's product portfolio from traditional telecom services to a data driven ecosystem of product and service offerings is enabled by the right systems and technologies. Mobile data applications and the rising popularity of smartphones, social media platforms as enabled by mobile and connected devices continue to drive the exponential surge in data traffic. Consequently, this leads to a clamor for fast, reliable, yet affordable data services. In response, Globe's Network infrastructure and

Information Technology platforms and systems undergo constant change and improvement to remain robust and anticipate and meet future demands. This ensures improved network quality, enhanced customer service and experience, optimized total cost of ownership.

Globe considers the following factors as its key risks in this area:

- Anticipating and selecting the right mix of technologies to adopt and implement
- Constant change and improvement leading to disruption of customer service and experience
- Technology ecosystems not working harmoniously with one another
- Total cost of ownership and operation are not optimized
- The right technologies are not implemented at the right place at the right time.

Mitigation:

- Continuous environmental scanning for the latest innovations and trends in telecom technologies, devices, and gadgets to determine the right information and communication technologies needed to both support new products and services, and for future-proofing both from a technology and cost to maintain and operate perspective.
- Adoption of best practice frameworks and standards to ensure that Network and IT transformation programs meet global standards in execution, efficiency, and security.
- Institutionalize appropriate program governance organizations with Management oversight to ensure that key Network and IT transformation programs are on track, its risks managed, integrates harmoniously with the overall technology ecosystem, and does not result in unintended disruptions that negatively impact customer experience.

7. Business Disruptions

The quality and continued delivery of Globe's services are highly dependent on Globe's network/IT infrastructure and a well-functioning work force, which are vulnerable to threats caused by extreme weather disturbances, natural calamities, fire, acts of terrorism, intentional damage, malicious acts, pandemic and other similar events which could negatively impact the attainment of revenue targets and the company's reputation.

The COVID-19 pandemic adds an additional layer of complexity towards the execution of Globe's business continuity plans, as minimum health protocols as well as community quarantine guidelines need to be constantly observed during disaster response and recovery.

Mitigation:

- Enhance Globe's incident and crisis management plans and capabilities and incorporate disaster risk reduction and response objectives in the company's business continuity planning
- Regular exercising of established plans to ensure that they stay relevant and effective, updating the plans as needed.
- Continuous partnerships with local and national government, as well as non-government organizations, in responding to natural and manmade crises.

8. Cybersecurity Risk

The cyber security landscape is rapidly evolving and users are heavily relying on digitized information and sharing vast amounts of data across complex and inherently vulnerable networks. As Globe continues to introduce personalized products and services and customized transactions to its customers, it stores personal information through product and service preferences and transaction history. This exposes Globe to various forms of cyber attacks which could result in disruption of business operations, damage to reputation, legal and regulatory fines and customer claims. New technologies and systems being installed in the name of advanced capabilities and processing efficiencies may introduce new risks which could outpace the organization's ability to properly identify, assess and address such risks. Further, new business models that rely heavily on global digitization, use of cloud, big data, mobile and social media expose the organization to even more cyber-attacks.

The COVID-19 created an additional layer of risk from the increased demand for digital services and connectivity. By expanding our vulnerabilities and attack surface, Globe becomes a greater target for threat actors as Globe processes large amounts of sensitive data.

Mitigation:

- Strengthening and enhancement of Globe's existing security detection, vulnerability and patch management, configuration management, identity access management, event monitoring, data loss prevention and network/end-user perimeter capabilities to ensure that cyber threats are effectively managed
- Implementing programs that enhance information security awareness among the organization
- Conducting information security reviews on outsourced processes and systems from Globe's third party suppliers
- Educating the youth to better understand the impact of their online behavior so they can be responsible digital citizens, thereby lessening cyber threats to Globe

9. Data Privacy Risk

In the course of regular business, Globe acquires personal information of its customers and retains the same either electronically or via hard copies. Existing laws require that information, especially customer information, must be adequately protected against unauthorized access and or/disclosure. The risk of data leakage is high with the level of empowerment granted to inhouse and outsourced employees handling sales and after sales support transactions to enable the efficient discharge of their functions.

A Chief Information Security Officer ensures the adequacy of information/ cyber security capabilities and controls. On the other hand, a Data Protection Officer manages programs and initiatives to address the risks relating to the confidentiality and integrity of customer information while ensuring compliance with the Data Privacy Act of 2012 (Republic Act 10173).

Mitigation:

- Promote employee awareness on data protection and loss prevention through regular corporate communication channels
- Enforce employee accountability on maintaining confidentiality of data handled, including disclosures and information shared in various social media platforms
- Strengthen controls over processes that require handling of customers' personal information and existing security capabilities to prevent compromise of customer data.
- Conduct regular compliance reviews of third party suppliers handling customer information to Data Privacy Act of 2012 (Republic Act 10173)

10. Digital Transformation Risk

In the age of Digital, Globe strives to be an agile organization - in the technologies it uses, in its day-to-day processes, and in its people and how the company is organized, to keep up with the needs and demands of its customers. Failure to drive the entire organization to quickly adapt to new ways of working, to new technologies that reduce complexity and increase efficiency, and make the right shift in skills and competencies necessary for Globe to lead in the digital space and forge into adjacent spaces, may lead to missed business opportunities, ineffective and bureaucratic processes and systems, and inefficient use of limited resources.

Mitigation:

- Implement cultural change programs and adoption of new ways of working, focusing on customer centricity, innovation, and agile.
- Opportunistic hiring of talents required for innovation and new investment areas.
- Build the right leadership structures and systems that will support an agile, future-ready, and customer centric organization.

11. Reputation and Customer Experience Risk

Globe is recognized as one of the Philippines' top companies providing innovative and superior products and services, creating wonderful experiences and constantly striving to delight its customers at every corner. Globe is also recognized as a company that commits its purpose of creating a Globe of Good by helping build a Digital Nation, caring for the Environment, as well as treating people right and leaving a Positive Societal Impact to the nation.

These promises and commitments exposes the company to reputational risks. Damage to Globe's reputation and erosion of brand equity could also be triggered by several factors such as the inability to swiftly and adequately handle customer complaints, negative social media sentiments, adverse public perceptions, failure to deliver on customer promises, inability to understand customer preferences and overall service experience, among others.

Mitigation:

- Frequent reviews of existing processes influenced by customers to identify and address existing gaps, minimizing exposure from risk areas
- Training front line staff to enhance customer handling and dispute resolution
- Implement comprehensive programs that farm customer feedbacks effectively and analyze them to create customer centric strategies

- Closely monitor customer online sentiments to immediately address customer issues before it surface to mainstream online platforms.

12. Revenue Leakage Risk

The telecommunications industry is inherently vulnerable to revenue leakage, with the continuing innovations in Telecom Technologies, Network and IT systems and the multitude of its service/bundle/plan offerings accompanying such advancements. The pace at which new offers are launched in the market and the speed of technological innovations being adopted by Globe, coupled with the ongoing Network and IT transformation programs heightens the need to identify and plug revenue leakages becomes an even more important capability in maximizing revenues and returns.

Mitigation:

- Identify and embed appropriate revenue assurance controls into new products and services
- Ensure solid internal controls on existing revenue-impacting processes through periodic controls review exercises, controls discovery and review of critical processes
- Implement Revenue Assurance tool that would increase efficiency in its operations through automated execution of controls

13. Fraud Risk

Globe runs the risk of falling victim to fraud perpetrated by unscrupulous persons or syndicates either to avail of “free” services, to take advantage of device offers or defraud Globe’s customers. With the increased complexity of technologies, network elements and IT infrastructure, new types of fraud that are more difficult to detect or combat could also arise. This risk also involves irregularities in transactions or activities executed by employees for personal gain.

Mitigation:

- Institutionalize processes and build capabilities that enable the early detection, investigation, resolution and enforcement of sanctions and legal options, close monitoring and timely reporting of various instances of fraudulent activities
- Increase organizational awareness of fraud policies and its consequences through regular communication channels of the company. The company promotes a positive work environment through clear organizational structure, written policies and fair employment practices, effectively preventing employee fraud and theft.
- Strengthen internal controls on processes with high vulnerability on fraud risks
- Implement various programs to equip its customers with the right information so that they do not fall victim to fraudsters
- Closely coordinates with law enforcement agencies to help protect its customers from activities meant to defraud them

14. Third Party Risk

In an increasingly globalized and interconnected world, Globe seeks out various 3rd party providers who play significant roles in delivering superior products and services, managing total cost to operate to remain competitive. Globe banks on the partners’ industry expertise and wealth of experience to extend the reach and expand the capabilities of the company. Currently, Globe engages 3rd party partners across key aspects of the company’s operations - from supply chain and procurement, managed services, billing and collection, facilities management and security, call center services, store operations, among others. As a result, these partners indirectly carry the Globe brand. Thus, this exposes the company to 3rd party risks on business continuity, cybersecurity, legal and regulatory compliance, supply chain management, and responsible business operations to name a few.

Mitigation:

- Implementation of strict vendor accreditation, selection/award and retention process. Vendors are also closely monitored for compliance with agreed-upon quality and service level standards as a means for retention, and imposition of rewards and penalties.
- Vendor trainings and indoctrination on Globe’s processes, policies, quality standards and targets

- Conduct 3rd party partner audits on key standards and best practices such as business continuity management, information security management system, environmental compliance, among others.
- Identification of alternative suppliers for key network components, devices, services, etc.

15. Environmental, Social, and Governance (ESG) Risks

Over the past years, various stakeholders have begun requiring companies to report on ESG risks as a means of determining the companies' sustainable practices. Investors and creditors in particular are looking into how companies address ESG risks as part of their investment decisions. Customers are increasingly becoming aware of issues concerning ESG, and have been seen to not support companies that do not incorporate sustainable practices into their businesses. Governments and regulators around the world, including here in the Philippines, have also begun setting up regulations that will require companies to report on ESG risks as part of ensuring good corporate governance practices. ESG risks include, but not limited to:

- a) Environmental Risks – risks concerning responsible use of natural resources, responsible handling and disposal of waste and other pollutants, reduction of carbon and resource consumption footprint, evaluating vulnerability to climate change, adopting green technologies and other opportunities.
- b) Social Risks - risks concerning employee health, safety, and welfare, equal opportunities, adherence to labor standards, transparency and accountability over products and services, upholding privacy and data security, unfair and unethical sourcing of resources and labor, delivering positive impact to the communities served.
- c) Governance Risks - risks concerning responsible business operations, commitment to good corporate governance practices, transparency and accountability at the top management level, transparent and responsible reporting of financial and tax information, compliance with prevailing laws and regulations, stand against corruption and unethical business practices.

Mitigation:

- Institutionalize an enterprisewide sustainability program that oversees Globe's programs and initiatives as well as ensure delivery of commitments made to various sustainability targets (e.g., UN SDG commitments, carbon footprint reduction commitments, GSMA commitments, among others).
- Institutionalize capabilities, processes, and frameworks that address one or more ESG risks, which include 3rd party audit and certification of said capabilities wherever possible to ensure that practices are up to international and/or generally accepted standards as well as seek 3rd party consultants' help and expertise to build capabilities whenever applicable.
- Commitments by top management towards sustainability frameworks and principles that tackles one or more ESG Risks (e.g., UN SDGs, UN Global Compact, TCFD framework adoption, among others).
- Integration of ESG risks into Globe's annual enterprise-wide risk assessment exercise, as well as periodic risk and control assessments, ensuring that adequate risk mitigation plans are in place to manage one or more ESG risks.
- Regular awareness campaigns and trainings across the company to continuously build support for and raise appreciation on sustainable practices and how they contribute to the creation of value for the company.

O. Debt Issues

For details on Globe Group's Loans Payable see Note 18 of the attached Notes to the 2020 Audited Financial Statements.

Item 2. Properties

A. Buildings and Leasehold Improvements

Globe Telecom's Corporate Office is located at The Globe Tower, 32nd Street corner 7th Avenue, Bonifacio Global City, Taguig.

Globe also owns several floors of condominium corporation Pioneer Highlands Towers 1 and 2, located at Pioneer Street in Mandaluyong City. In addition, the Company also owns host exchanges in the following areas: Bacoor, Batangas, Ermita, Iligan, Makati, Mandaluyong, Marikina, Cubao-Aurora, among others.

The Company leases office spaces in W City Center, located at 7th Avenue corner 30th Street, Bonifacio Global City, Taguig, for its Network Technical Group and its subsidiary AdSpark. It also leases office spaces in Limketkai Gateway Tower located in Cagayan de Oro City and in Abreeza Technohub located in Davao City. It also leases the space for most of its Globe Stores, as well as the Company's base stations and cell sites scattered throughout the Philippines.

Globe's existing business centers and cell sites located in strategic locations all over the country are generally in good condition and are covered by specific lease agreements with various lease payments, expiration periods and renewal options. As the Company continues to expand its network, Globe intends to lease more spaces for additional cell sites, stores, and support facilities with lease agreements, payments, expiration periods and renewal options that are undeterminable at this time. *(For additional details on Buildings and Leasehold Improvements see Note 11 of the attached notes to the 2020 Audited Financial Statements)*

B. Telecommunications Equipment

As of end December 2020, the Company has a nationwide 2G, 3G, 4G-LTE providing nationwide voice, SMS and mobile broadband services. In addition Globe has also launched 5G which provides fixed wireless broadband services & mobile broadband in selected areas.

Globe's wireless network has a Circuit Switched Core Network to provide voice service via 2G, 3G and 4G (using Circuit Switch Fallback). In addition, it has a nationwide network of Packet Switches to support its mobile broadband data services. Globe's wireless core network also includes an IP Multimedia Subsystem (IMS) for its VoLTE service which was commercially launched in 2020. The rest of Globe's nationwide core network includes Home Location Register / Home Subscriber Server (HLR/HSS), Signaling Gateways, and mobile broadband backend equipment. It also utilizes a number of Short Messaging Service Centers, and other Value Added Services application platforms to cater to Globe's rich portfolio of Value Added Service which includes an Emergency Cell Broadcast Messaging system to provide for emergency alert messaging in compliance to Republic Act 10639 other known as "AN ACT MANDATING THE TELECOMMUNICATIONS SERVICE PROVIDERS TO SEND FREE MOBILE ALERTS IN THE EVENT OF NATURAL AND MAN-MADE DISASTERS AND CALAMITIES".

The infrastructure for Innove's fixed telephone service includes a Nationwide Virtual IP Multimedia System (vIMS) infrastructure, the first of its kind implemented for domestic Fixed telephone service in the Philippines and an advanced Next Generation Network (NGN) International Gateway Facility that supports both traditional international long distance calls and international Voice Over IP Service. For Fixed Broadband service, Globe leverages on a combination of copper (ADSL, VDSL 35B), fiber (FTTx) technologies as well as fixed wireless broadband technologies based on massive MIMO 4G- LTE and 5G.

As part of its continuous network modernization program, Globe has also introduced Software Defined Network and Network Function Virtualization (NFV) technologies in the core network layer of its network. Network function virtualization leverages on commercial off-the-shelf hardware and the capabilities of cloud computing thus providing flexibility in deployment, capacity efficiency, better scalability, resiliency and ultimately lower total cost of ownership for Globe's network. As part of the deployment of SDN-NFV, Globe has deployed, in both its wireless and fixed broadband core network virtualized network elements including virtual unified service nodes (vUSN), and virtual unified packet gateways (vUGW) and virtual Home Subscriber Services (vHSS) node which stores and manages

identities, authentication data, subscription information, and location information about our subscribers. At the same time, Globe's 5G services utilizes a virtual 5G core network to deliver both Fixed Wireless Broadband and mobile broadband service in areas where fiber deployment is challenged by various permit and right of way issues.

Globe also has a national transmission network Globe established, operates and maintains two (2) georedundant and complementary Fiber Optic Backbone Network (FOBN) linking the Luzon, Visayas and Mindanao island groups. These two (2) FOBNs are now the primary national transmission backbone for Globe backbone to support all of the different telecommunication services and Value Added Service offered by Globe to its customers. In addition to these two (2) FOBNs, Globe also operates and maintains a fiber optic backbone linking the island of Luzon to the province of Palawan. Complementing this fiber optic backbones are Digital Microwave (MW) Terrestrial network employing Next Generation Internet Protocol (IP) MW supplemented by an extensive fiber optic networks in the key urban areas. To serve very remote rural areas, Globe also leverages on Very Small Aperture Satellite (VSAT) technology to deliver 2G, 3G and LTE services.

With its aggressive mobile broadband expansion program, Globe was able to expand its mobile broadband coverage to over 97% of Philippine Towns as of Q4 2020. Of note also is Globe's successful commercial launch of 5G technology for Fixed Wireless Access in selected towns in June 20, 2019 and 5G enhanced Mobile Broadband in February 6, 2020 initially in Metro Manila in line with its commitment to deliver 1st World Internet Access Service to the Filipino consumers.

C. Investments in Cable Systems

To provide resiliency and geographic diversity, Globe Group has also invested in several submarine cable systems, which the Company either owns or has rights of use on, a share of the systems' total capacity. Investments in cable systems include the cost of the Globe Group's ownership share in the capacity of certain cable systems under Construction & Maintenance Agreements; or infeasible rights of use (IRUs) under Capacity Purchase Agreements.

To date, Globe has investments in the following cable systems (shown below with their major connectivity paths):

- APCN2 – Asia Pacific Cable Network-2 (Trans-Asian region);
- C2C – City-to-City (Trans-Asian region);
- SEA-ME-WE3 – Southeast Asia-Middle East-Western Europe 3;
- SJC – Southeast Asia Japan Cable System – connects Singapore, Brunei, Hong Kong, China Mainland, Japan and the Philippines;
- TGN-IA – Tata Global Network–Intra Asia cable system - connects the Philippines to Japan, Hong Kong, and Singapore with onward connectivity via the TGN-P (Tata Global Network-Pacific) network to the United States; and
- SEA-US (Southeast Asia-United States) – connects Philippines, Indonesia, Guam, Hawaii and the mainland United States
- AAG – Asia-America Gateway – connects Singapore, Malaysia, Thailand, Vietnam, Brunei, Hong Kong, and Philippines to Guam, Hawaii and California (investment thru Globe's subsidiary Bayan Communications)

The Company opened its first international cable landing station located in Nasugbu, Batangas that directly accessed the C2C cable network, a 17,000 kilometer long submarine cable network linking the Philippines to Hong Kong, Taiwan, China, Korea, Japan and Singapore. Globe had separately purchased capacity in the C2C cable network which it subsequently transferred to its subsidiary, Innove Communications, Inc..

Additionally, Globe has acquired capacities, either through lease or IRU, in selected cable systems where the Company is not a consortium member or a private cable partner. These include capacities in East Asia Crossing (EAC).

On 17 March 2009, Globe formally opened its second international cable landing station in Ballesteros, Cagayan with the Company being the exclusive landing party in the Philippines to the Tata Global

Network – Intra Asia (TGN-IA) cable system. TGN-IA is a 6,700 kilometer trans-Asian submarine cable system that links the Ballesteros, Cagayan cable landing station in the Philippines to Japan, Hong Kong, and Singapore with onward connectivity via the TGN-Pacific network to Guam and the United States.

On 30 September 2013, the Southeast Asia-Japan Cable (SJC) System was formally launched where Globe is the exclusive landing party in the Philippines. At the time, the SJC System was one of the highest capacity systems in the world (supporting an initial design capacity of 28 terabits per second, the fastest speed an undersea cable system can provide). This enhanced the Company's global links to support businesses and consumers' increasing demand for high-speed internet and connectivity., Globe joined some of the biggest names in the industry including Brunei International Gateway Sendirian Berhad (BIG), Google, SingTel, KDDI, PT Telekomunikasi Indonesia International (Telin), China Mobile, China Telecom, China Telecom Global Limited (an affiliate of China Telecom), Donghwa Telecom Co., Ltd., and TOT of Thailand, in this consortium.

On August 2014, Globe Group joined a consortium of international telecommunications companies to build a \$250 million cable system directly connecting Southeast Asia and United States, the SEA-US. Completed in August 2017, the SEA-US undersea cable system provides superior latency, delivering an additional 20 terabits per second capacity, utilizing the latest 100 gigabits per second transmission equipment. Such additional capacity will cater to the exponential growth of bandwidth between the two continents. The SEA-US cable system is connected to the Globe cable landing station in Brgy. Talomo, Davao City which also houses the Power Feed Equipment necessary to run the system. Outside of Luzon, the undersea cable is the first direct connection of Globe to the United States via Guam, Hawaii, and California, offering faster transmission of data to the U.S.

For more information on the Company's properties and equipment, refer to Note 11 of the attached notes to the 2020 Audited Financial Statements.

Item 3. Legal Proceedings

Interconnection Charges for Short Messaging Service

On October 10, 2011, the NTC issued Memorandum Circular (MC) No. 02-10-2011 titled Interconnection Charge for Short Messaging Service requiring all public telecommunication entities to reduce their interconnection charge to each other from ₱0.35 to ₱0.15 per text, which Globe Telecom complied as early as November 2011. On December 11, 2011, the NTC One Stop Public Assistance Center (OSPAC) filed a complaint against Globe Telecom, Smart and Digitel alleging violation of the said MC No. 02-10-2011 and asking for the reduction of SMS off-net retail price from ₱1.00 to ₱0.80 per text. Globe Telecom filed its response maintaining the position that the reduction of the SMS interconnection charges does not automatically translate to a reduction in the SMS retail charge per text.

On November 20, 2012, the NTC rendered a decision directing Globe Telecom to:

- Reduce its regular SMS retail rate from P1.00 to not more than ₱0.80;
- Refund/reimburse its subscribers the excess charge of ₱0.20; and
- Pay a fine of ₱200.00 per day from December 1, 2011 until date of compliance.

On May 7, 2014, NTC denied the Motion for Reconsideration (MR) filed by Globe Telecom last December 5, 2012 in relation to the November 20, 2012 decision. Globe Telecom's assessment is that Globe Telecom is in compliance with the NTC Memorandum Circular No. 02-10-2011. On June 9, 2014, Globe Telecom filed petition for review of the NTC decision and resolution with the Court of Appeals (CA).

The CA granted the petition in a resolution dated September 3, 2014 by issuing a 60-day temporary restraining order on the implementation of Memorandum Circular 02-10-2011 by the NTC. On October 15, 2014, Globe Telecom posted a surety bond to compensate for possible damages as directed by the CA.

On June 27, 2016, the CA rendered a decision reversing the NTC's abovementioned decision and resolution requiring telecommunications companies to cut their SMS rates and return the excess amount paid by subscribers. The CA said that the NTC order was baseless as there is no showing that the reduction in the SMS rate is mandated under MC No. 02-10-2011; there is no showing, either that the present P1.00 per text rate is unreasonable and unjust, as this was not mandated under the memorandum. Moreover, under the NTC's own MC No. 02-05-2008, SMS is a value-added service (VAS) whose rates are deregulated. The respective motions for reconsideration filed by NTC and that of intervenor Bayan Muna Party List (Bayan Muna) Representatives Neri Javier Colmenares and Carlos Isagani Zarate were both denied.

The NTC thus elevated the CA's ruling to the Supreme Court (SC) via a Petition for Review on Certiorari dated September 15, 2017.

For its part, Bayan Muna filed its own Petition for Review on Certiorari of the CA's Decision. On January 4, 2018, Globe received a copy of the SC's Resolution dated November 6, 2017, requiring it to comment on said petition of Bayan Muna. Subsequently, on February 21, 2018, Globe received a copy of the SC's Resolution dated December 13, 2017 consolidating the Petitions for Review filed by Bayan Muna and NTC, and requiring Globe to file its comment on the petition for review filed by NTC. Thus, on April 2, 2018, Globe filed its Consolidated Comment on both Bayan Muna and the NTC's petitions for review. On September 18, 2018, Globe received a copy of Bayan Muna's Consolidated Reply to Globe's Consolidated Comment and Digitel and Smart's Comment.

Globe Telecom believes that it did not violate NTC MC No. 02-10-2011 when it did not reduce its SMS retail rate from Php 1.00 to Php 0.80 per text, and hence, would not be obligated to refund its subscribers. However, if it is ultimately decided by the Supreme Court (in case an appeal is taken thereto by the NTC from the adverse resolution of the CA) that Globe Telecom is not compliant with said circular, Globe may be contingently liable to refund to its subscribers the ₱0.20 difference (between ₱1.00 and ₱0.80 per text) reckoned from November 20, 2012 until said decision by the SC becomes final and executory. Management does not have an estimate of the potential claims currently.

Guidelines on Unit of Billing of Mobile Voice Service

On July 23, 2009, the NTC issued NTC MC No. 05-07-2009 (Guidelines on Unit of Billing of Mobile Voice Service). The MC provides that the maximum unit of billing for the Cellular Mobile Telephone System (CMTS) whether postpaid or prepaid shall be six (6) seconds per pulse. The rate for the first two (2) pulses, or equivalent if lower period per pulse is used, may be higher than the succeeding pulses to recover the cost of the call set-up. Subscribers may still opt to be billed on a one (1) minute per pulse basis or to subscribe to unlimited service offerings or any service offerings if they actively and knowingly enroll in the scheme.

On December 28, 2010, the Court of Appeals (CA) rendered its decision declaring null and void and reversing the decisions of the NTC in the rates applications cases for having been issued in violation of Globe Telecom and the other carriers' constitutional and statutory right to due process. However, while the decision is in Globe Telecom's favor, there is a provision in the decision that NTC did not violate the right of petitioners to due process when it declared via circular that the per pulse billing scheme shall be the default.

On January 21, 2011, Globe Telecom and two other telecom carriers, filed their respective Motions for Partial Reconsideration (MR) on the pronouncement that "the Per Pulse Billing Scheme shall be the default". The petitioners and the NTC filed their respective Motion for Reconsideration, which were all denied by the CA on January 19, 2012.

On March 12, 2012, Globe and Innove elevated to the Supreme Court the questioned portions of the Decision and Resolution of the CA dated December 28, 2010 and its Resolution dated January 19, 2012. The other service providers, as well as the NTC, filed their own petitions for review. The adverse parties have filed their comments on each other's petitions, as well as their replies to each other's comments. Parties were required to file their respective Memoranda and Globe filed its Memorandum on May 25, 2012. The case is now submitted for resolution.

Right of Innove to Render Service and Build Telecommunications Infrastructure in BGC

- PLDT and its affiliate, Bonifacio Communications Corporation (BCC) and Innove and Globe Telecom are in litigation over the right of Innove to render services and build telecommunications infrastructure in the Bonifacio Global City (BGC). In the case filed by Innove before the NTC against BCC, PLDT and the Fort Bonifacio Development Corporation (FBDC), the NTC has issued a Cease and Desist Order preventing BCC from performing further acts to interfere with Innove's installations in the BGC.

On January 21, 2011, BCC and PLDT filed with the CA a Petition for Certiorari and Prohibition against the NTC, et al. seeking to annul the Order of the NTC dated October 28, 2008 directing BCC, PLDT and FBDC to comply with the provisions of NTC MC 05-05-02 and to cease and desist from performing further acts that will prevent Innove from implementing and providing telecommunications services in the Fort Bonifacio Global City pursuant to the authorization granted by the NTC. On April 25, 2011, Innove Communications, filed its comment on the Petition.

On August 16, 2011, the CA ruled that the petition against Innove and the NTC lacked merit, holding that neither BCC nor PLDT could claim the exclusive right to install telecommunications infrastructure and providing telecommunications services within the BGC. Thus, the CA denied the petition and dismissed the case. PLDT and BCC filed their motions for reconsideration thereto, which the CA denied.

On July 6, 2012, PLDT and BCC assailed the CA's rulings via a petition for review on certiorari with the Supreme Court. Innove and Globe filed their comment on said petition on January 14, 2013, to which said petitioners filed their reply on May 21, 2013. The case remains pending with the SC. Meanwhile, a complaint filed by PLDT against the NTC, with Innove as intervenor, to annul NTC M.C. No. 05-05-2002 on the ground of unconstitutionality awaits pre-trial proceedings in the RTC in Quezon City.

- In a case filed by BCC against FBDC, Globe Telecom, and Innove before the RTC of Pasig, which case sought to enjoin Innove from making any further installations in the BGC and claimed damages from all the parties for the breach of the exclusivity of BCC in the area, the court did not issue a

TRO and has instead scheduled several hearings on the case. The defendants filed their respective motions to dismiss the complaint on the grounds of forum shopping and lack of jurisdiction, among others. On March 30, 2012, the RTC of Pasig, as prayed for, dismissed the complaint on the aforesaid grounds. The motion for reconsideration filed by BCC on July 20, 2012 remains pending with the trial court.

Acquisition by Globe Telecom and PLDT of the Entire Issued and Outstanding Shares of VTI

In a letter dated June 7, 2016 issued by Philippine Competition Commission (PCC) to Globe Telecom, PLDT, SMC and VTI regarding the Joint Notice filed by the aforementioned parties on May 30, 2016, disclosing the acquisition by Globe Telecom and PLDT of the entire issued and outstanding shares of VTI, the PCC claims that the Notice was deficient in form and substance and concludes that the acquisition cannot be claimed to be deemed approved.

On June 10, 2016, Globe Telecom formally responded to the letter reiterating that the Notice, which sets forth the salient terms and conditions of the transaction, was filed pursuant to and in accordance with Memorandum Circular No. I6-002 (MC No. I6-002) issued by the PCC. MC No. 16-002 provides that before the implementing rules and regulations for Republic Act No. 10667 (the Philippine Competition Act of 2015) come into full force and effect, upon filing with the PCC of a notice in which the salient terms and conditions of an acquisition are set forth, the transaction is deemed approved by the PCC and as such, it may no longer be challenged. Further, Globe Telecom clarified in its letter that the supposed deficiency in form and substance of the Notice is not a ground to prevent the transaction from being deemed approved. The only exception to the rule that a transaction is deemed approved is when a notice contains false material information. In this regard, Globe Telecom stated that the Notice does not contain any false information.

On June 17, 2016, Globe Telecom received a copy of the second letter issued by PCC stating that notwithstanding the position of Globe Telecom, it was ruling that the transaction was still subject for review.

On July 12, 2016, Globe Telecom asked the CA to stop the government's anti-trust body from reviewing the acquisition of SMC's telecommunications business. Globe Telecom maintains the position that the deal was approved after Globe Telecom notified the PCC of the transaction and that the anti-trust body violated its own rules by insisting on a review. On the same day, Globe Telecom filed a Petition for Mandamus, Certiorari and Prohibition against the PCC, docketed as CA-G.R. SP No. 146538. On July 25, 2016, the CA, through its 6th Division issued a resolution denying Globe Telecom's application for TRO and injunction against PCC's review of the transaction. In the same resolution, however, the CA required the PCC to comment on Globe Telecom's petition for certiorari and mandamus within 10 days from receipt thereof. The PCC filed said comment on August 8, 2016. In said comment, the PCC prayed that the ₱70 billion deal between PLDT-Globe Telecom and San Miguel be declared void for PLDT and Globe Telecom's alleged failure to comply with the requirements of the Philippine Competition Act of 2015. The PCC also prayed that the CA direct Globe Telecom to: cease and desist from further implementing its co-acquisition of the San Miguel telecommunications assets; undo all acts consummated pursuant to said acquisition; and pay the appropriate administrative penalties that may be imposed by the PCC under the Philippine Competition Act for the illegal consummation of the subject acquisition.

Meanwhile, PLDT filed a similar petition with the CA, docketed as CA G.R. SP No. 146528, which was raffled off to its 12th Division. On August 26, 2016, PLDT secured a TRO from said court. Thereafter, Globe Telecom's petition was consolidated with that of PLDT, before the 12th Division. The consolidation effectively extended the benefit of PLDT's TRO to Globe Telecom. The parties were required to submit their respective Memoranda, after which, the case shall be deemed submitted for resolution.

On February 17, 2017, the CA issued a Resolution denying PCC's Motion for Reconsideration dated September 14, 2016 for lack of merit. In the same Resolution, the Court granted PLDT's Urgent Motion for the Issuance of a Gag Order and ordered the PCC to remove the offending publication from its website and also to obey the sub judice rule and refrain from making any further public pronouncements regarding the transaction while the case remains pending. The Court also reminded the other parties, PLDT and Globe, to likewise observe the sub judice rule. For this purpose, the Court issued its gag order admonishing all the parties "to refrain, cease and desist from issuing public comments and

statements that would violate the sub judice rule and subject them to indirect contempt of court. The parties were also required to comment within ten days from receipt of the Resolution, on the Motion for Leave to Intervene, and Admit the Petition-in Intervention dated February 7, 2017 filed by Citizenwatch, a non-stock and non-profit association.

On April 18, 2017, PCC filed a petition before the SC docketed as G.R. No. 230798, to lift the CA's order that has prevented the review of the sale of San Miguel Corp.'s telecommunications unit to PLDT Inc. and Globe Telecom. On April 25, 2017, Globe filed before the SC a Motion for Intervention with Motion to Dismiss the petition filed by the PCC.

As of June 30, 2017, the SC did not issue any TRO on the PCC's petition to lift the injunction issued by the CA. Hence, the PCC remains barred from reviewing the SMC deal.

On July 26, 2017, Globe received the SC en banc Resolution granting Globe's Extremely Urgent Motion to Intervene. In the same Resolution, the Supreme Court treated as Comment, Globe's Motion to Dismiss with Opposition Ad Cautelam to PCC's Application for the Issuance of a Writ of Preliminary Injunction and/or TRO.

On August 31, 2017, Globe received another Resolution of the SC en banc, requiring the PCC to file a Consolidated Reply to the Comments respectively filed by Globe and PLDT, within ten (10) days from notice. Globe has yet to receive the Consolidated Reply of PCC since the latter requested for extension of time to file the same.

In the meantime, in a Decision dated October 18, 2017, the CA, in CA-G.R. SP No. 146528 and CA-G.R. SP No. 146538, granted Globe and PLDTs Petition to permanently enjoin and prohibiting PCC from reviewing the acquisition and compelling the PCC to recognize the same as deemed approved. PCC elevated the case to the SC via Petition for Review on Certiorari.

Co-use of Frequencies by PLDT/Smart and Globe Telecom as a result of the acquisition of controlling shares in VTI

On January 21, 2019, Globe filed its Comment to a petition filed by lawyers Joseph Lemuel Baligod and Ferdinand Tecson before the Supreme Court, against the NTC, PCC, Liberty Broadcasting Network, Inc.,(LBNI), Bell Telecommunications Inc. (BellTel), Globe, PLDT and Smart, docketed as G.R. No. 242353. The petition sought to, among others, enjoin PLDT/Smart and Globe from co-using the frequencies assigned to LBNI and BellTel in view of alleged irregularities in NTC's assignment of these frequencies to these entities. In its Comment, Globe argued that the frequencies were assigned in accordance with existing procedures prescribed by law and that to prevent the use of the frequencies will only result to its being idle and unutilized. Moreover, in view of the substantial investments made by Globe, for the use of these frequencies, enjoining its use will cause grave and irreparable injury not only to Globe but to subscribers who will be deprived of the benefits of fast and reliable telecommunications services. The other Respondents have likewise filed their respective Comments to the petition.

Details on these transactions have been extensively discussed in the disclosures filed with the SEC and PSE and may be accessed from the PSE and Company websites.

Item 4. Submission of Matters to a Vote of Security Holders

Except for matters taken up during the annual meeting of stockholders, there was no other matter submitted to a vote of security holders during the period covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Issuer's Equity, Market Price, Dividends and Related Stockholder Matters

A. Capital Stock

	2020		2019	
	Shares	Amount	Shares	Amount
	<i>(In Thousand Pesos and Number of Shares)</i>			
Voting Preferred stock - ₱5 per share	160,000	₱800,000	160,000	₱800,000
Non-Voting Preferred stock - ₱50 per share	40,000	2,000,000	40,000	2,000,000
Common stock - ₱50 per share	148,934	7,446,719	148,934	7,446,719

Globe Telecom's issued and subscribed capital stock consists of:

	2020		2019	
	Shares	Amount	Shares	Amount
	<i>(In Thousand Pesos and Number of Shares)</i>			
Voting Preferred stock - ₱5 per share	158,515	₱792,575	158,515	₱792,575
Non-Voting Preferred stock - ₱50 per share	20,000	1,000,000	20,000	1,000,000
Common stock - ₱50 per share	133,433	6,671,636	133,208	6,660,420
Total capital stock		₱8,464,211		₱8,452,995

1. Preferred Stock

Non-Voting Preferred Stock

On February 10, 2014, the Globe Telecom's BOD approved the amendment of Articles of Incorporation (AOI) to reclassify 31 million of unissued common shares with par value of ₱50 per share and 90 million of unissued voting preferred shares with par value of ₱5 per share into a new class of 40 million non-voting preferred shares with par value of ₱50 per share.

On April 8, 2014, the stockholders approved the issuance, offer and listing of up to 20 million non-voting preferred shares, with an issue volume of up to ₱10 billion. The non-voting preferred shares shall be redeemable, non-convertible, non-voting, cumulative and may be issued in series.

On June 5, 2014, the Securities and Exchange Commission (SEC) approved the amendment of AOI to implement the foregoing reclassification of shares.

On August 8, 2014, the SEC approved the offer of non-voting preferred perpetual shares and on August 15, 2014, the 20 million non-voting preferred shares were fully subscribed and issued. Subsequently, the shares were listed at the Philippines Stock Exchange (PSE) on August 22, 2014.

Non-voting preferred stock has the following features:

- (a) Issued at ₱50 par;
- (b) Dividend rate to be determined by the BOD at the time of issue;
- (c) Redemption - at Globe's option at such times and price(s) as may be determined by the BOD at the time of issue, which price may not be less than the par value thereof plus accrued dividends;
- (d) Eligibility of investors - Any person, partnership, association or corporation regardless of nationality wherein at least 60% of the outstanding capital stock shall be owned by Filipino
- (e) No voting rights;
- (f) Cumulative and non-participating;

- (g) No pre-emptive rights over any sale or issuance of any share in Globe Telecom's capital stock; and
- (h) Shares shall rank ahead of the common shares and equally with the voting preferred shares in the event of liquidation.

Voting Preferred Stock

Voting Preferred stock has the following features:

- (a) Issued at ₱5 par;
- (b) Dividend rate to be determined by the BOD at the time of issue;
- (c) One preferred share is convertible to one common share starting at the end of the 10th year of the issue date at a price to be determined by the Globe Telecom's BOD at the time of issue which shall not be less than the market price of the common share less the par value of the preferred share;
- (d) Call option - Exercisable any time by Globe Telecom starting at the end of the 5th year from issue date at a price to be determined by the BOD at the time of issue;
- (e) Eligibility of Investors - Only Filipino citizens or corporations or partnerships wherein 60% of the voting stock or voting power is owned by Filipino;
- (f) With voting rights;
- (g) Cumulative and non-participating;
- (h) Preference as to dividends and in the event of liquidation; and
- (i) No preemptive right to any share issue of Globe Telecom, and subject to yield protection in case of change in tax laws.

The dividends for preferred shares are declared upon the sole discretion of the Globe Telecom's BOD.

2. Common Stock

The roll forward of outstanding common shares is as follows:

	2020		2019	
	Shares	Amount	Shares	Amount
	(in Thousand Pesos and Number of Shares)			
At beginning of year	133,208	₱6,660,420	133,053	₱6,652,663
Exercise of stock options	-	-	10	499
Issuance of shares under share-based compensation plan and exercise of stock options	224	11,216	145	7,258
At end of year	133,432	₱6,671,636	133,208	₱6,660,420

Fully paid common stock, which have a par value of ₱50, carry one vote per share and carry a right to dividends

B. Market Information

The Company's common equity is traded at the Philippine Stock Exchange (PSE) under the ticker symbol GLO.

On August 2014, the Company issued Series A Non-Voting Perpetual Preferred shares. The shares are being traded in the Philippine Stock Exchange under the ticker GLOPP.

Below are the quarterly high and low prices in the last two (2) fiscal years.

COMMON SHARES		
	Price Per Share (PHP)	
<u>Calendar Period</u>	<u>High</u>	<u>Low</u>
2019		
First Quarter	2,150	1,851
Second Quarter	2,294	1,766
Third Quarter	2,260	1,826
Fourth Quarter	2,042	1,770
2020		
First Quarter	2,098	1,658
Second Quarter	2,300	2,000
Third Quarter	2,200	2,000
Fourth Quarter	2,120	1,948
NON-VOTING PREFERRED SHARES		
	Price Per Share (PHP)	
<u>Calendar Period</u>	<u>High</u>	<u>Low</u>
2019		
First Quarter	496.8	478
Second Quarter	497	478
Third Quarter	509.5	479
Fourth Quarter	509.5	497
2020		
First Quarter	513	420
Second Quarter	520	495
Third Quarter	524.5	502
Fourth Quarter	517.5	501

The price information as of latest practicable trading date (as of March 31, 2021):

- ₱1,880 per common share
- ₱503.50 per non-voting preferred share

C. Holders

There are approximately 3,124 holders of common shares, 6 holders of voting preferred shares, and 16 holders of non-voting preferred shares as of 31 December 2020.

The following are the top 20 registered holders of the Company's securities:

Common Stock:

	Stockholder Name	No. of Common Shares	Percentage owned out of total outstanding common shares
1	Singapore Telecom Int'l. Pte. Ltd.	62,646,487	46.95%
2	Ayala Corporation	41,157,276	30.84%
3	PCD Nominee Corp. (Non-Filipino)	15,716,202	11.78%
4	PCD Nominee Corp. (Filipino)	12,831,638	9.62%
5	Ernest Lawrence L. Cu	64,005	0.05%
6	Guillermo D. Luchangco	24,000	0.02%
7	Gil B. Genio	23,027	0.02%
8	Ernest L. Cu	22,309	0.02%

9	The First National Investment Co., Inc.	21,001	0.02%
10	Renato Manuel M. Jiao	20,955	0.02%
11	Anna Irminda B. Navarrete	19,418	0.01%
12	Alberto M. de Larrazabal	18,225	0.01%
13	Joseph Caliro	14,015	0.01%
14	Cedar Commodities, Inc.	12,900	0.01%
15	Rebecca V. Eclipse	11,790	0.01%
16	Carmina Delfina J. Herbosa	10,030	0.01%
17	Bernadette Say Go	10,000	0.01%
18	Rosemarie Maniego-Eala or Michael Francis Mendoza Eala	9,998	0.01%
19	Nikkolai Mari Z. Acosta	9,605	0.01%
20	Donald James Rae	9,375	0.01%

Voting Preferred Stock:

	Stockholder Name	No. of Preferred Shares	Percentage (of Voting Preferred Shares)
1	Asiacom Philippines, Inc.	158,515,016	100.00%
2	Rex Ma. A. Mendoza	1	0.00%
3	Cirilo P. Noel	1	0.00%
4	Ernest Lawrence Cu	1	0.00%
5	Saw Phaik Hwa	1	0.00%
6	Romeo L. Bernardo	1	0.00%

Non-Voting Preferred Stock:

	Stockholder Name	No. of Preferred Shares	Percentage (of Non-Preferred Shares)
1	PCD Nominee Corp. – Filipino	18,151,010	90.76%
2	Social Security System	1,600,000	8.00%
3	Knights of Columbus Fraternal Association of the Phils. Inc.	88,140	0.44%
4	RCBC Securities Inc.	60,000	0.30%
5	PCD Nominee Corp. – Non-Filipino	45,000	0.23%
6	Makati Central Estate Association Inc.	20,000	0.10%
7	First Life Financial Co. Inc.	20,000	0.10%
8	Tan Ben Cuevo and or Tan Imelda Toralba	4,000	0.02%
9	Yao Wilson Ang	3,000	0.02%
10	Robles Ma. Theresa Frasco	2,150	0.01%
11	Zalamea Enrique Jr M	2,000	0.01%
12	Tan Sherley G or Tan Brian G	2,000	0.01%
13	Macabuhay Angelo de Guzman	1,000	0.01%
14	Lim Ernesto Kiong or Flora Go Lim	600	0.00%
15	Lim Iris Veronica Go	600	0.00%
16	Teh Alfonso S	500	0.00%

D. Dividends

1. Cash Dividends

The dividend policy of Globe Telecom as approved by the Company's Board of Directors is to declare cash dividends to its common stockholders on a regular basis as may be determined by the BOD. The current policy, as approved by the Company's BOD in 2018, is to distribute cash dividends at the rate of 60% to 75% of prior year's core net income.

The dividend distribution policy is reviewed annually and subsequently each quarter of the year, taking into account the Company's operating results, cash flows, debt covenants, capital expenditure levels, and liquidity.

Total cash dividends distributed per common share for the past 3 years are listed below.

a. Common shares

CASH DIVIDEND (Per Share)			
AMOUNT (Php)	DECLARATION DATE	RECORD DATE	PAYMENT DATE
22.75	February 5, 2018	February 20, 2018	March 5, 2018
22.75	May 7, 2018	May 21, 2018	June 1, 2018
22.75	August 7, 2018	August 24, 2018	September 6, 2018
22.75	November 5, 2018	November 19, 2018	December 5, 2018
22.75	February 11, 2019	February 26, 2019	March 13, 2019
22.75	May 3, 2019	May 20, 2019	May 31, 2019
22.75	August 2, 2019	August 19, 2019	August 30, 2019
22.75	November 6, 2019	November 20, 2019	December 6, 2019
27.00	February 3, 2020	February 17, 2020	March 4, 2020
24.83	May 5, 2020	May 18, 2020	June 3, 2020
24.83	August 3, 2020	August 17, 2020	September 2, 2020
31.33	November 3, 2020	November 17, 2020	December 3, 2020

b. Voting Preferred shares

AMOUNT (Php)	DECLARATION DATE	RECORD DATE	PAYMENT DATE
0.26	November 5, 2018	November 19, 2018	December 5, 2018
0.32	December 10, 2019	December 26, 2019	December 27, 2019
0.32	November 3, 2020	November 17, 2020	December 3, 2020

c. Non-Voting Preferred shares

AMOUNT (Php)	DECLARATION DATE	RECORD DATE	PAYMENT DATE
13.00	May 4, 2018	August 10, 2018	August 22, 2018
13.00	December 6, 2018	January 28, 2019	February 22, 2019
13.00	May 3, 2019	July 26, 2019	August 22, 2019
13.00	December 10, 2019	January 29, 2020	February 24, 2020
13.00	May 5, 2020	July 28, 2020	August 24, 2020
13.00	December 11, 2020	January 27, 2021	February 22, 2021

Cash Dividends Declared After Balance Sheet Date

On February 9, 2021, Globe's Board of Directors approved the declaration of the first quarter cash dividend of ₱27.00 per common share payable on March 11, 2021 to shareholders on record as of February 24, 2021.

2. Restrictions on Retained Earnings

The total unrestricted retained earnings available for dividend declaration amounted to ₱17,193.84 million as of December 31, 2020. This amount excludes the undistributed net earnings of consolidated subsidiaries, accumulated equity in net earnings of joint ventures accounted for under the equity method, and unrealized gains recognized on asset and liability, currency translations and unrealized gains on fair value adjustments. The Globe Group is also subject to loan covenants that restrict its ability to pay dividends (see Note 18 of the attached Notes to the 2020 Audited Financial Statements).

E. Recent Sale of Unregistered or Exempt Securities, including recent issuance of securities constituting an exempt transaction

There were no private placements undertaken in the past three years.

F. Minimum Public Ownership

GLOBE TELECOM, INC.		
Computation of Public Ownership as of December 31, 2020		
		Number of Shares Common
Number of Issued Shares		133,432,727
Less: Number of Treasury Shares (if any)		0
Number of Issued and Outstanding Shares		133,432,727
	% to total	
	I/O Shares	Common
Directors		
Sub-total	0.0561 %	163,637
Officers		
Sub-total	0.0841 %	245,639
Principal Stockholders		
Asiacom Phils., Inc.		
Direct	54.2957 %	-
Singapore Telecom Int'l. Pte Ltd		
Direct	21.4581 %	62,646,487
Ayala Corporation		
Direct	14.0975 %	41,157,276
Indirect (thru PCD)	-	-
Sub-total	89.8513 %	103,803,763
Others		
Sub-total	0.1244 %	363,310
TOTAL	90.1159 %	104,576,349
Total Number of Shares Owned by the Public		28,856,378

<u>PUBLIC OWNERSHIP PERCENTAGE</u>		
<u>Total Number of Shares Owned by the Public</u>		
<u>28,856,378 shares</u>	=	<u>21.63%</u>
133,432,727 shares		

Number of Issued and Outstanding Shares	=	133,432,727
Number of Outstanding Shares	=	133,432,727
Number of Treasury Shares	=	0
Number of Listed Shares		
Common Shares	=	132,401,583
Preferred "A" Shares	=	158,515,021
Non-Voting Preferred Shares	=	20,000,000
Number of Foreign-Owned Shares		
Common Shares	=	78,383,997
Preferred "A" Shares	=	0
Non-Voting Preferred Shares	=	108,420
Foreign Ownership Level (%) - on voting shares	=	26.85%
Foreign Ownership Level (%) - on all Outstanding	=	25.14%
Foreign Ownership Limit (%)	=	40%

Item 6. Management's Discussion and Analysis of Operations

For The Financial Year Ended 2020

GROUP FINANCIAL HIGHLIGHTS

Results of Operations (Php Mn)	Globe Group Year on Year		
	31-Dec 2020	31-Dec 2019	YoY Change (%)
Operating Revenues	160,519	166,660	-4%
Service Revenues	146,388	149,010	-2%
<i>Mobile*</i>	103,113	110,965	-7%
<i>Home Broadband**</i>	26,798	21,747	23%
<i>Corporate Data</i>	12,539	12,969	-3%
<i>Fixed line Voice</i>	2,620	2,668	-2%
<i>Others***</i>	1,317	662	99%
Non-Service Revenues	14,131	17,650	-20%
Costs and Expenses	87,007	90,629	-4%
Cost of Sales	16,406	18,555	-12%
Operating Expenses	70,601	72,074	-2%
EBITDA	73,512	76,031	-3%
Normalized EBITDA	74,752	76,031	-2%
EBITDA Margin	50%	51%	
Depreciation	35,412	34,144	4%
EBIT	38,100	41,888	-9%
EBIT Margin	26%	28%	
Non-Operating Charges	10,961	9,060	21%
Net Income After Tax (NIAT)	18,623	22,284	-16%
Normalized Net Income After Tax	20,441	22,284	-8%
Core Net Income	19,523	22,451	-13%

Note: 2019 Service Revenues has been restated to reclass non-telco revenues from subsidiaries to Other revenues

*Mobile business includes mobile and fully mobile broadband

**Home Broadband includes fixed wireless and wired broadband

*** Others includes non-telco revenues from subsidiaries

- Full year consolidated service revenues posted a 2% decline from the record level revenues of ₱149.0 billion last year to only ₱146.4 billion in 2020, due mainly to the impact of the pandemic and the extended quarantine restrictions to most business segments except for Home Broadband. The robust performance of Home Broadband was offset by Mobile, Corporate Data and Fixed line Voice, which all registered a decline against last year. The significant growth in data revenue, which accounts for 76% of total service revenues mainly fueled this year's performance, as millions logged in from home for work, business, education, entertainment, telehealth and other online services.
 - Mobile business revenues as of end-December of 2020 slid by 7% from nearly ₱111.0 billion last year to ₱103.1 billion this year mainly due to the negative effects of the ECQ/MECQ period. Mobile revenues improved in the second half of the year with higher prepaid top-up levels and postpaid subscriber acquisitions, as the country reopened business activities, bringing back jobs and increasing the mobility of Filipinos, albeit below full capacities under GCQ/Modified GCQ.
 - Buoyed by the robust demand for fast and reliable internet connection, the Home Broadband business enjoyed a banner year with double-digit growth, posting a 23% year-on-year increase from the ₱21.7 billion posted in 2019 to a record ₱26.8 billion as of end-December of 2020. The outstanding performance of the Home Broadband business was

- largely driven by the continued subscriber base expansion and increased demand for Home Prepaid Wi-Fi.
- Despite the improvement in Corporate Data revenues in the fourth quarter, full year revenues remained lower versus last year at ₱12.5 billion, or 3% year-on-year decline. Corporate Data's drop in yearly revenues was attributed to lower domestic and international services, partly cushioned by higher information and communication technology (ICT) revenues.
 - Fixed line Voice revenues likewise were lower year-on-year by 2%.
- Non-telco products and services, on the other hand, generated a total of ₱1.3 billion revenues as of end-December 2020, or up by 99% from last year mostly coming from ECPay and Yondu.
 - Total operating expenses and subsidy as of end-December 2020 amounted to ₱72.9 billion from nearly ₱73.0 billion in 2019. The increases from trade provisions, subsidy, staff costs, rent, and repairs & maintenance were muted by the decline in interconnection fees, utilities and services.
 - Total depreciation and amortization expenses for the year rose to ₱35.4 billion from ₱34.1 billion reported in 2019, given Globe's continued massive network investments despite the pandemic.
 - Overall, Globe ended the year with total costs and expenses at ₱108.3 billion or 1% higher from ₱107.1 billion a year ago, due to increases across many expense line items except for interconnect costs, utilities and services. Higher expenses for the period were mainly to support management strategies, business, and data-network expansion.
 - Globe's consolidated EBITDA, which totaled ₱73.5 billion, was below last year's level of ₱76.0 billion mainly due to COVID-19 that impacted the topline figures. EBITDA margin likewise declined to 50% from last year's 51%. Excluding the one-time additional provisions for doubtful accounts booked in the first half of the year amounting to ₱1.9 billion and the ₱0.7 billion other income, normalized EBITDA would have been ₱74.8 billion or 2% lower versus last year. This would have translated to a 51% normalized EBITDA margin which is at par compared to 2019.
 - Non-operating charges grew year-on-year by 21%, due to the one-time impairment loss amounting to ₱4.2 billion largely from the network change out covering the full sunset of the 3G assets and the existing copper infrastructure, as partly offset by the gain of ₱2.4 billion mostly from the deemed sale of investment in Mynt following a third-party infusion by Bow Wave and loan revaluation.
 - The Globe Group ended year with consolidated net income of ₱18.6 billion, sliding by 16% from the reported net income in 2019. This was mainly attributed to the 3% decline in EBITDA, 4% increase in depreciation expenses and 21% increase in non-operating charges. Excluding the impact of the extraordinary items booked this year, normalized net income would have been ₱20.4 billion, or 8% lower from a year ago.
 - Globe's core net income, which excludes the impact of non-recurring charges, one-time gain, foreign exchange gains and mark-to-market charges, stood at ₱19.5 billion, down by 13% year-on-year.
 - Total cash capital expenditures as of end-December 2020 stood at ₱60.3 billion, 18% higher than last year's level of ₱51.0 billion. About 86% of the total capex for the period was spent on data network with the Company's continued focus on increasing capacity, cell site upgrades and fast-track fiberization of Filipino homes nationwide for better internet experience.

GROUP OPERATING REVENUES BY SEGMENT

Operating Revenues By Business (Php Mn)	Globe Group Year on Year		
	31-Dec 2020	31-Dec 2019	YoY Change (%)
Mobile*	115,082	128,219	-10%
Service Revenues	103,113	110,965	-7%
Non-Service Revenues	11,969	17,254	-31%
Fixed Line and Home Broadband**	44,029	37,777	17%
Service Revenues	41,957	37,383	12%
Non-Service Revenues	2,072	394	427%
Others***	1,408	664	112%
Service Revenues	1,317	662	99%
Non-Service Revenues	91	2	3571%
Total Operating Revenues	160,519	166,660	-4%

Note: 2019 Service Revenues has been restated to reclass non-telco revenues from subsidiaries to Other revenues

*Mobile business includes mobile and fully mobile broadband

**Home Broadband includes fixed wireless and wired broadband

*** Others includes non-telco revenues from subsidiaries

The Globe Group ended the year with total operating revenues of ₱160.5 billion, down by 4% from the ₱166.7 billion recorded last year. This was driven by the 2% year-on-year decline in the topline to reach only ₱146.4 billion in 2020 from ₱149.0 billion in 2019. The COVID-19 pandemic and the extended quarantine restrictions adversely affected most business segments except for Home Broadband.

Mobile service revenues, which accounted for 70% of Globe's consolidated service revenues for the year just ended, posted a 7% decline at ₱103.1 billion, due to the negative impact of the pandemic.

Globe Group's *Fixed line and Home Broadband* full year 2020 revenues stood at close to ₱42.0 billion, 12% higher year-on-year from ₱37.4 billion in 2019, bolstered by the solid contributions of home broadband.

Mobile non-service revenues declined year-on-year by 31%. Fixed Line and Home Broadband non-service revenues, however grew significantly compared to last year's ₱394 million. Meanwhile, non-service revenues from non-telco products and services likewise improved from ₱2 million in 2019 vs. ₱91 million in 2020.

MOBILE BUSINESS

Mobile Service Revenue (Php Mn)	Globe Group Year on Year		
	31-Dec 2020	31-Dec 2019	YoY Change (%)
Service			
Mobile Voice ¹	20,130	24,002	-16%
Mobile SMS ²	11,029	15,531	-29%
Mobile Data ³	71,954	71,432	1%
Mobile Service Revenues	103,113	110,965	-7%

Note: 2019 Service Revenues has been restated to reclass non-telco revenues from subsidiaries to Other revenues

¹ Mobile voice service revenues include the following:

- a) Prorated monthly service fees on consumable minutes of postpaid plans;
- b) Subscription fees on unlimited and bucket voice promotions including the expiration of the unused value of denomination loaded;
- c) Charges for intra-network and outbound calls in excess of the consumable minutes for various Globe Postpaid plans, including currency exchange rate adjustments, or CERA, net of loyalty discounts credited to subscriber billings;
- d) Airtime fees for intra network and outbound calls recognized upon the earlier of actual usage of the airtime value or expiration of the unused value of the prepaid reload denomination (for Globe Prepaid and TM) which occurs between 3 and 120 days after activation depending on the prepaid value reloaded by the subscriber net of (i) bonus credits and (ii) prepaid reload discounts; and revenues generated from inbound international and national long distance calls and international roaming calls; and
- e) Mobile service revenues of GTI.

Revenues from (a) to (e) are reduced by any payouts to content providers.

² Mobile SMS revenues consist of revenues from value-added services such as inbound and outbound SMS and MMS, infotext, and subscription fees on unlimited and bucket prepaid SMS services, net of any interconnection or settlement payouts to international and local carriers and content providers.

³ Mobile Data service revenues consist of revenues from Mobile internet browsing and content downloading, Mobile commerce services, other add-on value added services (VAS), and service revenues of GXI and Yondu, net of any interconnection or settlement payouts to international and local carriers and content providers, except where Globe is acting as principal to the contract where revenues are presented at gross billed to subscriber and settlement pay-out are classified as part of costs and expenses. Beginning 2017, revenues from premium content services (where Globe is acting as principal to the contract) will be reported gross of the licensors' fees.

Mobile Data

Mobile Browsing, Internet-on-the-Go and Other Data

Mobile data, the biggest contributor to the mobile business, accounted for 70% of total mobile service revenues (vs. 64% in 2019). As of end-December 2020 mobile data revenues posted close to ₱72.0 billion, a slight improvement of 1% versus a year ago. The sustained growth momentum in mobile data revenues was driven by the increasing consumption as the health crisis had turned mobile data into a primary need for Filipinos. Likewise, data traffic rose given consumers more conscientious data usage boosted by Globe's recalibrated data offers that provided better value and served the changing needs of its customers.

Over the years, Globe has pioneered efforts in introducing product and services that cater to the customer's digital preferences, enabling Globe to be the preferred brand for Filipinos' digital lifestyle choices. This was done through collaborative partnerships with global giants in the world of content. The Company partnered with internet giant Google to provide free access to Google Mobile services and to provide its subscribers the ability to charge purchases of applications to their postpaid bill or prepaid load, bypassing the need for credit cards and enhancing the convenience for Globe and TM customers. Likewise, the Company was able to tailor-make lifestyle packages for all its subscribers to meet their social networking needs and crowd-sourced content (via *Facebook* and *Wattpad*), chatting and digital communication (*Viber*), music (*Spotify*), sports (*NBA*) and media. Moreover, Globe's array of content partners including premium online streaming platforms like Netflix, iflix, HBO GO; social media networks such as YouTube; online shopping sites; and mobile games usher in a whole new entertainment experience, made more relevant at this time when most Filipinos are staying at home.

In order to cater to the changing needs of its customers with the new normal, Globe Prepaid launched "Go promos" in 2020 with the biggest GBs for ALL sites and apps. These promo were made to help everyone ease into the new normal without the worry of running out of data and being limited by a list of apps. Customers you choose from different "Go promos" with the biggest GBs, unlimited texts to all networks, and more.

PROMO	DATA	GoWIFI	SMS	CALLS	VALIDITY
Go50	5GB	1GB	Unlimited to all networks		3 days
Go90	8GB	1GB			Unlimited to Globe/TM
Go120	10GB	2GB			
Go140	11GB	2GB			

At the same time, Globe prepaid subscribers can further amplify its internet connectivity with the “GoBooster” add-ons to get more GBs, more app access, or even longer validity.

GoBOOSTERS	INCLUSIONS
GoBOOST15	+1GB for all sites and apps, valid for 1 day
GoWATCH10	+1GB for Youtube, Netflix and other video streaming apps, valid for 1 day
GoPLAY10	+1GB for Mobile Legends, Call of Duty, and other gaming apps, valid for 1 day
GoSHARE10	+1GB for Facebook, Tiktok and other social media apps, valid for 1 day
GoSHOP10	+1GB for Lazada, ZALORA and other shopping apps, valid for 1 day
GoKOREAN10	+1GB for Viu, V Live and other K-apps, valid for 1 day
GoLONGER10	+1 day validity
and more!	

In addition, Globe further gave its customers more option to level up their connection with *Go+* promos. Customers can have more GBs to use, as each promo comes with extra home-only GBs. Home-only GBs are the same as their usual mobile data (can be used for all sites and apps) but can only be used in one (1) location -- which is in their nominated address: (1) Go+120 - 3GB for all sites + 8GB home-only data, unli allnet texts, 1GB GoWiFi access, valid for 7 days (2) Go+160 - 3GB for all sites + 12GB home-only data, unli allnet texts, 2GB GoWiFi access, valid for 7 days (3) Go+190 - 3GB for all sites + 15GB home-only data, unli allnet texts, 2GB GoWiFi access, valid for 7 days. See also <https://www.globe.com.ph/prepaid/go-plus.html> for more details.

Meanwhile, Globe “*Surf4All*” is the Philippines’ first-ever data-sharing promo. This offers users a high data allowance that’s usable on all sites and can be shared with up to four (4) users for one week. Customers get to enjoy up to 20GB (15GB base data allocation + limited-time 5GB bonus data) of shareable data at an affordable ₱249. This new Globe data promo allows its customers to share data with Prepaid, Postpaid, Platinum, Globe At Home Prepaid WiFi, MyFi and TM users. See also <https://www.globe.com.ph/surf4all.html> for more details.

Globe’s Mobile browsing services also include the consumable mobile internet plan “*GoSurf*” which gives its subscribers bulk megabytes of mobile data consumable per kilobyte for as low as ₱15 for 2 days. See also <https://www.globe.com.ph/prepaid/gosurf.html> for more details. Globe Prepaid customers may also choose to subscribe to “*GoSakto*” to create their own prepaid combo with mix of calls, text, and surf promos, select a duration, assign their own promo name, which can also be shared with friends (see <https://www.globe.com.ph/prepaid/gosakto.html> for details). Prepaid customers may also choose to subscribe to “*GoUnli*” offers to get unlimited calls and texts with Free data for their favorite apps for as low as ₱20 per day (see <https://www.globe.com.ph/prepaid/gounli.html> for more details).

Meanwhile, TM customers can subscribe to the following EasySurf promos for as low as ₱10: EasySurf10 give customers 40MB valid for 1 day; EasySurf15 give customers 100MB plus 30MB for Instagram valid for 2 day; EasySurf30 give customers 300MB plus 50MB for Facebook, Viber, or Snapchat valid for 2 day; EasySurf50 give customers 1GB plus 1GB/day for choice of app bundle: Watch & Play, Share & Shop or Listen & Discover, 1 GB GoWiFi access and Unli allnet texts valid for 3 day. 30-day validity offers for TM are also available (EasySurf 299 for 2GB, EasySurf599 for 5GB, EasySurf999 for 10GB, EasySurf 1299 for 15GB, EasySurf1999 for 30 GB and EasySurf2499 for 50GB) plus 10GB for choice of app bundle: Watch & Play, Share & Shop or Listen & Discover, and 1 GB GoWifi access. SuperSurf for unlimited mobile internet are likewise available for ₱50 for 1-day unli internet and ₱200 for 5 days unli internet subject to fair use policy. For more details on TM’s latest offers, check <https://www.tmtambayan.ph/promos/a20.html>

In addition to these, the Company continue to offer *ChatPlus*, an all-in-one bundle that not only gives customers access to their favorite messaging apps but to a generous amount of IDD minutes to the US Mainland and Canada for as low as ₱25 per day. Customers can enjoy free access to messaging apps (such as *Facebook Messenger, Viber, WhatsApp, Google Messenger, Kakao Talk, WeChat, and LINE*) plus 15 IDD minutes for calls from the Philippines to the US Mainland and Canada. For those opting for a longer subscription and free IDD minutes, there is also the *ChatPlus 299*, valid for 30 days with 60 IDD minutes. Likewise, the Company continued to offer *Globe Prepaid Roam Surf*, a flat rate for unlimited data roaming service to its prepaid customers. This offer allows prepaid customers to access

the internet abroad for an entire 24-hour cycle, making their data connectivity experience more seamless and worry-free. *Roam Surf* for Globe Prepaid is available in three variants, ₱599 for 24 hours, ₱1,797 for 3 full days and ₱2,995 for 5 full days.

With Globe's commitment to enrich its lineup of content partners to cater to its customers' evolving digital lifestyle, Filipinos can now catch the Korean wave on Viu, the localized digital platform providing online Asian video content. K-Drama fans with a Globe Postpaid *ThePLAN* or *ThePLAN PLUS* subscription can enjoy unlimited downloads, priority viewing as fast as 8 hours after its telecast, full HD resolution up to 1080p, and access to Asian blockbuster movies with Viu Premium! Simply text VIU99 to 8080, click on the activation link that will be sent to you via text, confirm your Mobile number, and download the Viu app to start enjoying your 30-day subscription to Viu Premium.

The worldwide hit app *TikTok* is also included in the affordable data promos for Globe Mobile users for as low as ₱15 per day with *TIKTOK15*. For hardcore video creators, there are bigger data promos such as *TIKTOK50* with 600MB for 7 days and *TIKTOK199* with 1GB for 30 days. Customers can register to their preferred promo by texting the keyword to 8080.

Mobile Voice

Mobile voice revenues, which accounted for 20% of total mobile service revenues, ended the year at ₱20.1 billion, down by 16% from ₱24.0 billion in 2019. Consistent with global trends, voice revenues declined given the continued migration of voice traffic to alternative internet-based applications.

To support the revenue stream, the Company continues to provide attractive and affordable bulk voice offers such: (1) *Tawag 236* for 20-minute consumable calls for only ₱20 - *Globe Postpaid* and *Globe Prepaid* subscribers by simply replacing the 0 at the start of the number with 236 (dial 236 + 10-digit Globe number); (2) *Super Sakto Calls*¹- calls to Globe and TM numbers for only ₱0.15 per second by just replacing the zero at the beginning of the Globe or TM number with 232 (dial 232 + 10-digit Globe number) for the special rate to apply; (3) *GoCall100* provides *Globe Prepaid* subscribers 500 minutes of on-net calls to Globe/TM for only ₱100 for 7 days. Meanwhile, *TM* subscribers may choose *UnliTawag15* which gives its subscribers unlimited calls to all Globe and TM subscribers for as low as ₱15 valid for 1 day. Through the *Extend all-you-can promo*, *TM* subscribers can extend for another 24 hours their favorite *TM* promo for only ₱5 up to 365 times by simply texting "EXTEND" to 8888 before their current promo expires.

Filipinos who wish to stay connected with their loved ones abroad, Globe continues to offer its pioneering per-second charging for international voice calls, *IDD Sakto Calls* for both *Globe Postpaid* and *Globe Prepaid* subscribers. *Globe Prepaid's GoTipIDD* service remains to be the lowest per-minute IDD rates in the market (*Go tipIDD30* for as low as ₱2.50 per minute valid for three (3) days; *Go tipIDD50* valid for seven (7) days; *Go tipIDD100* valid for 15 days). For *TM* customers, they may opt to subscribe to *TM TipIDD30* which offers four (4) minutes of international calls to Saudi, UAE, Kuwait, Bahrain, Italy, UK, Australia and Japan for only ₱30 a day. Globe also provides unlimited calls to 49 countries for as low as ₱99 to select destinations worldwide with Globe's *Unli IDD*. *Unli IDD99* provides for one day unlimited calls to three (3) unique international numbers for only ₱99; *Unli IDD499* for unlimited calls to 5 unique international numbers for 7 days and *Unli IDD 999* for unlimited calls to 10 unique international numbers for 30 days. In addition, Globe also provides a bucket IDD service to popular and selected overseas destinations with *Go IDD*. *Globe Prepaid* customers can make IDD calls for as low as ₱1.50 per minute to U.S. Mainland, Canada, China, Hawaii, Hong Kong, Singapore, and Thailand for only ₱200, valid for 30 day.

Meanwhile, *GoCallIDD* is an IDD promo with the lowest rates to the Middle East at ₱5 per minute. It also allows customers to call Europe for only ₱5 per minute and North America and Asia Pacific for only ₱2.50 per minute. *GoCallIDD* comes in four variants (see <https://www.globe.com.ph/help/international/promos/gocallidd.html> for more details). *Roam Unli Call & Text* is likewise available for *Globe Postpaid* customers for them to enjoy all-day calls and texts while roaming (see <https://www.globe.com.ph/help/international/promos/roam-unli-call-text.html> for variants under this promo). *Roam Saver* is a pay-per-use promo that lets *Globe Postpaid* customers enjoy discounted calls and texts while roaming in over 60 international destinations worldwide, for a fixed

¹With at least ₱7.50 load requirement

registration fee of ₱199 (see <https://www.globe.com.ph/help/international/promos/roam-saver.html> for more details).

In addition, Filipinos or OFWs abroad can likewise spend more talk time with their loved ones in the Philippines with *Globe Duo International*. It is a subscription service that assigns a virtual international number to a registered *Globe Prepaid*, *Postpaid* or *TM Mobile* number. This service allows their friends and family members from abroad to call that virtual number, giving them a 'local' calling experience, which is more affordable compared to the standard IDD call rates to the Philippines. DUO International number is designed to receive incoming calls only. This service is currently available in 24 countries including USA, Canada, UK, Japan, Korea, Spain, Malaysia, Australia, Hong Kong, New Zealand, Israel, Norway, Sweden, Denmark, South Africa, Portugal, Finland, Italy, Greece, Netherlands, Switzerland, Austria, Ireland and Belgium. Promo packages from 7-days up to 180-days subscription are available for all *Globe Postpaid/Prepaid* and *TM* subscribers in the Philippines. Filipinos abroad may also avail of the promo by registering the *Globe Postpaid/Prepaid* or *TM Mobile* numbers of their family members in the Philippines via website: duo.globe.com.ph.

The Company also provides its subscribers with the best possible mix of voice, SMS, and Mobile browsing services through its combo packages. For *Globe Prepaid*, subscribers have the choice to avail of *Go AllNet* or *GoUnli* promos. *Go AllNet* promos provide unlimited SMS to all networks, plus calls to Globe/TM and calls to all networks and consumable Mobile browsing (see <https://www.globe.com.ph/prepaid/goallnet.html> for more details). Meanwhile, *GoUnli* promos provides for unlimited calls and texts with Free data for your favorite apps for as low as ₱20 per day (see <https://www.globe.com.ph/prepaid/gounli.html> for more details). *GoAll20* is Globe Prepaid's promo available in selected areas in the Philippines which offers unlimited texts to all networks, 30 minutes of calls to Globe/TM numbers and Free access to Facebook.

Mobile SMS

Mobile SMS revenues, which accounted for 10% of total mobile service revenues, closed the year at ₱11.0 billion or 29% lower against the ₱15.5 billion reported last year. Similar to voice, mobile SMS declined, with traffic moving to over-the-top (OTT) messaging apps.

Globe continues to showcase a comprehensive line up of Mobile SMS value offers ranging from unlimited and bucket text services. Globe continues to provide its prepaid subscribers with all-day unlimited on-net SMS with UnliTxt promos: *UnliTxt20* valid for 1 day for ₱20; *UnliTxt40* valid for 2 days for ₱40 and *UnliTxt80* valid for 5 days for ₱80. *GoUnlitxt49* was also made available in the market which offers its subscribers unlimited on-net texts to *Globe/TM* for only ₱49 valid for 7 days. For budget conscious customers, *Sulitxt15* provides its subscribers with 100 text messages to *Globe/TM* for one day. With the use of the *GoSakto*, *Globe Prepaid* subscribers can create a promo exactly how they want it based on their lifestyle and budget.

With TM's continued dedication of giving its subscribers wonderful and value-for-money offers, TM customers can get to choose from a wide array of promo offers ranging from bucket or unlimited SMS. With *Sulitxt5*, TM subscribers can send 25 texts to TM/Globe, valid for 1 day for only ₱5. *UnliAllNet10* which provides its subscribers with unlimited texts to all networks for ₱10 a day or subscribe to *Txt10* for unlimited text to TM/Globe, valid for 2 days. Also available is *Astigtxt30* which gives TM subscribers 5 days of unlimited text to TM/Globe for ₱30. *Dagdagtxt* was likewise introduced to the market which provides additional 100 all-network texts as an add-on to an UnliCall promo for only ₱5 a day. Moreover, TM subscribers can also enjoy unlimited one day text to TM/Globe as an add-on to their UnliTawag15 subscription for just a minimal price of ₱5.

Meanwhile, for Filipinos who wish to send messages to their family and friends abroad, Globe continues to offer *iTxtAll30*, for 100 SMS to over 40 countries and all networks in the Philippines for only ₱30 a day. Also available is *Unli iSMS USA299* for unlimited texts to the US Mainland* valid for 30 days and *Unli IDD and iSMS USA599* for unlimited calls and texts to the US Mainland* valid for 30 days (*Excluding Alaska, Guam, Hawaii, American Samoa, Northern Mariana Islands, Puerto Rico and U.S. Virgin Islands).

Go WiFi

In support of national development by providing access to user-friendly and cost-effective internet connectivity to more Filipinos. GoWiFi continues its expansion plans nationwide, particularly in high-traffic areas like malls, hospitals, and schools to make high-quality internet connection accessible and affordable to more Filipinos. GoWiFi is now available in over 2,800 hotspots nationwide, enabling users to get connected with up to 100Mbps of high-speed internet within the coverage of a GoWiFi site, regardless of network provider.

GoWiFi services are available in 2 modes: regular (free) GoWiFi and premium (paid) GoWiFi Auto. Both are open to all users with WiFi-enabled devices, regardless of network service provider (local or while roaming in the Philippines). To connect to free GoWiFi, just open the Wi-Fi-enabled device's WiFi settings and connect to the "@FreeGoWiFi" hotspot, register, choose from the different WiFi package and start surfing. To connect to premium wifi, connect to "@<site>_FreeGoWiFi SSID, register, then select a WiFi offer.

In line with its vision of accelerating the digital transformation of the Philippines, Globe has cemented another key partnership with one of the country's biggest provinces, Ilocos Norte. The milestone partnership was formalized through a Memorandum of Agreement signing last February 11, 2020 at the Ilocos Norte Provincial Capital. GoWiFi services are now available in key areas in Ilocos Norte, such as the Capitol Building, Laoag City Hall, Batac City Hall, San Nicolas IT Park, and Aurora Park in Laoag. In line with this partnership, Globe will also be holding sessions of its Digital Thumbprint Program (DTP) that aims to educate local government representatives and its community members on responsible online behavior. This includes being knowledgeable about online safety, cyberbullying, online etiquette, identifying fake news, among many others. DTP training will be done within the first quarter of the year.

Likewise, Globe sealed another landmark partnership with one of the country's economic powerhouses, Iloilo City. KapitWiFi is Globe's most affordable community WiFi service, which allows customers to connect to a hotspot, purchase a promo, and enjoy surfing in a snap. The new product promises affordability with no monthly fees and device cashouts, and availability to all mobile users regardless of network provider. For as low as ₱50, customers can enjoy up to 3GB of data allocation for three days. The service is now available for the benefit of 800 households within the vicinity of Brgy. Lanit. GoWiFi, the most pervasive public WiFi service in the country, is also now available in key locations including the City Hall of Iloilo, Sunburst Park, Freedom Grandstand, Iloilo International Airport, and Iloilo River Plains Integrated School in Brgy. Lanit. Apart from providing free WiFi access in its campus premises, GoWiFi also powered up the integrated school's computer lab with unlimited internet access to aid students in their digital learning experience.

Among other provinces and municipalities that was recently powered by GoWifi are Mangaldan, Pangasinan and San Jose Del Monte, Bulacan.

In the third quarter of 2020, *GoWiFi* delivered free internet connectivity in key Davao and Cebu locations such as hospitals, government offices, airports in the province and others. Residents can enjoy up to 100Mbps of high-speed internet powered by GoWiFi in the following sites:

- Hospitals - Davao Doctors Hospital, Davao Limso Hospital, Southern Philippines Medical Center Davao Medical School Foundation, Inc., San Pedro Hospital of Davao City, Inc., Cebu City Medical Center, Cebu Community Hospital, Cebu Doctors Hospital, and Chong Hua Hospital Mandaue
- Government offices - PhilHealth Office (Davao), Land Transportation Office - Davao, Land Transportation Office - Tagum, Tagum City Hall
- Airports - Davao International Airport, Mactan-Cebu International Airport
- Supermarkets - Shopwise Cebu Basak and Shopwise Express Cebu Basak
- Bus Terminal - Bogo Bus Terminal in Cebu

In the last quarter of the year, Globe and the local government of Pasig City embarked on a new partnership to provide high-speed and affordable internet access through GoWiFi and KonekTayo WiFi. High-quality connectivity is now made accessible to Pasig City residents, helping them become more digitally-empowered, especially as more resources and services shift to digital in the new normal. Formerly known as KapitWiFi, KonekTayo WiFi is a fast and secure community WiFi service that aims

¹GoWiFi is Globe Telecom's premium public WiFi service

to provide households with affordable internet. With KonekTayo WiFi, customers simply need to connect to a KonekTayo WiFi hotspot, purchase a promo and surf all day. KonekTayo WiFi will deploy buses converted into mobile WiFi hubs, equipped with special antennas that broadcast WiFi signal in select areas in the city, as students and workers rely on reliable home internet for learning and working. KonekTayo WiFi via these buses will be available from 7:00 a.m. to 7:00 p.m. from Monday to Sunday at the Ilaya Covered Court, Santolan Big Amphitheatre and Kapitolyo San Joaquin Elementary School. Likewise, key locations such as the Pasig City Hall will be powered with GoWiFi so that Pasigueños have easy and reliable access to the internet. More GoWiFi locations such as the Pasig Mega Market, Rave Park, Plaza Bonifacio, among others, are lined up for implementation in 2021.

GoWiFi likewise extends free internet connection in key public areas in Negros Occidental such as gas stations, supermarkets, hospitals and transport terminals and ticketing offices.

Key Mobile Drivers

	Globe Group Year on Year		
	31-Dec 2020	31-Dec 2019	YoY Change (%)
<u>Cumulative Subscribers (or SIMs) –</u>			
Net	76,645,567	94,204,277	-19%
<i>Globe Postpaid</i>	2,513,547	2,690,577	-7%
Prepaid	74,132,020	91,513,700	-19%
<i>Globe Prepaid¹</i>	38,109,102	44,815,390	-15%
<i>TM</i>	36,022,918	46,698,310	-23%
<u>Net Subscriber (or SIM) Additions</u>	(17,558,710)	20,110,686	-187%
<i>Globe Postpaid</i>	(177,030)	92,406	-292%
Prepaid	(17,381,680)	20,018,280	-187%
<i>Globe Prepaid¹</i>	(6,706,288)	10,227,792	-166%
<i>TM</i>	(10,675,392)	9,790,488	-209%
<u>Average Revenue Per Subscriber (ARPU)²</u>			
<i>Globe Postpaid</i>	850	907	-6%
Prepaid			
<i>Globe Prepaid¹</i>	93	108	-14%
<i>TM</i>	60	61	-2%
<u>Average Monthly Churn Rate (%)</u>			
<i>Globe Postpaid</i>	1.8%	1.7%	
Prepaid			
<i>Globe Prepaid¹</i>	4.8%	3.1%	
<i>TM</i>	6.2%	3.5%	

¹ *Globe Prepaid includes GOMO subscribers*

² *ARPU is computed by dividing recurring gross services revenues (gross of interconnect expenses) segment by the average number of the segment's subscriber and then dividing the quotient by the number of months in the period.*

Globe closed 2020 with a total Mobile subscriber base of 76.6 million, down by 19% from last year coming mostly from the decline in acquisitions given the extended quarantine imposed in the country, coupled with the increase in prepaid churn, as churn levels continue to normalize from the impact of the 1-year load validity regulation. Combined, Globe Prepaid and TM gross acquisitions comprised 99% of acquired SIMs during the period. With the increase in overall churn rates for the year of 5.4% from 3.3% a year ago, net reduction in subscribers totalled 17.6 million this period from the 20.1 million net additions last year.

The succeeding sections cover the key segments and brands of the Mobile business – *Globe Postpaid*, *Globe Prepaid* and *TM* including fully-Mobile Broadband subscribers.

Globe Postpaid

Globe Postpaid had a total of 2.5 million cumulative subscribers as of the end of December 2020, lower by 7% from 2019. *Globe Postpaid*'s gross acquisitions for the period stood at 381,773 or 38% lower than last year due mainly to the impact of the pandemic. With lower acquisitions and increase in churn rate (from 1.7% a year ago to 1.8% this period) total net reduction in postpaid subscribers stood at 177,030 versus last year's net addition of 92,406.

Globe Postpaid ARPU registered at ₱850, which was 6% lower from a year ago.

Prepaid

Globe's prepaid segment, which includes the *Globe Prepaid*¹ and *TM* brands, accounts for 97% of its total Mobile subscriber base. As end-December 2020, cumulative prepaid subscribers stood at about 74.1 million, 19% lower than the 91.5 million subs reported in 2019.

Based on the National Telecommunications Commission (NTC) Memorandum Circular 03-07-2009, the first expiry periods ranges from 3 days for ₱10 or below to 120 days for reloads amounting to ₱300 and above. The second expiry remains at 120 days from the date of the new first expiry periods. The first expiry is reset based on the longest expiry period among current and previous reloads. Under this policy, subscribers are included in the subscriber count until churned. Under the new pronouncement based on the National Telecommunications Commission (NTC), Department of Information and Communications Technology (DICT), and Department of Trade and Industry (DTI) Joint Memorandum Circular No. 05-12-2017 all prepaid load will now carry a one-year expiration period regardless of amount.

In compliance to this new regulation, effective January 6, 2018, Globe implemented a one-year expiration period for prepaid load worth 300 pesos and above. Then on July 5, 2018, Globe expanded the implementation to all Globe prepaid load, including those with denominations below 300 pesos.

The succeeding sections discuss the performance of the *Globe Prepaid* and *TM* brands in more detail.

a. Globe Prepaid

Globe Prepaid gross acquisitions dropped by 32% year-on-year from 25.1 million subscribers last year. Total cumulative *Globe Prepaid* subscribers was at 38.1 million as of end-December 2020, or 15% drop from a year ago. Prepaid churn rate for the period jumped to 4.8% from last year's 3.1% as the churn continue to normalize from the impact of the 1-year load validity regulation.

Globe Prepaid ARPU stood at ₱93, which was 14% lower from a year ago.

b. TM

TM's gross acquisitions declined year-on-year by 27%, from prior year's 27.4 million subscribers due to the impact of COVID-19 pandemic. Total cumulative *TM* subscribers stood at 36.0 million as of end-December of 2020, or 23% decline from the 46.7 million reported last year. *TM* churn rate for the period jumped to 6.2% from last year's 3.5% as the churn rates continue to revert to historical levels.

TM ARPU posted a 2% decline from ₱61 reported in 2019.

¹ *Globe Prepaid* subscribers now includes *GOMO* subscribers. *GOMO* is a fully digital service brand of Globe created to address the needs of the underserved digitally savvy yuppie segment. Simply buy the sim from gomo.ph or thru the *GOMO PH* mobile app.

FIXED LINE AND BROADBAND BUSINESS

Service Revenues (Php Mn)	Globe Group Year on Year		
	31-Dec 2020	31-Dec 2019	YoY Change (%)
Service			
Home Broadband ¹	26,798	21,747	23%
Corporate Data ²	12,539	12,969	-3%
Fixed line Voice ³	2,620	2,668	-2%
Fixed Line & Home Broadband Service Revenues	41,957	37,383	12%

Note: 2019 Service Revenues has been restated to reclass non-telco revenues from subsidiaries to Other revenues

¹ Home Broadband service revenues consist of the following:

- Monthly service fees of wired, fixed wireless, bundled voice and data subscriptions;
- Browsing revenues from all postpaid and prepaid wired, fixed wireless broadband packages in excess of allocated free browsing minutes and expiration of unused value of prepaid load credits;
- Value-added services such as games;
- Installation charges and other one-time fees associated with the service; and
- Beginning 2017, revenues from premium content services (where Globe is acting as principal to the contract) will be reported gross of the licensors' fees. Revenues for similar services reported in 2016 have also been restated for purposes of comparison. Licensors' fees will be reflected as part of maintenance expense.

² Corporate data (previously called Fixed line data) service revenues consist of the following:

- Monthly service fees from international and domestic leased lines;
- Other wholesale transport services;
- Revenues from value-added services; and
- One-time connection charges associated with the establishment of service.

³ Fixed line voice service revenues consist of the following:

- Monthly service fees;
- Revenues from local, international and national long-distance calls made by postpaid, prepaid fixed line voice subscribers and payphone customers, as well as Broadband customers who have subscribed to data packages bundled with a voice service. Revenues are net of prepaid and payphone call card discounts;
- Revenues from inbound local, international and national long-distance calls from other carriers terminating on Globe's network;
- Revenues from additional landline features such as caller ID, call waiting, call forwarding, multi-calling, voice mail, duplex and hotline numbers and other value-added features;
- Installation charges and other fees associated with the establishment of the service; and Revenues from DUO and SUPERDUO (Fixed line portion) service consisting of monthly service fees for postpaid and subscription fees for prepaid.

Home Broadband

	Globe Group Year on Year		
	31-Dec 2020	31-Dec 2019	YoY Change (%)
Cumulative Broadband Subscribers			
Fixed Wireless	3,057,933	1,375,260	122%
Wired	739,112	642,078	15%
Total (end of period)	3,797,045	2,017,338	88%

Globe Group's Fixed line and Home Broadband full year 2020 revenues stood at close to ₱42.0 billion, 12% higher year-on-year from ₱37.4 billion in 2019, bolstered by the solid contributions of home broadband.

Globe Home Broadband maintained its momentum by posting a 23% year-on-year revenue growth to reach a record ₱26.8 billion this period, from ₱21.7 billion last year. Total home broadband subscriber base now stands at 3.8 million, up 88% from the year earlier, driven mainly by the sustained increase in fixed wireless broadband users, which was up by 122% versus last year. As of end-December of 2020, Home Prepaid Wi-Fi (HPW) data traffic soared to 545 petabytes from 115 petabytes in 2019. The outstanding performance of the home broadband business was propelled by the need for reliable broadband connectivity during this time of crisis.

Corporate Data

Corporate Data ended the year with ₱12.5 billion revenues, down by 3% from a year ago, largely coming from domestic and international services as partly mitigated by higher information and communication technology (ICT) revenues.

Fixed Line Voice

Globe's total *Fixed line Voice* revenues however, declined year-on-year by 2%.

OTHER GLOBE GROUP REVENUES

International Long Distance (ILD) Services

Both Globe and Innove offer ILD voice services which cover international call services between the Philippines to 237 destinations with 780 roaming partners. This service generates revenues from both inbound and outbound international call traffic, with pricing based on agreed international termination rates for inbound traffic revenues and NTC-approved ILD rates for outbound traffic revenues.

Globe's ILD voice revenues from the mobile and fixed line businesses declined year-on-year by 33% (from ₱5.1 billion in 2019 to only ₱3.4 billion in 2020). This is attributed to the continued migration of international traffic through other internet-based applications.

GROUP OPERATING EXPENSES

Globe ended the year with total costs and expenses at ₱108.3 billion or 1% higher from ₱ 107.1 billion a year ago, due to increases across many expense line items except for interconnect costs, utilities and services. Higher expenses for the period were mainly to support management strategies, business, and data-network expansion.

(Php Mn)	Globe Group Year on Year		
	31-Dec 2020	31-Dec 2019	YoY Change (%)
Interconnect	1,007	3,983	-75%
Marketing and Subsidy	8,674	7,353	18%
Staff Costs	15,957	15,480	3%
Utilities, Supplies & Other Administrative Expenses	6,296	6,576	-4%
Rent	6,209	5,793	7%
Repairs & Maintenance	9,587	8,494	13%
Provisions	6,058	4,383	38%
Services and Others	19,088	20,917	-9%
Operating Expenses & Subsidy	72,876	72,979	-
Depreciation and Amortization	35,412	34,144	4%
Costs and Expenses	108,288	107,123	1%

Interconnect

Globe group's full year interconnect charges significantly declined by 75%, posting only ₱1.0 billion in 2020 from nearly ₱4.0 billion last year. The decrease in interconnection fees was largely due to this year's non-imposition of interconnect charges¹ on mobile domestic voice and SMS transactions coupled with lower roaming payout.

Marketing & Subsidy

Marketing and Subsidy expenses grew by 18% year-on-year to reach ₱8.7 billion from ₱7.4 billion reported a year ago mostly coming from subsidy and higher spending for ads & promos, as partly cushioned by lower commissions given the decline in postpaid acquisitions.

Staff Costs

Staff costs were up 3% to nearly ₱16.0 billion in 2020 from ₱15.5 billion in 2019 due to the 4% increase in headcount (8,353 in 2020 vs. 8,048 in 2019), translating to higher salaries and employee-related benefits, combined with the increase in retirement fund and hospitalization insurance, as partly offset by lower incentives this year.

Utilities, Supplies and Other Administrative Expenses

Utilities, supplies, and other administrative expenses, which contribute 9% of total operating expenses and subsidy, posted a decline of 4%, totaling to ₱6.3 billion from ₱6.6 billion reported in 2019. The drop was mainly from utilities on lower electricity and local travel. These were partially offset by higher fuel consumption for generator sets and supplies such as Covid-19 protective supplies.

Rent

Rent expenses for the year 2020 was at ₱6.2 billion, up by 7% from a year ago due to expenses related to international cable facilities, IP Port, and leases for cell sites, partly cushioned by lower leases for service vehicles and local interconnection facilities. This accounts for 9% of total operating expenses and subsidy.

Repairs and Maintenance

Repairs and maintenance costs for the year stood at ₱9.6 billion, up by 13% from the ₱8.5 billion reported a year ago. This was largely on higher expenditures for communication equipment, supplies facilities' preventive repairs and international cable system maintenance.

Provisions

This account includes provisions related to trade, non-trade and traffic receivables and inventory obsolescence. Globe group's provisions significantly grew year-on-year by 38% largely from the additional trade provisions due to the pandemic, as partly countered by lower inventory provisions.

Services and Others

Accounting for 26% of total operating expenses and subsidy, services and expenses decreased by 9% from ₱20.9 billion reported in 2019 driven mostly by lower managed services and customer call center services, counterbalanced by higher professional/advisory fees.

Depreciation and Amortization

Total depreciation and amortization expenses for the year rose to ₱35.4 billion from ₱34.1 billion reported in 2019, given Globe's continued massive network investments despite the pandemic.

¹ *Non-imposition of Interconnection Fee or Charge (under Section 9 of the Mobile Number Portability Act): To promote consumer welfare by fostering freedom of choice, no interconnection fee or charge shall be imposed by any mobile service provider for domestic calls and SMS made by a subscriber.*

OTHER INCOME STATEMENT ITEMS

Other income statement items include net financing costs, net foreign exchange gain (loss), interest income, and net property and equipment-related income (charges) as shown below:

(Php Mn)	Globe Group Year on Year		
	31-Dec 2020	31-Dec 2019	YoY Change (%)
Financing Costs			
Interest Expense	(6,369)	(6,436)	-1%
Loss on derivative instruments (net)	(1,580)	(809)	95%
Swap costs and other financing costs	(742)	(367)	102%
	(8,691)	(7,612)	14%
Other Income			
Foreign Exchange gain (net)	1,691	848	99%
Interest Income	195	500	-61%
Others	(4,156)	(2,796)	49%
<i>Equity share from Affiliates (net)</i>	<i>(2,076)</i>	<i>(2,262)</i>	<i>-8%</i>
<i>Frequency Amortization</i>	<i>(291)</i>	<i>(293)</i>	<i>-</i>
<i>Gain on Sale (AFPI)</i>	<i>-</i>	<i>240</i>	<i>-100%</i>
<i>Remeasurement loss on investment in Associate</i>	<i>-</i>	<i>(471)</i>	<i>-100%</i>
<i>Others – net</i>	<i>(1,789)</i>	<i>(11)</i>	<i>16011%</i>
Total Income (Other Expenses)	(10,961)	(9,060)	21%

The Globe Group's full year 2020 non-operating charges, increased by 21% from the ₱9.1 billion reported last year to nearly ₱11.0 billion this period. Higher non-operating expenses this period was mainly due to the one-time impairment loss amounting to ₱4.2 billion largely from the network change out covering the full sunset of the 3G assets and the existing copper infrastructure, as partly offset by the gain of ₱2.4 billion, mostly from the deemed sale of investment in Mynt following a third-party infusion by Bow Wave and loan revaluation.

(See related discussion on derivative instruments and swap costs in the Foreign Exchange and Interest Rate Exposure section).

Liquidity and Capital Resources

	Globe Group		
	31-Dec 2020	31 Dec 2019	YoY Change (%)
Balance Sheet Data (Php Mn)			
Total Assets	339,780	304,291	12%
Total Debt	167,673	136,274	23%
Total Stockholders' Equity	82,804	81,247	2%
Financial Ratios (x)			
Total Debt to EBITDA (gross)	2.42	1.86	
Total Debt to EBITDA (net)	2.14	1.75	
Debt Service Coverage	3.31	2.99	
Interest Coverage (Gross)	9.07	9.53	
Debt to Equity (Gross)	2.02	1.68	
Debt to Equity (Net) ¹	1.79	1.58	
Total Debt to Total Capitalization (Book)	0.67	0.63	
Total Debt to Total Capitalization (Market)	0.37	0.33	

¹ Net debt is calculated by subtracting cash, cash equivalents and short term investments from total debt.

Globe's balance sheet and cash flows remain strong with ample liquidity and gearing comfortably within bank covenants.

Globe Group's consolidated assets as of 31 December 2020 amounted to ₱339.8 billion compared to ₱304.3 billion as of December 31, 2019. Consolidated cash, cash equivalents and short-term investments (including investments in assets available for sale and held to maturity investments) was at ₱19.5 billion as of end-December of 2020 compared to ₱8.3 billion as of end-December of 2019.

Globe closed 2020 with gross debt to equity ratio on a consolidated basis at 2.02:1 and is still within the 3.0:1 debt to equity limit dictated by Globe's debt covenants. Meanwhile, net debt to equity ratio was at 1.79:1 as of end-December 2020 and 1.58:1 as of end December 2019. Globe's current ratio stood at 0.80:1 as of 31 December 2020 and 0.73:1 as of 31 December 2019 which are at par with industry standards. While Globe's average current ratio was below the SEC's minimum of 1:1, Globe believes it has more than sufficient cash flows from operations to meet its debt maturities, currently and prospectively.

The financial tests under Globe's loan agreements include compliance with the following ratios:

- Total debt* to equity not exceeding 3.0:1;
- Total debt to EBITDA not exceeding 3.5:1;
- Debt service coverage¹ exceeding 1.3 times; and
- Secured debt ratio² not exceeding 0.2 times.

*Composed of notes payable, current portion of long term debt, long term debt and net derivative liabilities

As of 31 December 2020, Globe is well within the ratios prescribed under its loan agreements.

¹ Debt service coverage ratio is defined as the ratio of EBITDA to required debt service, where debt service includes subordinated debt but excludes shareholder loans.

² Secured debt ratio is defined as the ratio of the total amount for the period of all present consolidated obligations for payment, whether actual or contingent which are secured by Permitted Security Interest as defined in the loan agreement to the total amount of consolidated debt.

On July 23, 2020, Globe Telecom issued a USD 300 million 10-year and USD 300 million 15-year US dollar denominated senior notes with a coupon rate of 2.5% and 3.0%, respectively. The notes are unrated and have been listed on the Singapore Exchange Securities Trading Limited on July 24, 2020. The net proceeds from the issue of the notes will be used to finance Globe's capital expenditures, maturing and/or existing obligations, and for general corporate requirements.

Consolidated Net Cash Flows

(Php Mn)	Globe Group		
	31-Dec 2020	31-Dec 2019	YoY Change (%)
Net Cash from Operating Activities	65,160	74,042	-12%
Net Cash from Investing Activities	(61,574)	(55,031)	12%
Net Cash from Financing Activities	8,489	(33,257)	-126%

Net cash flows provided by operating activities in 2020 was at ₱65.2 billion, down by 12% from the previous year.

Meanwhile, net cash used in investing activities amounting to ₱61.6 billion, was 12% higher from last year. Consolidated cash capital expenditures as of end-December 2020 amounted to ₱60.3 billion, or 18% higher from last year's ₱51.0 billion.

(Php Mn)	Globe Group		
	31-Dec 2020	31-Dec 2019	YoY Change (%)
Cash Capital Expenditures¹	60,302	51,024	18%
Total Additions to Property and equipment and Intangible assets ²	46,969	45,799	3%
Cash Capital Expenditures¹ / Service Revenues (%)	41.2%	34.2%	

¹ Cash capital expenditures – property and equipment and intangibles as of report date

² Includes property and equipment, intangibles and capitalized borrowing costs acquired as of report date regardless of whether payment has been made or not.

Consolidated net cash provided by financing activities amounted to ₱8.5 billion in 2020 versus last year's net cash used for financing activities of ₱33.3 billion. This was mainly driven by higher proceeds from borrowings as partly offset by increase in repayment of borrowings, and interest payments, coupled with the lease liability payments this period. Consolidated total debt, likewise increased by 23% from ₱136.3 billion at the end of December 2019 to ₱167.7 billion at the end of December this year.

96% of US\$ consolidated loans have been effectively converted to PHP via US\$963 million in currency hedges. After swaps, effectively 1% of total debt is denominated in US\$.

Below is the schedule of debt maturities for Globe for the years stated below based on total outstanding debt as of December 31, 2020:

Year Due	Principal* (US\$ Mn)
2021	178.12
2022	306.41
2023	371.42
2024 through 2035	2,604.87
Total	3,460.82

*Principal amount before debt issuance costs

The Globe Group has available uncommitted short-term credit facilities of ₱16,224 million and USD 84 million, ₱16,350 million and USD 94 million as of December 31, 2020 and December 31, 2019, respectively.

The Globe Group also has available ₱3,000 million committed short-term credit facilities as of December 31, 2020 and December 31, 2019. There is ₱3,500 million and nil long term committed credit facilities as of December 31, 2020 and December 31, 2019, respectively.

There are ₱700 million and nil outstanding short-term loans as of December 31, 2020 and December 31, 2019, respectively.

Stockholders' equity as of end-December 2020 was higher by 2% from ₱81,247 million to ₱82,804 million this period. Globe's capital stock consists of the following:

Voting Preferred Shares

Voting Preferred stock at a par value of ₱5 per share of which 158.5 million shares are outstanding out of a total authorized of 160 million shares.

The dividends for voting preferred stock are declared upon the sole discretion of the Globe Telecom's BOD.

To date, none of the voting preferred shares have been converted to common shares.

Non-Voting Preferred stock

Non-Voting Preferred stock at a par value of ₱50 per share of which 20 million shares are issued out of a total authorized of 40 million shares.

Common Shares

Common shares at par value of ₱50 per share of which 133.4 million are issued and outstanding out of a total authorized of 149 million shares.

Cash Dividends

The dividend policy of Globe Telecom as approved by the Board of Directors is to declare cash dividends to its common stockholders on a regular basis as may be determined by the Board. The dividend payout rate is reviewed annually and subsequently each quarter of the year, to take into consideration Globe Telecom's operating results, cash flows, debt covenants, capital expenditure levels and liquidity.

On November 8, 2011, the Board of Directors approved the current dividend policy of Globe Telecom to distribute cash dividend at the rate of 75% to 90% of prior year's core net income.

On August 6, 2013, the Board of Directors further approved the change in distribution from semi-annual dividend payments to quarterly dividend distributions. On December 10, 2013, the BOD approved to defer the implementation of the quarterly dividend payout to the third quarter of 2014.

On November 5, 2018, the Board of Directors likewise approved the proposed change in the dividend policy from 75% to 90% of prior year's core net income to 60% to 75% of prior year's core net income, to be applied to the 2019 dividend declaration. The amended policy will provide Globe with increased flexibility with respect to capital management. This adjustment will also ensure the sustainability of the operations in this investment-heavy environment, while protecting future dividends, once planned expansion yields beneficial results.

On February 3, 2020, the BOD approved the declaration of the first quarter cash dividend of ₱27 per common share, payable to common stockholders of record as of February 17, 2020. Total dividends amounting to ₱3.6 billion was paid last March 4, 2020.

On May 4, 2020, the Globe Board of Directors approved the declaration of the second semi-annual cash dividend for holders of its non-voting preferred shares on record as of July 28, 2020. The amount of the cash dividend shall be at a fixed rate of 5.2006% per annum calculated in respect of each share

by reference to the offer price of ₱500.00 per share on a 30/360-day basis for the six-month dividend period. Total amount of the cash dividend was paid last August 24, 2020.

Likewise, the Board of Directors of Globe approved in a separate approval the declaration of two quarterly distributions of cash dividends of ₱24.83 per common share paid last June 3, 2020 and September 2, 2020 to shareholders on record as of May 18, 2020 and August 17, 2020, respectively. Each cash dividend payment total to about ₱3.3 billion. The decision to change the dividend payout for the second and third quarter dividend distribution was an effort to conserve cash, as a healthy balance sheet and strong cashflows are key to managing the challenges brought about by the extended quarantine period.

On November 3, 2020 the Board of Directors of Globe approved the declaration of the fourth quarter cash dividends of ₱31.33 per common share paid last December 3, 2020 to stockholders on record as of November 17, 2020. The fourth quarter cash dividend payment total is about ₱4.2 billion. Total common cash dividend distribution as of end-December 2020 amounted to ₱14.4 billion. On the same date, Globe BOD approved the declaration of the cash dividend for holders of its voting preferred shares paid last December 3, 2020 to shareholders on record as of November 17, 2020. The amount of the cash dividend was based on the 2019 Benchmark rate of the 3-day average of the 5-year BVAL* (i.e. average of October 24, 25, 28, 2019) plus 2%. The aggregate dividend payment for the voting preferred shares was about ₱50.0 million.

On December 11, 2020, the Board of Directors of Globe also approved the declaration and payment of the first semi-annual 2021 cash dividends for the Company's non-voting preferred shareholders on record as of January 27, 2021. The amount of the cash dividend shall be at a fixed rate of 5.2006% per annum calculated in respect of each share by reference to the offer price of ₱500.00 per share on a 30/360-day basis for the six-month dividend period. Payment date: February 22, 2021.

Return on Average Equity (ROE)

Consolidated Return on Average Equity (ROE) registered at 22.7% as of end-December 2020, compared to 28.9% in 2019 using trailing 12 months net income and based on average equity balances for the year ended. Using trailing 12 months core net income, which excludes the effects of non-recurring expenses on net income, return on average equity as of end-December 2020 and 2019 were 23.8% and 29.1% respectively.

Earnings Per Share (EPS)

Accordingly, consolidated basic earnings per common share were ₱135.04 and ₱162.96, while consolidated diluted earnings per common share were ₱134.40 and ₱162.20 as of end-December 2020 and 2019, respectively.

Financial Risk Management

FOREIGN EXCHANGE EXPOSURE

Foreign exchange risks are managed such that USD inflows from operations (transaction exposures) are balanced or offset by the net USD liability position of the company (translation exposures). Globe Group's objective is to maintain a position which results in, as close as possible, a neutral effect to the P&L relative to movements in the foreign exchange market.

Transaction exposures

Globe has natural net US\$ inflows arising from its operations. Consolidated foreign currency-linked revenues¹ were at 7% and 8% of total gross service revenues for the periods ended 31 December 2020 and 2019, respectively. In contrast, Globe's foreign-currency linked expenses were at 14% and 12% of total operating expenses for the same periods ended.

The US\$ flows are as follows:

	December 2020
US\$ and US\$ Linked Revenues	₱9.7 billion
US\$ Operating Expenses	₱9.6 billion
US\$ Net Interest Expense	₱0.8 billion

Due to these net US\$ inflows, an appreciation of the Peso has a negative impact on Globe's Peso EBITDA. Globe occasionally enters into forward contracts to hedge against a peso appreciation.

There were no outstanding forward USD sale contracts as of December 31, 2020.

Translation Exposures

Globe's foreign exchange translation exposures result primarily from movements of the Philippine Peso (Php) against the U.S. Dollars (USD) with respect to USD-denominated financial assets, USD-denominated financial liabilities and certain USD-denominated revenues. Majority of revenues are generated in Php, while bulk of capital expenditures are in USD. In addition, 29% of debt as of December 31, 2020 are denominated in USD before taking into account any swap and hedges. After swaps, effectively 1% of total debt is denominated in US\$.

Information on Globe's foreign currency-denominated monetary assets and liabilities as of December 31, 2020 are as follows:

	December 2020
US\$ Assets	US\$205 million
US\$ Liabilities	US\$1,476 million
Net US\$ Liability Position	US\$1,272 million

As of end-December 2020, the Globe Group posted a total of ₱1,691 million net foreign exchange gain.

The Globe Group's foreign exchange risk management policy is to maintain a hedged financial position, after taking into account expected USD flows from operations and financing transactions. Globe Telecom enters into short-term foreign currency forwards and long-term foreign currency swap contracts in order to achieve this target.

As of end-December 2020, Globe has US\$303 million in cross currency swap contracts which are hedges of the interest and foreign exchange risks of some of our US\$ loans maturing in December 2023, August 2024, March 2025, and August 2027. The MTM of the outstanding swap contracts stood at a loss of ₱1,893 million as of end-December 2020.

As of end-December 2020, Globe has US\$660 million in principal only swap contracts which are hedges of the foreign exchange risks of some of our US\$ loans maturing in April 2022, October 2022, July 2025,

July 2027 and July 2030. The MTM of the swap contracts stood at a loss of ₱887 million as of end-December 2020.

Globe has US\$20 million in outstanding forward USD purchase contracts which remain outstanding as of end-December 2020. The mark-to-market of the outstanding forward USD purchase contracts stood at a loss of US\$47 million as of end-December 2020.

INTEREST RATE EXPOSURE

Interest rate exposures are managed via targeted levels of fixed versus floating rate debt that are meant to achieve a balance between cost and volatility. Globe's policy is to maintain between 44-88% of its peso debt in fixed rate, and between 31-62% of its US\$ debt in fixed rate.

As of end-December 2020, Globe has a total of US\$40 million in US\$ interest swaps and US\$303 million in cross currency swaps that were entered in to contracts to achieve these targets. The US\$ swaps fixed some of the Company's outstanding floating rate debts with quarterly payment intervals up to April 2022, October 2022, December 2023, August 2024, March 2025, March 2027 and August 2027.

As of end-December 2020, 85% (excluding short-term debt) of peso debt is fixed, while 91% of USD debt is fixed after swaps.

In 2020, the Globe Group's USD fixed rate loans ratio increased to 91% as a result of the issuance of the USD 600 million fixed rate notes.

The MTM of the interest rate swap contracts (not including the currency swap contracts) stood at a loss of ₱54 million as of end-December 2020.

CREDIT EXPOSURES FROM FINANCIAL INSTRUMENTS

Outstanding credit exposures from financial instruments are monitored daily and allowable exposures are reviewed quarterly.

For investments, the Globe Group does not have investments in foreign securities (bonds, collateralized debt obligations (CDO), collateralized mortgage obligations (CMO), or any instruments linked to the mortgage market in the US). Globe's excess cash is invested in short term bank deposits.

The Globe Group also does not have any investments or hedging transactions with investment banks. Derivative transactions as of the end of the period are with large foreign and local banks. Furthermore, the Globe Group does not have instruments in its portfolio which became inactive in the market nor does the company have any structured notes which require use of judgment for valuation purposes.

VALUATION OF DERIVATIVE TRANSACTIONS

The company uses valuation techniques that are commonly used by market participants and that have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. The company uses readily observable market yield curves to discount future receipts and payments on the transactions. The net present value of receipts and payments are translated into Peso using the foreign exchange rate at time of valuation to arrive at the mark to market value. For derivative instruments with optionality, the company relies on valuation reports of its counterparty banks, which are the company's best estimates of the close-out value of the transactions.

Gains (losses) on derivative instruments represent the net mark-to-market (MTM) gains (losses) on derivative instruments. As of December 31, 2020, the MTM value of the derivatives of the Globe Group amounted to ₱2,881.26 million while net loss on derivative instruments arising from changes in MTM reflected in the consolidated income statements as of end-December 2020 amounted to ₱1,579.75 million.

To measure riskiness, the Company provides a sensitivity analysis of its profit and loss from financial instruments resulting from movements in foreign exchange and interest rates. The interest rate sensitivity estimates the changes to the following P&L items, given an indicated movement in interest

rates: (1) interest income, (2) interest expense, (3) mark-to-market of derivative instruments. The foreign exchange sensitivity estimates the P&L impact of a change in the USD/PHP rate as it specifically pertains to the revaluation of the net unhedged liability position of the company, and foreign exchange derivatives.

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

Contingencies

Interconnection Charge for Short Messaging Service

On October 10, 2011, the NTC issued Memorandum Circular No. 02-10-2011 titled Interconnection Charge for Short Messaging Service requiring all public telecommunication entities to reduce their interconnection charge to each other from ₱0.35 to ₱0.15 per text, which Globe Telecom complied as early as November 2011. On December 11, 2011, the NTC One Stop Public Assistance Center (OSPAC) filed a complaint against Globe Telecom, Smart and Digitel alleging violation of the said MC No. 02-10-2011 and asking for the reduction of SMS off-net retail price from P1.00 to P0.80 per text. Globe Telecom filed its response maintaining the position that the reduction of the SMS interconnection charges does not automatically translate to a reduction in the SMS retail charge per text.

On November 20, 2012, the NTC rendered a decision directing Globe Telecom to:

- Reduce its regular SMS retail rate from P1.00 to not more than ₱0.80;
- Refund/reimburse its subscribers the excess charge of ₱0.20; and
- Pay a fine of ₱200.00 per day from December 1, 2011 until date of compliance.

On May 7, 2014, NTC denied the Motion for Reconsideration (MR) filed by Globe Telecom last December 5, 2012 in relation to the November 20, 2012 decision. Globe Telecom's assessment is that Globe Telecom is in compliance with the NTC Memorandum Circular No. 02-10-2011. On June 9, 2014, Globe Telecom filed petition for review of the NTC decision and resolution with the Court of Appeals (CA).

The CA granted the petition in a resolution dated September 3, 2014 by issuing a 60-day temporary restraining order on the implementation of Memorandum Circular 02-10-2011 by the NTC. On October 15, 2014, Globe Telecom posted a surety bond to compensate for possible damages as directed by the CA.

On June 27, 2016, the CA rendered a decision reversing the NTC's abovementioned decision and resolution requiring telecommunications companies to cut their SMS rates and return the excess amount paid by subscribers. The CA said that the NTC order was baseless as there is no showing that the reduction in the SMS rate is mandated under MC No. 02-10-2011; there is no showing, either that the present P1.00 per text rate is unreasonable and unjust, as this was not mandated under the memorandum. Moreover, under the NTC's own MC No. 02-05-2008, SMS is a value added service (VAS) whose rates are deregulated. The respective motions for reconsideration filed by NTC and that of intervenor Bayan Muna Party List (Bayan Muna) Representatives Neri Javier Colmenares and Carlos Isagani Zarate were both denied.

The NTC thus elevated the CA's ruling to the Supreme Court (SC) via a Petition for Review on Certiorari dated September 15, 2017.

For its part, Bayan Muna filed its own Petition for Review on Certiorari of the CA's Decision. On January 4, 2018, Globe received a copy of the SC's Resolution dated November 6, 2017, requiring it to comment on said petition of Bayan Muna. Subsequently, on February 21, 2018, Globe received a copy of the SC's Resolution dated December 13, 2017 consolidating the Petitions for Review filed by Bayan Muna and NTC, and requiring Globe to file its comment on the petition for review filed by NTC. Thus, on April 2, 2018, Globe filed its Consolidated Comment on both Bayan Muna and the NTC's petitions for review. On September 18, 2018, Globe received a copy of Bayan Muna's Consolidated Reply to Globe's Consolidated Comment and Digitel and Smart's Comment.

Globe Telecom believes that it did not violate NTC MC No. 02-10-2011 when it did not reduce its SMS retail rate from Php 1.00 to Php 0.80 per text, and hence, would not be obligated to refund its subscribers. However, if it is ultimately decided by the Supreme Court (in case an appeal is taken thereto by the NTC from the adverse resolution of the CA) that Globe Telecom is not compliant with said circular, Globe may be contingently liable to refund to its subscribers the ₱0.20 difference (between ₱1.00 and ₱0.80 per text) reckoned from November 20, 2012 until said decision by the SC becomes final and executory. Management does not have an estimate of the potential claims currently.

Guidelines on Unit Billing of Mobile Voice Service

On July 23, 2009, the NTC issued NTC Memorandum Circular (MC) No. 05-07-2009 (Guidelines on Unit of Billing of Mobile Voice Service). The MC provides that the maximum unit of billing for the Cellular Mobile Telephone System (CMTS) whether postpaid or prepaid shall be six (6) seconds per pulse. The rate for the first two (2) pulses, or equivalent if lower period per pulse is used, may be higher than the succeeding pulses to recover the cost of the call set-up. Subscribers may still opt to be billed on a one (1) minute per pulse basis or to subscribe to unlimited service offerings or any service offerings if they actively and knowingly enroll in the scheme.

On December 28, 2010, the Court of Appeals (CA) rendered its decision declaring null and void and reversing the decisions of the NTC in the rates applications cases for having been issued in violation of Globe Telecom and the other carriers' constitutional and statutory right to due process. However, while the decision is in Globe Telecom's favor, there is a provision in the decision that NTC did not violate the right of petitioners to due process when it declared via circular that the per pulse billing scheme shall be the default.

On January 21, 2011, Globe Telecom and two other telecom carriers, filed their respective Motions for Partial Reconsideration (MR) on the pronouncement that "the Per Pulse Billing Scheme shall be the default". The petitioners and the NTC filed their respective Motion for Reconsideration, which were all denied by the CA on January 19, 2012.

On March 12, 2012, Globe and Innove elevated to the Supreme Court the questioned portions of the Decision and Resolution of the CA dated December 28, 2010 and its Resolution dated January 19, 2012. The other service providers, as well as the NTC, filed their own petitions for review. The adverse parties have filed their comments on each other's petitions, as well as their replies to each other's comments. Parties were required to file their respective Memoranda and Globe filed its Memorandum on May 25, 2012. The case is now submitted for resolution.

Right of Innove to Render Services and Build Telecommunications Infrastructure in BGC

(1) PLDT and its affiliate, Bonifacio Communications Corporation (BCC) and Innove and Globe Telecom are in litigation over the right of Innove to render services and build telecommunications infrastructure in the Bonifacio Global City (BGC). In the case filed by Innove before the NTC against BCC, PLDT and the Fort Bonifacio Development Corporation (FBDC), the NTC has issued a Cease and Desist Order preventing BCC from performing further acts to interfere with Innove's installations in the BGC.

On January 21, 2011, BCC and PLDT filed with the CA a Petition for Certiorari and Prohibition against the NTC, et al. seeking to annul the Order of the NTC dated October 28, 2008 directing BCC, PLDT and FBDC to comply with the provisions of NTC MC 05-05-02 and to cease and desist from performing further acts that will prevent Innove from implementing and providing telecommunications services in the Fort Bonifacio Global City pursuant to the authorization granted by the NTC. On April 25, 2011, Innove Communications, filed its comment on the Petition.

On August 16, 2011, the CA ruled that the petition against Innove and the NTC lacked merit, holding that neither BCC nor PLDT could claim the exclusive right to install telecommunications infrastructure and providing telecommunications services within the BGC. Thus, the CA denied the petition and dismissed the case. PLDT and BCC filed their motions for reconsideration thereto, which the CA denied.

On July 6, 2012, PLDT and BCC assailed the CA's rulings via a petition for review on certiorari with the Supreme Court. Innove and Globe filed their comment on said petition on January 14, 2013, to which said petitioners filed their reply on May 21, 2013. The case remains pending with the SC.

Meanwhile, a complaint filed by PLDT against the NTC, with Innove as intervenor, to annul NTC M.C. No. 05-05-2002 on the ground of unconstitutionality awaits pre-trial proceedings in the RTC in Quezon City.

(2) In a case filed by BCC against FBDC, Globe Telecom, and Innove before the RTC of Pasig, which case sought to enjoin Innove from making any further installations in the BGC and claimed damages from all the parties for the breach of the exclusivity of BCC in the area, the court did not issue a TRO and has instead scheduled several hearings on the case. The defendants filed their respective motions to dismiss the complaint on the grounds of forum shopping and lack of jurisdiction, among others. On March 30, 2012, the RTC of Pasig, as prayed for, dismissed the complaint on the aforesaid grounds. The motion for reconsideration filed by BCC on July 20, 2012 remains pending with the trial court.

Acquisition by Globe Telecom and PLDT of the Entire Issued and Outstanding Shares of VTI

In a letter dated June 7, 2016 issued by Philippine Competition Commission (PCC) to Globe Telecom, PLDT, SMC and VTI regarding the Joint Notice filed by the aforementioned parties on May 30, 2016, disclosing the acquisition by Globe Telecom and PLDT of the entire issued and outstanding shares of VTI, the PCC claims that the Notice was deficient in form and substance and concludes that the acquisition cannot be claimed to be deemed approved.

On June 10, 2016, Globe Telecom formally responded to the letter reiterating that the Notice, which sets forth the salient terms and conditions of the transaction, was filed pursuant to and in accordance with Memorandum Circular No. I6-002 (MC No. I6-002) issued by the PCC. MC No. 16-002 provides that before the implementing rules and regulations for Republic Act No. 10667 (the Philippine Competition Act of 2015) come into full force and effect, upon filing with the PCC of a notice in which the salient terms and conditions of an acquisition are set forth, the transaction is deemed approved by the PCC and as such, it may no longer be challenged. Further, Globe Telecom clarified in its letter that the supposed deficiency in form and substance of the Notice is not a ground to prevent the transaction from being deemed approved. The only exception to the rule that a transaction is deemed approved is when a notice contains false material information. In this regard, Globe Telecom stated that the Notice does not contain any false information.

On June 17, 2016, Globe Telecom received a copy of the second letter issued by PCC stating that notwithstanding the position of Globe Telecom, it was ruling that the transaction was still subject for review.

On July 12, 2016, Globe Telecom asked the CA to stop the government's anti-trust body from reviewing the acquisition of SMC's telecommunications business. Globe Telecom maintains the position that the deal was approved after Globe Telecom notified the PCC of the transaction and that the anti-trust body violated its own rules by insisting on a review. On the same day, Globe Telecom filed a Petition for Mandamus, Certiorari and Prohibition against the PCC, docketed as CA-G.R. SP No. 146538. On July 25, 2016, the CA, through its 6th Division issued a resolution denying Globe Telecom's application for TRO and injunction against PCC's review of the transaction. In the same resolution, however, the CA required the PCC to comment on Globe Telecom's petition for certiorari and mandamus within 10 days from receipt thereof. The PCC filed said comment on August 8, 2016. In said comment, the PCC prayed that the ₱70 billion deal between PLDT-Globe Telecom and San Miguel be declared void for PLDT and Globe Telecom's alleged failure to comply with the requirements of the Philippine Competition Act of 2015. The PCC also prayed that the CA direct Globe Telecom to: cease and desist from further implementing its co-acquisition of the San Miguel telecommunications assets; undo all acts consummated pursuant to said acquisition; and pay the appropriate administrative penalties that may be imposed by the PCC under the Philippine Competition Act for the illegal consummation of the subject acquisition.

Meanwhile, PLDT filed a similar petition with the CA, docketed as CA G.R. SP No. 146528,

which was raffled off to its 12th Division. On August 26, 2016, PLDT secured a TRO from said court. Thereafter, Globe Telecom's petition was consolidated with that of PLDT, before the 12th Division. The consolidation effectively extended the benefit of PLDT's TRO to Globe Telecom. The parties were required to submit their respective Memoranda, after which, the case shall be deemed submitted for resolution.

On February 17, 2017, the CA issued a Resolution denying PCC's Motion for Reconsideration dated September 14, 2016 for lack of merit. In the same Resolution, the Court granted PLDT's Urgent Motion for the Issuance of a Gag Order and ordered the PCC to remove the offending publication from its website and also to obey the sub judice rule and refrain from making any further public pronouncements regarding the transaction while the case remains pending. The Court also reminded the other parties, PLDT and Globe, to likewise observe the sub judice rule. For this purpose, the Court issued its gag order admonishing all the parties "to refrain, cease and desist from issuing public comments and statements that would violate the sub judice rule and subject them to indirect contempt of court. The parties were also required to comment within ten days from receipt of the Resolution, on the Motion for Leave to Intervene, and Admit the Petition-in Intervention dated February 7, 2017 filed by Citizenwatch, a non-stock and non-profit association.

On April 18, 2017, PCC filed a petition before the SC docketed as G.R. No. 230798, to lift the CA's order that has prevented the review of the sale of San Miguel Corp.'s telecommunications unit to PLDT Inc. and Globe Telecom. On April 25, 2017, Globe filed before the SC a Motion for Intervention with Motion to Dismiss the petition filed by the PCC.

As of June 30, 2017, the SC did not issue any TRO on the PCC's petition to lift the injunction issued by the CA. Hence, the PCC remains barred from reviewing the SMC deal.

On July 26, 2017, Globe received the SC en banc Resolution granting Globe's Extremely Urgent Motion to Intervene. In the same Resolution, the Supreme Court treated as Comment, Globe's Motion to Dismiss with Opposition Ad Cautelam to PCC's Application for the Issuance of a Writ of Preliminary Injunction and/or TRO.

On August 31, 2017, Globe received another Resolution of the SC en banc, requiring the PCC to file a Consolidated Reply to the Comments respectively filed by Globe and PLDT, within ten (10) days from notice. Globe has yet to receive the Consolidated Reply of PCC since the latter requested for extension of time to file the same.

In the meantime, in a Decision dated October 18, 2017, the CA, in CA-G.R. SP No. 146528 and CA-G.R. SP No. 146538, granted Globe and PLDTs Petition to permanently enjoin and prohibiting PCC from reviewing the acquisition and compelling the PCC to recognize the same as deemed approved. PCC elevated the case to the SC via Petition for Review on Certiorari.

Co-use of frequencies by PLDT/Smart and Globe Telecom as a result of the acquisition of controlling shares in VTI

On January 21, 2019, Globe filed its Comment to a petition filed by lawyers Joseph Lemuel Baligod and Ferdinand Tecson before the Supreme Court, against the NTC, PCC, Liberty Broadcasting Network, Inc.,(LBNI), Bell Telecommunications Inc. (BellTel), Globe, PLDT and Smart, docketed as G.R. No. 242353. The petition sought to, among others, enjoin PLDT/Smart and Globe from co-using the frequencies assigned to LBNI and BellTel in view of alleged irregularities in NTC's assignment of these frequencies to these entities. In its Comment, Globe argued that the frequencies were assigned in accordance with existing procedures prescribed by law and that to prevent the use of the frequencies will only result to its being idle and unutilized. Moreover, in view of the substantial investments made by Globe, for the use of these frequencies, enjoining its use will cause grave and irreparable injury not only to Globe but to subscribers who will be deprived of the benefits of fast and reliable telecommunications services. The other Respondents have likewise filed their respective Comments to the petition.

2. Causes of any material change from period to period: 2020 vs. 2019

Assets

- A** Cash and cash equivalents – Increase of ₱11.2B in cash is largely due to the cash generated from financing as a result of the issuance of fixed rate bonds and cash generated from operating activities which were offset by cash used in investing activities. Relative to the previous year, Globe made more loan availments and capex build.
- B** Trade Receivable – ₱993M decline was primarily due to the higher balance of allowance for impairment losses as a result of the provisions recognized during the year.
- C** Contract assets and deferred contract costs – Decrease of P1.38B was primarily attributable to the lower additions to contract assets due to the lower revenues from sale of bundled handsets and devices.
- D** Inventories and Supplies – Increase of ₱1.3B mostly came from higher quantities of broadband and modem devices that remained on hand at the end of the year.
- E** Property and equipment – Increase of ₱7.6B is largely due to the additions to telecom equipment from ongoing network expansion.
- F** Intangible Assets – Increase of ₱1.2B is mostly due to the additions to application software and licenses which were offset by the regular annual amortizations.
- G** Right of use assets – Increase of ₱734M is mostly due to the additional long-term leases of network sites acquired during the year.
- H** Investment in Joint Venture and Associates – Increase by ₱1.2B was primarily due to the additional capital infusions made to Mynt, gain recognized on deemed partial disposal of investment in Mynt which were partially offset by the share in net losses of joint ventures and associate recognized during the year.
- I** Prepayments and Other Assets – The ₱13.90B increase is mostly due to the higher amount of advance payments made to contractors and suppliers that remained outstanding at the end of the year

Liabilities

- J** Trade Payables – ₱602M decrease is mostly due to the lower balance of accrued project costs which was offset by the higher trade payables that remained outstanding during the year.
- K** Contract liabilities and deferred revenues – Increase of ₱447M is attributable to higher deferred revenue from prepaid load which was partially offset by the lower advanced MSF for postpaid accounts that remained outstanding during the year.
- L** Provisions – Increase of ₱162M is mostly due to the additional provisions recognized for new pending unresolved claims over the Globe Group's businesses such as provision for taxes, employee benefits, onerous contracts and various labor cases.
- M** Income Taxes Payable – Decrease of ₱260M is primarily due to the lower taxable profit during the year
- N** Loans payable - Increase of ₱28.9B was primarily attributable to the issuance of fixed rate bonds which was partially offset by settlements of bank loans.

- O** Net Derivative Liabilities— Increase of ₱2.5B is due to the increase in notional amounts of derivatives and changes in fair values of interest and currency swaps.
- P** Lease liabilities – Increase of ₱862M was primarily due to the additional long-term leases of network sites acquired during the year.
- Q** Pension liabilities – Increase of ₱1.9B was due to the additional pension expense incurred during the year, remeasurements due to change in actuarial assumptions which were partially offset by the Globe Group's contributions to plan assets.

3. Description of material commitments and general purpose of such commitments. Material off-balance sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons created during the period.

For details on material commitments and arrangements, see Note 34 in the attached Notes to the Financial Statements.

4. Seasonal Aspects that have a material effect on the FS

No seasonal aspects that have a material effect on the financial statements.

For The Financial Year Ended 2019

GROUP FINANCIAL HIGHLIGHTS

Results of Operations (Php Mn)	Globe Group		
	Year on Year		
	31-Dec 2019	31-Dec 2018	YoY Change (%)
Operating Revenues	166,660	151,172	10%
Service Revenues*	149,010	132,875	12%
<i>Mobile**</i>	111,767	99,530	12%
<i>Home Broadband***</i>	21,747	18,606	17%
<i>Corporate Data</i>	12,828	11,762	9%
<i>Fixed line Voice</i>	2,668	2,977	-10%
Non-Service Revenues	17,650	18,297	-4%
Costs and Expenses	90,629	86,045	5%
Cost of Sales	18,555	18,645	-
Operating Expenses*	72,074	67,400	7%
EBITDA	76,031	65,127	17%
EBITDA Margin	51%	49%	
Depreciation	34,144	30,422	12%
EBIT	41,887	34,705	21%
EBIT Margin	28%	26%	
Non-Operating Charges	9,060	7,092	28%
Net Income After Tax (NIAT)	22,284	18,626	20%
Core Net Income	22,451	18,735	20%

*Mobile business includes mobile and fully mobile broadband

**Home Broadband includes fixed wireless and wired broadband

- Full year consolidated service revenues reached ₱149.0 billion in 2019, up by 12% from ₱132.9 billion last year due to the sustained data revenue growth across mobile, broadband and Corporate Data business. Mobile revenues were up 12% to ₱111.8 billion from last year's ₱99.5 billion, coming largely from Prepaid. Home Broadband posted revenues of ₱21.7 billion due to the continued subscriber expansion notably from the prepaid sector as the Home Prepaid Wi-Fi are gaining more traction, given the insatiable clamor for reliable and affordable internet. Corporate Data likewise registered ₱12.8 billion, 9% increase from a year ago due to the sustained circuit base expansion.
- Total operating expenses and subsidy as of end-December 2019 amounted to nearly ₱73.0 billion, higher by 8% from ₱67.7 billion in 2018. This was largely from marketing expenses, staff costs, services, utilities, and repairs & maintenance, as partly offset by lower interconnection fees, lease and provisions.
- Globe's consolidated EBITDA reached ₱76.0 billion, surpassing last year's level of ₱65.1 billion due mainly to the strong topline offsetting the growth in operating expenses. EBITDA margin for 2019 was at 51%, higher versus last year's margin of 49%.
- Total depreciation expenses posted a 12% increase to ₱34.1 billion from the ₱30.4 billion reported in 2018, given Globe's sustained higher capital investments.
- Overall, total operating costs and subsidy including depreciation as of end-December 2019 posted ₱107.1 billion or 9% higher than the ₱98.2 billion reported in 2018.
- Full year 2019 non-operating charges jumped to ₱9.1 billion, or 28% above than the ₱7.1 billion reported last year. This was attributed to higher share in affiliates' losses particularly from Mynt, coupled with higher interest expenses, loss associated with Yondu reacquisition and increase in swap costs.

- The Globe Group closed the year with total consolidated net income of ₱22.3 billion, up 20% from previous year's ₱18.6 billion, due to the gains in EBITDA, offsetting depreciation charges and non-operating expenses booked for the year just ended.
- Globe's core net income, which excludes the impact of non-recurring charges, one-time gain, foreign exchange gains and mark-to-market charges, stood at ₱22.5 billion, up a robust 20% year-on-year.
- As of the end-December 2019, total cash capex stood at about ₱51.0 billion (approximately \$989 million), 18% higher than last year's level of ₱43.3 billion.

GROUP OPERATING REVENUES BY SEGMENT

Operating Revenues By Business (Php Mn)	Globe Group		
	Year on Year		
	31-Dec 2019	31-Dec 2018	YoY Change (%)
Mobile*	129,024	117,436	10%
Service Revenues	111,767	99,530	12%
Non-Service Revenues	17,257	17,906	-4%
Fixed Line and Broadband**	37,636	33,737	12%
Service Revenues	37,243	33,345	12%
Non-Service Revenues	393	392	-
Total Operating Revenues	166,660	151,173	10%

*Mobile business includes mobile and fully mobile broadband.

**Fixed Line and Home Broadband includes corporate data, fixed line voice, and home broadband; Home broadband includes fixed wireless and wired broadband

The Globe Group ended the year with total operating revenues of ₱166.7 billion, up 10% from the ₱151.2 billion recorded last year. This was driven by robust service revenue growth, which was up 12% year-on-year to reach ₱149.0 billion from ₱132.9 billion a year ago.

Mobile service revenues, which accounted for 75% of Globe's consolidated service revenues for the year just ended, rose to ₱111.8 billion, due to the continued strong revenue contributions from mobile data (+41%) as partly offset by the decline in traditional voice (-15%) and SMS (-22%).

Globe Group's *Fixed line and Home Broadband* full year 2019 revenues stood at ₱37.2 billion, 12% increase year-on-year from ₱33.3 billion in 2018, bolstered by the solid contributions of both Home Broadband and Corporate Data.

Mobile non-service revenues declined year-on-year by 4%. Fixed Line and Home Broadband non-service revenues, however was at par with 2018.

MOBILE BUSINESS

Mobile Service Revenues (Php Mn)	For the Year Ended		
	31-Dec 2019	31-Dec 2018	YoY Change (%)
Service			
Mobile Voice ¹	24,276	28,408	-15%
Mobile SMS ²	15,690	20,162	-22%
Mobile Data ³	71,801	50,960	41%
Mobile Service Revenues	111,767	99,530	12%

¹ Mobile voice service revenues include the following:

- Prorated monthly service fees on consumable minutes of postpaid plans;
- Subscription fees on unlimited and bucket voice promotions including the expiration of the unused value of denomination loaded;
- Charges for intra-network and outbound calls in excess of the consumable minutes for various Globe Postpaid plans, including currency exchange rate adjustments, or CERA, net of loyalty discounts credited to subscriber billings; and
- Airtime fees for intra network and outbound calls recognized upon the earlier of actual usage of the airtime value or expiration of the unused value of the prepaid reload denomination (for Globe Prepaid and TM) which occurs between 3 and 120 days after activation depending on the prepaid value reloaded by the subscriber net of (i) bonus credits and (ii) prepaid reload discounts; and revenues generated from inbound international and national long distance calls and international roaming calls; and
- Mobile service revenues of GTI.

Revenues from (a) to (e) are reduced by any payouts to content providers.

² Mobile SMS net service revenues consist of revenues from value-added services such as inbound and outbound SMS and MMS, and infotext, subscription fees on unlimited and bucket prepaid SMS services net of any interconnection or settlement payouts to international and local carriers and content providers.

³ Mobile Data service revenues consist of revenues from Mobile internet browsing and content downloading, Mobile commerce services, other add-on value added services (VAS), and service revenues of GXI and Yondu, net of any interconnection or settlement payouts to international and local carriers and content providers, except where Globe is acting as principal to the contract where revenues are presented at gross billed to subscriber and settlement pay-out are classified as part of costs and expenses. Beginning 2017, revenues from premium content services (where Globe is acting as principal to the contract) will be reported gross of the licensors' fees.

Mobile Voice

Mobile voice revenues, which accounted for 22% of total mobile service revenues, ended the year at ₱24.3 billion, down by 15% from ₱28.4 billion in 2018. Consistent with global trends, voice revenues declined given the migration of voice traffic to alternative internet-based applications.

To support the revenue stream, the Company continues to provide attractive and affordable bulk voice offers such: (1) *Tawag 236** for 20-minute consumable calls for only ₱20 - *Globe Postpaid* and *Globe Prepaid* subscribers by simply replacing the 0 at the start of the number with 236 (dial 236 + 10-digit Globe number); (2) *Super Sakto Calls** - calls to Globe and TM numbers for only ₱0.15 per second by just replacing the zero at the beginning of the Globe or TM number with 232 (dial 232 + 10-digit Globe number) for the special rate to apply; (3) *GoCall100* provides *Globe Prepaid* subscribers 500 minutes of on-net calls to Globe/TM for only ₱100 for 7 days. (4) *GoCall150* provides *Globe Prepaid* subscribers 50 minutes of all-net calls for only ₱50 valid for 3 days. Meanwhile, *TM* subscribers may choose *UnliTawag15* which gives its subscribers unlimited calls to all Globe and TM subscribers for as low as ₱15 valid for 1 day. Through the *Extend all-you-can promo*, *TM* subscribers can extend for another 24 hours their favorite *TM* promo for only ₱5 up to 365 times by simply texting "EXTEND" to 8888 before their current promo expires.

For Filipinos who wish to stay connected with their loved ones abroad, Globe continues to offer discounted call rates as low as ₱5 per minute to the Middle East and Europe, and ₱2.50 per minute to North America and Asia. *Globe Prepaid* and *TM* customers may opt to register to *GoCallIDD30* valid

*With at least Php7.50 load requirement

for 7 days, *GoCallIDD50* valid for 15 days or *GoCallIDD99* valid for 30 days. TM customers may also opt to register to *TipIDD30* which gives 4 IDD minutes to Saudi Arabia, UAE, Kuwait, Bahrain, Australia, UK, Italy, and Japan valid for 1 day for only ₱30.

The Company also provides its subscribers with the best possible mix of voice, SMS, and Mobile browsing services through its combo packages. *GoUnli* promos include *GoUnli20* which gives its customers unli texts to All networks, unli calls to Globe/TM, 20 MB Mobile internet, plus 1GB for Facebook and Instagram, valid for 1 day for only ₱20; *GoUnli25* for unli calls to Globe/TM, unli texts to all networks, free unli Viber plus 1GB for Facebook and Instagram, valid for 1 day for ₱25; *GoUnli30* for unli texts to All networks, unli calls to Globe/TM, 30 MB Mobile internet plus 1GB for Facebook and Instagram, valid for 2 days for ₱30; and *GoUnli50* for unli calls to Globe/TM, unli texts to all networks, 50 MB Mobile internet plus 1GB for Facebook and Instagram, valid for 3 days for only ₱50; *GoUnli95* for unli calls to Globe/TM, unli texts to all networks, 100 MB Mobile internet plus 1GB for Facebook and Instagram, valid for 7 days for only ₱95; *GoUnli180* for unli calls to Globe/TM, unli texts to all networks, 150 MB Mobile internet plus 1GB for Facebook and Instagram, valid for 15 days for only ₱180; *GoUnli350* for unli calls to Globe/TM, unli texts to all networks, 200 MB Mobile internet plus 1GB for Facebook and Instagram, valid for 30 days for only ₱350. Meanwhile, with *GoSakto*, *Globe Prepaid* customers can create or build their own promo using a mix of call, text, and surf promos, can assign their own promo name, and share with friends. Existing *GoSakto* combo offers with validity period of 7 days are: *GoSakto70* with 1 GB data, *GoSakto90* with 2 GB data, *GoSakto120* with 3 GB data, and *GoSakto140* with 4 GB data, all valid for 7 days, plus 1GB daily Facebook, Instagram and Watch & Play apps, and Gcash QR voucher.

Mobile SMS

Mobile SMS revenues, which accounted for 14% of total mobile service revenues, closed the year at ₱15.7 billion or 22% lower against the ₱20.2 billion reported last year. Similar to voice, mobile SMS declined with the continuous migration of mobile messaging traffic to over-the-top (OTT) messaging apps.

On the product front, Globe continues to showcase a comprehensive line up of mobile SMS value offers ranging from unlimited and bucket text services. Globe continues to provide its prepaid subscribers with all-day unlimited on-net SMS with UnliTxt promos: *UnliTxt20* valid for 1 day for ₱20; *UnliTxt40* valid for 2 days for ₱40 and *UnliTxt80* valid for 5 days for ₱80. *GoUnlitxt49* was also made available in the market which offers its subscribers unlimited on-net texts to *Globe/TM* for only ₱49 valid for 7 days. For budget conscious customers, *Sulitxt15* provides its subscribers with 100 text messages to Globe/TM for one day; or *ATXT20* which give its subscribers with 250 text messages to All-networks for one day. With the use of the *GoSakto*, *Globe Prepaid* subscribers can create a promo exactly how they want it based on their lifestyle and budget. *GoSakto* combo offer with a mix of SMS and mobile data with 7 days validity period are: *GoSakto70* (unli SMS to All-networks, 1GB data allocation, plus 1GB daily Facebook, Instagram and Watch & Play, 1GB GoWifi access and ₱50 Gcash QR voucher for only ₱70) and *GoSakto90* (unli SMS to All-networks, 2GB data allocation, plus 1GB daily Facebook, Instagram and Watch & Play, 1GB GoWifi access and ₱50 Gcash QR voucher for only ₱90).

With TM's continued dedication of giving its subscribers wonderful and value-for-money offers, TM customers can get to choose from wide array of promo offers ranging from bucket or unlimited SMS. With *Sulitxt5*, TM subscribers can send 25 texts to TM/Globe, valid for 1 day for only ₱5. *Txt5* unlitxt to TM/Globe for 1 day as an add-on to *UnliTawag15*. *UnliAllNet10* which provides its subscribers with unlimited texts to all networks for ₱10 a day or subscribe to *Txt10* for unlimited text to TM/Globe, valid for 2 days. Also available is *AstigTtxt30* which gives TM subscribers 5 days of unlimited text to TM/Globe for ₱30. *Dagdagtxt* was likewise introduced to the market which provides additional 100 all-network texts as an add-on to an UnliCall promo for only ₱5 a day.

Meanwhile, for Filipinos who wish to send messages to their family and friends abroad, Globe continues to offer *Unli iTXT20* unlimited SMS to USA Mainland, Canada, Kuwait, Guam, Greece, and Mexico for ₱20 (available to both Globe Prepaid and TM customers). TM subscribers, on the other hand, can subscribe to *AstigIxt20* for 30 international SMS to 53 countries and 30 All-network texts valid for 1 day for only ₱20; or *Roam Sulitxt99* for 10 All-network outgoing texts.

Mobile Data

Mobile Browsing, Internet-on-the-Go, and Other Data

Mobile data, the biggest contributor to the mobile business, accounted for 64% of total mobile service revenues (vs. 51% in 2018). As of end-December 2019 mobile data revenues posted ₱71.8 billion, up a strong 41% from close to ₱51.0 billion a year ago. The sustained growth momentum in mobile data revenues was driven by the increasing consumption of streaming and always-on digital services coupled with the growing smartphone penetration. Likewise, data traffic rose as more Globe customers are benefitting from the company's massive network upgrades.

Over the years, Globe has pioneered efforts in introducing product and services that cater to the customer's digital preferences, enabling Globe to be the preferred brand for Filipinos' digital lifestyle choices. This was done through collaborative partnerships with global giants in the world of content. The Company partnered with internet giant Google to provide free access to Google mobile services and provide its subscribers the ability to charge purchases of applications to their postpaid bill or prepaid load, bypassing the need for credit cards and enhancing the convenience for Globe and TM customers. Likewise, the Company was able to tailor-make lifestyle packages for all its subscribers to meet their social networking needs and crowd-sourced content (via *Facebook* and *Wattpad*), chatting and digital communication (*Viber*), music (*Spotify*, *Smule*, *Musical.ly*), sports (*NBA*, *Sports Illustrated*) and media (*HOOQ*, *Netflix*, and *Disney*). Moreover, Globe continues its drive to position the Philippines as the Digital Capital of the World as it expanded its line-up of content partners with its new international partnerships with Astro, Turner, Fox+, and Amazon.

Globe's mobile browsing services include the consumable mobile internet plan "*GoSurf*" which gives its subscribers bulk megabytes of Mobile data consumable per kilobyte for as low as ₱15 for 2 days. *Globe Prepaid* subscribers can choose from a variety of *GoSurf* consumable data plans ranging from ₱15 for 100 MB for two (2) days to ₱999 for 10 GB data allocation per month. For *GoSurf15* customers get 100MB data allocation plus 30MB for Instagram valid for 2 days. *GoSurf50*, the most popular *GoSurf* offer, provides 1GB data allocation plus 1GB for an app of choice, 1GB daily for Facebook and Instagram and 1GB for GoWiFi access. Subscribers who register to a 30-days *GoSurf* offer (*GoSurf 299* for 2GB, *GoSurf599* for 5GB and *GoSurf999* for 10GB) can get 1GB for an app of choice, 1GB daily for Facebook and Instagram, 1GB for GoWiFi access and Php50 Gcash QR voucher. In September 2019, new *GoSurf* offers were likewise launched: *GoSurf1299* for 15 GB, *GoSurf 1999* for 30GB and *GoSurf2499* for 50GB data allocation per month, plus 1GB for an app of choice, 1GB daily for Facebook and Instagram, 1GB for GoWiFi access and Php50 Gcash QR voucher. Likewise, *Postpaid* customers' data packs available ranges from ₱299 for 2GB to ₱2,499 for 50GB data allocation per month. The above-mentioned *Postpaid* data packages includes data rollover feature plus a choice of access to Facebook, Viber, Snapchat, music streaming on Spotify Basic, Instagram or YouTube (1GB data allocation monthly). Meanwhile, for *TM* subscribers, can subscribe to "*EasySurf*" which ranges from ₱10 for 40MB valid for 1 day to ₱2499 for 50GB data allocation per month. For *EasySurf15* customers get 100MB data allocation plus 30MB for Instagram valid for 2 days. *EasySurf30* for 300MB, plus 50 MB for Facebook, Instagram, Viber or Snapchat; *EasySurf50* (valid for 3 days) provides unli All-Net SMS, plus 1GB for choice of apps (Facebook, Viber, Snapchat, Games (Arena of Valor, Mobile Legends, Clash of Clans, & Clash Royale), Twitter, Instagram, YouTube, iWant, Daily Motion, Spotify, or musical.ly), plus Free 1 GB GoWiFi and Free 1 GB per day for Facebook & Instagram. Subscribers who register to a 30-days *EasySurf* offer (*EasySurf 299* for 2GB, *EasySurf599* for 5GB and *EasySurf999* for 10GB, *EasySurf1299* for 15 GB, *EasySurf1999* for 30GB and *EasySurf2499* for 50GB) can get 1GB for an app of choice, 1GB daily for Facebook and Instagram, 1GB for GoWiFi access and Gcash QR voucher. HOOQ & Disney are available freebies for *EasySurf599* and *EasySurf999* only. In addition, unlimited mobile internet offers are still available for *TM* subscribers: *SuperSurf50* which gives an all-day unlimited mobile internet for only ₱50 and *SuperSurf200* for 5 days of unlimited mobile internet.

GoWatch allows its users to watch hours of content without worrying about using up their data allowance through a separate data allocation dedicated for streaming on popular platforms: iflix, iWant, Viu, Netflix, Disney Life, ONE, YouTube, Tribe, HOOQ, Fox+, and NBA. *GoWatch29* gives 2GB data allocation as an add-on to any of the following promo: *GoSurf50* and up, *GoSakto70* or *GoSakto90* valid for 1 day. For bigger data options and longer validity, Globe customers may also avail *GoWatch99* to get 2.5GB for three days at ₱99 or *GoWatch399* for 10GB valid for 30 days at ₱399, as an add-on to *GoSurf299* and up. Furthermore, the "*Share-A-Promo*" allows its users to share *GoSurf* promos to their relatives and friends. The promo can be sent to any Mobile phone, tablet, or Tattoo Mobile Wi-Fi. *Share-A-Promo* is open to all Globe (*Postpaid*, *Prepaid*, and *TM*) subscribers.

Meanwhile, the Company continued to offer *Roam Surf offers* to its customers. *Roam Surf* for Globe Prepaid is available in three variants: ₱150 for 100MB data allocation valid for 24 hours, ₱350 for 300 MB data allocation valid for 72 hours, ₱550 for 500MB data allocation valid for 120 hours. *Roam Surf Apps* are also available (Roam Viber, Roam, Roam WeChat, Roam WhatsApp, Roam Facebook, Roam Instagram, Roam Maps) for as low as ₱100. To register dial *143# and choose Roaming & Int'l.

In April 2019, Globe announced its partnership with the worldwide hit app **TikTok**, offering exclusive and affordable data promos for its customers. Globe Mobile users can now access *TikTok* and share their own videos for as low as Php15 per day with *TIKTOK15*. For hardcore video creators, there are bigger data promos such as *TIKTOK50* with 600MB for 7 days and *TIKTOK199* with 1GB for 30 days. Customers can register to their preferred promo by texting the keyword to 8080.

In November 2019, Globe gave its Prepaid customers an additional free 1 gigabyte (GB) of access daily to popular social media apps such as Facebook and Instagram to further enhance their digital experience. To avail of the additional data allocation for Facebook and Instagram daily, Globe Prepaid and TM customers only need to register to any promo priced ₱20 and up.

GoWiFi¹

In support of national development by providing access to user-friendly and cost-effective internet connectivity to more Filipinos, GoWiFi is now accessible in 2,000 sites nationwide. This translates to 20,000 access points from 15,000 in 2018 and to about 18 million sessions per month. Among the expansion areas that will be covered by GoWiFi within the year range from health and educational institutions to some of the biggest retail establishments. These include the following: Clinics/Hospitals - VRP Medical Center along EDSA in Mandaluyong City, QualiMed (select branches), Healthserv in Los Baños, Laguna; Colleges/Universities - Emilio Aguinaldo College, St. Paul University, Cebu Doctors University; Malls/Supermarkets/Convenience Stores - Araneta Center in Cubao, all branches of Robinsons Supermarket, Robinsons Department Store (select branches), Puregold (select branches), Shopwise (select branches). Some of the existing areas already covered by GoWiFi are Ayala Malls, Megaworld Malls, SM Supermalls, Robinsons Malls, Ortigas & Company, and Starbucks. GoWiFi services are also available at major transport points, such as the Ninoy Aquino International Airport (NAIA), Metro Rail Transit (MRT) and Light Rail Transit (LRT) stations.

Currently, GoWiFi users can choose between GoWiFi (free service) and GoWiFi Auto (paid service). These two services are available to all users with any WiFi-enabled device (smartphones, tablets, and laptops) and select international numbers regardless of the network service provider and even international numbers. By subscribing to GoWiFi, users get to enjoy connection speeds as high as 100 Mbps depending on location.

In September of 2019, Globe cements another milestone partnership with one of the metro's biggest lifestyle complexes, Araneta Center, to provide fast and reliable internet connectivity via its GoWiFi service. With Araneta Center now powered by GoWiFi, visitors will have access to stable and secure WiFi connection for an upgraded mall experience. Also, to provide more school communities quality access to the internet, Philippine Normal University (PNU) and Philippine Women's University (PWU) sealed a partnership with GoWiFi. The GoWiFi service will be available within the campuses of said universities within the year. Last September 24, 2019, Cainta Municipal Mayor Hon. Johnielle Kieth Nieto signed a partnership to make GoWiFi available in the Cainta Municipal Hall and Cainta Municipal Hospital to provide the city's residents and workers with free, high-quality data connectivity. Cainta College and Cainta Public Market will also have their own Globe GoWiFi free hotspots within 2019.

Moreover, the fast internet speed in malls, schools, and transport terminals can now be enjoyed in over 2,500 GoWiFi locations available nationwide. As a bonus, Globe Prepaid and TM customers can enjoy 1 GB of free GoWiFi for every registration of GoSakto, GoSurf, and EasySurf worth Php50 and above that they can use in any GoWiFi hotspot. When in a GoWiFi hotspot, simply connect to @GoSurf_FreeWifi or @EasySurf_FreeWifi and start enjoying free 1 GB WiFi access. Globe Prepaid GoSakto90 users can enjoy 1 GB Free GoWiFi access on top of 2 GB mobile data, 2 GB for GoWatch and Play, 1 GCash voucher and unlimited all-net texts valid for 7 days for only Php90. While TM EasySurf50 users automatically get 1GB free GoWiFi access, 1GB mobile data, 2GB for EasyWatch

¹ GoWiFi is Globe Telecom's premium public WiFi service

and Play, 300 MB for an app of their choice and unlimited all-net texts. All these are valid for 3 days at only Php50.

The key drivers for the mobile business are set out in the table below:

	For the Year Ended		
	31-Dec 2019	31-Dec 2018	YoY Change (%)
Cumulative Subscribers (or SIMs) Net (End of period).....	94,204,277	74,093,591	27%
<i>Globe Postpaid</i>	2,690,577	2,598,171	4%
Prepaid	91,513,700	71,495,420	28%
<i>Globe Prepaid</i>	44,815,390	34,587,598	30%
<i>TM</i>	46,698,310	36,907,822	27%
Net Subscriber (or SIM) Additions.....	20,110,686	13,407,436	50%
<i>Globe Postpaid</i>	92,406	113,383	-19%
Prepaid	20,018,280	13,294,053	51%
<i>Globe Prepaid</i>	10,227,792	6,678,496	53%
<i>TM</i>	9,790,488	6,615,557	48%
<u>Average Revenue Per Subscriber (ARPU)</u>			
ARPU¹			
<i>Globe Postpaid</i>	907	919	-1%
Prepaid			
<i>Globe Prepaid</i>	108	119	-9%
<i>TM</i>	61	66	-7%
<u>Average Monthly Churn Rate (%)</u>			
<i>Globe Postpaid</i>	1.7%	1.8%	
Prepaid			
<i>Globe Prepaid</i>	3.1%	5.2%	
<i>TM</i>	3.5%	5.4%	

¹ ARPU is computed by dividing recurring gross service revenues (gross of interconnect expenses) segment by the average number of the segment's subscribers and then dividing the quotient by the number of months in the period.

Globe closed 2019 with a total Mobile subscriber base of 94.2 million, up 27% from last year coming mostly from the customer growth in the prepaid segment.

The succeeding sections cover the key segments and brands of the Mobile business – Globe Postpaid, Globe Prepaid and TM including fully-Mobile Broadband subscribers.

Globe Postpaid

Globe Postpaid had a total of close to 2.7 million cumulative subscribers as of the end of December 2019, up by 4% versus last year. Globe Postpaid's gross acquisitions for the period, stood at 620,710 or 6% lower than last year. Despite slight improvement in churn rate (from 1.8% a year ago to only 1.7% this period) total net additions in postpaid subscribers declined by 19% from 113,383 last year to only 92,406 subs this year due mainly to lower gross acquisition.

Globe Postpaid ARPU registered at ₱907, which was 1% lower from a year ago.

Globe Postpaid continues to cater to its customer's needs. To keep up with the growing and evolving market, Globe introduces the new iPhone 11, iPhone 11 Pro and iPhone 11 Pro Max with several payment options for new and existing postpaid customers.

- 36 months, 0% interest - Available for both new and recontracting customers, and pay in fixed monthly installments for up to 36 months with 0% interest using BPI Credit Card (Example: if you are getting the iPhone 11 with ThePLAN 1799, you just need to pay Php533/month if you are up for contract renewal, and Php600 if you are a new customer)
- Globe's Handset Installment Plans - Customers may opt to pay for the new iPhone 11 in monthly installments through Globe's Handset Installment Plan 1299 with 24 months lockout, charged to your monthly bill. The new iPhone 11 64 GB can be yours for as low as Php2,799 through the Installment Plan.
- Special cash-out rates for recontracting customers - Globe is also offering special cash-out rates for customers who are up for contract renewal. If you are a current Globe xPostpaid customer who will renew your plan, you can enjoy a Php2,400 discount on the cash-out if you're on ThePLAN 1799 and up, or a Php1,200 discount on the cash-out for other plans. For example, with ThePLAN 1799, you can get your iPhone 11 64 GB with a one-time cashout of P19,200, which you can spread throughout the 24-month contract period, charged to your bill.

Prepaid

Globe's prepaid segment, which includes the Globe Prepaid and TM brands, accounts for 97% of its total Mobile subscriber base. As of end-December 2019, cumulative prepaid subscribers stood at about 91.5 million.

Based on the National Telecommunications Commission (NTC) Memorandum Circular 03-07-2009, the first expiry periods range from 3 days for P10 or below to 120 days for reloads amounting to P300 and above. The second expiry remains at 120 days from the date of the new first expiry periods. The first expiry is reset based on the longest expiry period among current and previous reloads. Under this policy, subscribers are included in the subscriber count until churned. Under the new pronouncement based on the National Telecommunications Commission (NTC), Department of Information and Communications Technology (DICT), and Department of Trade and Industry (DTI) Joint Memorandum Circular No. 05-12-2017 all prepaid load will now carry a one-year expiration period regardless of amount.

In compliance to this new regulation, effective January 6, 2018, Globe implemented a one-year expiration period for prepaid load worth 300 pesos and above. Then in July 5, 2018, Globe expanded the implementation to all Globe prepaid load, including those with denominations below 300 pesos.

The succeeding sections discuss the performance of the Globe Prepaid and TM brands in more detail.

a. Globe Prepaid

Globe Prepaid gross acquisitions dropped by 4% year-on-year from 26.2 million subs last year. In view of the current regulatory requirement of one (1) year extension of prepaid load validity, total cumulative *Globe Prepaid* subscribers was at 44.8 million as of end-December 2019, up 30% from a year ago.

Globe Prepaid ARPU registered at ₱108, which was 9% lower year-on-year.

Globe Prepaid's fully-loaded *GoSakto* promos now comes with bigger data allocations of up to 4 GB for 7 days. Enjoy more data for a week to access various online content and experiences to enrich its customers' everyday digital lifestyle. *GoSakto* promos also come with Free 1 GB daily for Facebook, Instagram, and Watch and Play apps (YouTube, Netflix, iflix, HOOQ, Viu, iWant, DisneyLife, FOX+, ONE, and NBA). Show your prowess and win victories on your favorite games like Mobile Legends, Rules of Survival, Free Fire, Arena of Valor, Clash of Clans, and Clash Royale. It also come with up to 2 GB Free GoWiFi access, now with over 2,000 hotspots nationwide. All these perks are available when you register to GoSakto70 with 1 GB data, GoSakto90 with 2 GB data, GoSakto120 with 3 GB data, and GoSakto140 with 4 GB data, all valid for 7 days. Simply dial *143# and choose GoSakto on the menu or register via the GlobeONE app.

b. TM

TM's gross acquisitions declined year-on-year by 4%, from prior year's 28.5 million subs. In view of the current regulatory requirement of one (1) year extension of prepaid load validity, TM cumulative subscriber base now stand at 46.7 million subscribers as of end-December of 2019, or 27% higher year-on-year.

TM ARPU as of end-December, 2019 was 7% lower from ₱66 in 2018 to only ₱61 this period.

FIXED LINE AND BROADBAND BUSINESS

Service Revenues (Php Mn)	Globe Group		
	Year on Year		
	31-Dec 2019	31-Dec 2018	YoY Change (%)
Service			
Home Broadband ¹	21,747	18,606	17%
Corporate Data ²	12,828	11,762	9%
Fixed line Voice ³	2,668	2,977	-10%
Fixed Line & Home Broadband Service Revenues	37,243	33,345	12%

¹ Home broadband service revenues consist of the following:

- a) Monthly service fees of wired, fixed wireless, and bundled voice and data subscriptions;
- b) Browsing revenues from all postpaid and prepaid wired, fixed wireless broadband packages in excess of allocated free browsing minutes and expiration of unused value of prepaid load credits;
- c) Value-added services such as games; and
- d) Installation charges and other one-time fees associated with the service.
- e) Beginning 2017, revenues from premium content services (where Globe is acting as principal to the contract) will be reported gross of the licensors' fees.

² Corporate data (previously called fixed line data) service revenues consist of the following:

- a) Monthly service fees from international and domestic leased lines;
- b) Other wholesale transport services;
- c) Revenues from value-added services; and
- d) Connection charges associated with the establishment of service.

³ Fixed line voice service revenues consist of the following:

- f) Monthly service fees;
- g) Revenues from local, international and national long distance calls made by postpaid, prepaid fixed line voice subscribers and payphone customers, as well as broadband customers who have subscribed to data packages bundled with a voice service. Revenues are net of prepaid and payphone call card discounts;
- h) Revenues from inbound local, international and national long distance calls from other carriers terminating on Globe's network;
- i) Revenues from additional landline features such as caller ID, call waiting, call forwarding, multi-calling, voice mail, duplex and hotline numbers and other value-added features;
- j) Installation charges and other one-time fees associated with the establishment of the service; and
- k) Revenues from DUO and SUPERDUO (Fixed line portion) service consisting of monthly service fees for postpaid and subscription fees for prepaid.

Home Broadband

	Globe Group		
	Year on Year		
	31-Dec 2019	31-Dec 2018	YoY Change (%)
Cumulative Home Broadband Subscribers			
Fixed Wireless	1,375,260	984,238	40%
Wired	642,078	631,439	2%
Total (end of period)	2,017,338	1,615,677	25%

Globe Group's *Fixed line and Home Broadband* full year 2019 revenues stood at ₱37.2 billion, 12% increase year-on-year from ₱33.3 billion in 2018, bolstered by the solid contributions of both Home Broadband and Corporate Data.

Globe Home Broadband revenues as of end-December 2019 registered at ₱21.7 billion, up 17% from the ₱18.6 billion reported a year ago. This was due to the sustained expansion of its customer base, now rising to over 2.0 million subscribers from 1.6 million last year. The revenue growth and customer uptake was led by Home Broadband's compelling data bundles and packages which now includes high-speed internet with the *At Home Air Fiber 5G plans*, coupled with the growing popularity of the Home Prepaid Wi-Fi product.

Globe At Home Prepaid WiFi customers subscribed to HomeSurf199 and up can enjoy free 1 GB of YouTube daily for the duration of their HomeSurf promo subscription. Globe At Home Prepaid HomeSurf promos may be availed through the Globe At Home App.

As a treat to its loyal mobile postpaid customers, Globe is offering free three months subscription of Globe At Home GoUnli plans with speeds of up to 100 Mbps for an upgraded digital experience for everyone in the family. The promo is applicable to serviceable Globe Postpaid customers with account tenure of at least seven months. This is in line with Globe At Home's efforts in fulfilling its vision of providing fast and reliable internet connectivity to 2M homes by 2020. Through leveraging the strong and continuously growing mobile customer base of over 80 million, Globe At Home strengthens its commitment to transforming more Filipino homes to digitally connected and empowered households. Globe Postpaid customers availing of a new Globe At Home plan may avail of Free MSF with no lock-up on the first three months of billing. In the fourth month, customers will automatically be locked up with a 21-month contract period unless the customer decides to opt-out prior to the end of the 3rd month. Plans available for this special offer includes access to content for six months from top streaming sites such as DisneyLife, FOX+ and Amazon Prime Video for the entire family to enjoy. A one-time modem installation fee of Php1,000 will be collected upon installation.

Additionally, as of December 2019, there are 1,000,620 confirmed total registered customers benefiting from the *Globe At Home app*. With features designed to make managing one's account hassle-free, the app offers a convenient digital alternative to traditional methods. Using one convenient app, customers can easily track their data usage, purchase promos and add-ons, view and pay their bills, score freebies, perform self-troubleshooting for basic connectivity issues and even track their repairman or request for a transfer of location.

Corporate Data

On a consolidated basis, *Corporate Data* business sustained its growth momentum, ending the year with ₱12.8 billion revenues, or up 9% year-on-year, driven by the sustained circuit base expansion, the strong demand for domestic and international leased line services, cloud-based services, and managed/modern business solutions.

Fixed Line Voice

Globe's total fixed line voice revenues however, declined year-on-year by 10%.

OTHER GLOBE GROUP REVENUES

International Long Distance (ILD) Services

Both Globe and Innove offer ILD voice services which cover international call services between the Philippines to 237 destinations with 776 roaming partners. This service generates revenues from both inbound and outbound international call traffic, with pricing based on agreed international termination rates for inbound traffic revenues and NTC-approved ILD rates for outbound traffic revenues.

Globe's ILD voice revenues from the mobile and fixed line businesses declined year-on-year by 21% (from ₱6.7 billion in 2018 to ₱5.3 billion in 2019). This is attributed to the continued migration of international traffic through other internet-based applications.

GROUP OPERATING EXPENSES

Globe ended the year with total costs and expenses at ₱107.1 billion or 9% higher from ₱98.2 billion a year ago, due to increases across many expense line items except for interconnect costs, rent expenses, and provisions. Higher expenses for the period was mainly to support all existing network projects in response to the growing business' demands.

(Php Mn)	Globe Group		
	Year on Year		
	31-Dec 2019	31-Dec 2018	YoY Change (%)
Interconnect	3,983	5,677	-30%
Marketing and Subsidy	7,353	5,968	23%
Staff Costs	15,480	13,271	17%
Utilities, Supplies, & Other Administrative Expenses	6,576	5,958	10%
Rent	5,793	6,535	-11%
Repairs & Maintenance	8,494	7,944	7%
Provisions	4,383	4,583	-4%
Services and Others	20,917	17,812	17%
Operating Expenses & Subsidy	72,979	67,748	8%
Depreciation and Amortization	34,144	30,422	12%
Cost and Expenses	107,123	98,170	9%

Interconnect

Interconnect charges for the year declined by 30% to only nearly ₱4.0 billion from the ₱5.7 billion in 2018, driven by the decrease in inter-network traffic usages for Mobile voice, SMS and roaming coupled with impact of the decline in interconnection rates for both SMS (₱0.15 to ₱0.05) and voice (from ₱2.50 to ₱0.50) effective September 1, 2018.

Marketing & Subsidy

Marketing and Subsidy expenses grew by 23% to reach ₱7.4 billion from nearly ₱6.0 billion reported a year ago due higher spending for ads & promos coupled with higher commissions.

Staff Costs

Staff costs were up 17% to ₱15.5 billion in 2019 from ₱13.3 billion in 2018 due to the 4% increase in headcount (8,048 in 2019 vs. 7,729 in 2018), translating to higher salaries and employee-related benefits and incentives.

Utilities, Supplies and Other Administrative Expenses

Utilities, supplies, and other administrative expenses, which contribute 9% of total operating expenses and subsidy, also reported an increase of 10%, totaling to ₱6.6 billion from close to ₱6.0 billion reported in 2018. The increase was mainly driven by utilities, on electricity's higher average rate and consumption.

Rent

Rent expenses for the year 2019 was at ₱5.8 billion, down by 11% from a year ago. This accounts for 8% of total operating expenses and subsidy. Lower lease expenses were attributed to the adoption of

PFRS 16¹ effective January 2019, which changed accounting of operating leases from outright profit and loss recognition to capitalized assets.

Repairs and Maintenance

Repairs and maintenance costs for the year stood at ₱8.5 billion, up by 7% from the ₱7.9 billion reported a year ago. This was largely on higher expenditures for hardware/software and subscriber lines, higher maintenance costs for communication equipment, as well as corrective and preventive outside plant repairs costs. Repairs and maintenance accounted for 12% of total operating expenses and subsidy.

Provisions

This account includes provisions related to trade, non-trade and traffic receivables and inventory. Overall, provisions account for 6% of total operating expenses and subsidy. Total provisions for the year declined to only ₱4.4 billion, or 4% decline from the ₱4.6 billion reported in 2018 due lower other provisions. Elevated level of provisions in 2018 was mainly attributed to the additional Real Property Tax provisions (ie. Nasugbu-Pacnet, MSC Aurora and Leyte) booked in September of last year.

Services and Others

Accounting for 29% of total operating expenses and subsidy, services and expenses grew by 17% from ₱ 17.8 billion reported in 2018 driven mostly by higher managed services, cloud services, professional/advisory fees and subscriber line services.

Depreciation and Amortization

Depreciation and amortization expenses for the year rose to ₱34.1 billion from ₱30.4 billion reported in 2018, given Globe's sustained higher capital investments and impact of IFRS 16 adjustments.

¹ See note 3.1 of the attached Notes to the Financial Statements for the details of the adoption of PFRS 16 - Leases

OTHER INCOME STATEMENT ITEMS

Other income statement items include net financing costs, net foreign exchange gain (loss), interest income, and net property and equipment-related income (charges) as shown below:

(Php Mn)	Globe Group		
	Year on Year		
	31-Dec 2019	31-Dec 2018	YoY Change (%)
Financing Costs			
Interest Expense	(6,436)	(5,975)	8%
Loss on derivative instruments	(809)	-	-
Swap costs and other financing costs	(367)	(220)	67%
Foreign Exchange Loss	-	(900)	-100%
	(7,612)	(7,096)	7%
Other Income			
Gain on derivative instruments	-	1,004	-100%
Foreign Exchange gain (net)	848	-	-
Interest Income	500	391	28%
Others	(2,796)	(1,392)	101%
<i>Equity share from affiliates (net)</i>	(2,262)	(956)	137%
<i>Frequency Amortization</i>	(293)	(294)	-
<i>Gain on Sale (AFPI)</i>	240	-	-
<i>Remeasurement loss on investment in Associate</i>	(471)	-	-
<i>Taodharma Impairment</i>	-	(140)	-100%
<i>Others -net</i>	(11)	(2)	445%
Total Income (Other Expenses)	(9,060)	(7,092)	28%

The Globe Group's full year 2019 non-operating charges, increased by 28% from the ₱7.1 billion reported last year to ₱9.1 billion this period. This was attributed to higher share in affiliates' losses particularly from Mynt, coupled with higher interest expenses, loss associated with Yondu reacquisition and increase in swap costs.

(See related discussion on derivative instruments and swap costs in the Foreign Exchange and Interest Rate Exposure section).

Liquidity and Capital Resources

	Globe Group		
	31-Dec 2019	31-Dec 2018	YoY Change (%)
Balance Sheet Data (Php Mn)			
Total Assets	304,291	299,498	2%
Total Debt	136,274	148,282	-8%
Total Stockholders' Equity	81,247	73,144	11%
Financial Ratios (x)			
Total Debt to EBITDA (gross)	1.86	2.33	
Total Debt to EBITDA (net)	1.75	1.96	
Debt Service Coverage	2.99	4.30	
Interest Coverage (Gross)	9.53	9.34	
Total Debt to Equity (Gross)	1.68	2.03	
Total Debt to Equity (Net)*	1.58	1.71	
Total Debt to Total Capitalization (Book)	0.63	0.67	
Total Debt to Total Capitalization (Market)	0.33	0.36	

* Net debt is calculated by subtracting cash, cash equivalents and short term investments from total debt.

Globe's balance sheet and cash flows remain strong with ample liquidity and gearing comfortably within bank covenants.

Globe Group's consolidated assets as of 31 December 2019 amounted to ₱304.3 billion compared to ₱299.5 billion as of December 31, 2018. Consolidated cash, cash equivalents and short term investments (including investments in assets available for sale and held to maturity investments) was at ₱8.3 billion as of end-December of 2019 compared to ₱23.2 billion as of end-December 2018.

Globe closed 2019 with gross debt to equity ratio on a consolidated basis at 1.68:1 and is still within the 3.0:1 debt to equity limit dictated by Globe's debt covenants. Meanwhile, net debt to equity ratio was at 1.58:1 as of end-December 2019 and 1.71:1 as of end December 2018. Globe's current ratio stood at 0.73:1 as of 31 December 2019 and 0.86:1 as of 31 December 2018 which are at par with industry standards. While Globe's average current ratio was below the SEC's minimum of 1:1, Globe believes it has more than sufficient cash flows from operations to meet its debt maturities, currently and prospectively.

The financial tests under Globe's loan agreements include compliance with the following ratios:

- Total debt* to equity not exceeding 3.0:1;
- Total debt to EBITDA not exceeding 3.5:1;
- Total Debt service coverage¹ exceeding 1.3 times; and
- Secured debt ratio² not exceeding 0.2 times.

*Composed of notes payable, current portion long term debt, long term debt and net derivative liabilities

As of 31 December 2019, Globe is well within the ratios prescribed under its loan agreements.

¹ Debt service coverage ratio is defined as the ratio of EBITDA to required debt service, where debt service includes subordinated debt but excludes shareholder loans.

² Secured debt ratio is defined as the ratio of the total amount for the period of all present consolidated obligations for payment, which are secured by Permitted Security Interest as defined in the loan agreement to the total amount of consolidated debt.

Consolidated Net Cash Flows

(Php Mn)	Globe Group		
	31-Dec 2019	31-Dec 2018	YoY change (%)
Net Cash from Operating Activities.....	74,042	57,851	28%
Net Cash from Investing Activities.....	(55,031)	(42,652)	29%
Net Cash from Financing Activities.....	(33,257)	(3,435)	868%

Net cash flows provided by operating activities in 2019 was at ₱74.0 billion, up 28% from the previous year.

Meanwhile, net cash used in investing activities amounting to ₱55.0 billion, was 29% higher from last year. Consolidated cash capital expenditures as of end-December 2019 amounted to ₱51.0 billion, or 18% higher from last year's ₱43.3 billion.

(Php Mn)	Globe Group		
	31-Dec 2019	31-Dec 2018	YoY change (%)
Cash Capital Expenditures¹	51,024	43,259	18%
Total Additions to Property and equipment and Intangible assets ²	45,799	36,315	26%
Cash Capital Expenditures¹ / Service Revenues (%)	34.2%	32.6%	

¹ Cash capital expenditures-property & equipment and intangibles as of report date

² Includes property and equipment, intangibles and capitalized borrowing costs acquired as of report date regardless of whether payment has been made or not.

Consolidated net cash from financing activities amounted to ₱33.3 billion, significantly higher than last year's ₱3.4 billion driven by higher repayment of borrowings, and interest payments, coupled with the lease liability payments this period with the adoption of PFRS 16. Consolidated total debt, on the other hand declined by 8% from ₱148.3 billion at the end of December 2018 to only ₱136.3 billion at the end of December this year.

90% of US\$ consolidated loans have been effectively converted to PHP via US\$396 million in currency hedges. After swaps, effectively 2% of total debt is denominated in US\$.

Below is the schedule of debt maturities for Globe for the years stated below based on total outstanding debt as of December 31, 2019:

Year Due	Principal (US\$ Mn)
2020	254.94
2021	153.98
2022	292.03
2023 through 2031	1,984.18
Total	2,685.13

* Principal amount before debt issuance costs.

The Globe Group has available uncommitted short-term credit facilities of USD 94 million and ₱16,350 million as of December 31, 2019 and December 31, 2018.

The Globe Group also has available ₱3,000 million committed short-term credit facilities as of December 31, 2019 and December 31, 2018. There is no long term committed credit facilities as of December 31, 2019 and December 31, 2018.

There are no outstanding short-term loans as of December 31, 2019 and December 31, 2018.

Stockholders' equity as of end-December 2019 was higher by 11% from ₱73,144 million to ₱81,247 million this period. Globe's capital stock consists of the following:

Voting Preferred Shares

Voting Preferred stock at a par value of ₱5 per share of which 158.5 million shares are outstanding out of a total authorized of 160 million shares.

The dividends for voting preferred stock are declared upon the sole discretion of the Globe Telecom's BOD.

To date, none of the voting preferred shares have been converted to common shares.

Non-Voting Preferred stock

Non-Voting Preferred stock at a par value of ₱50 per share of which 20 million shares are issued out of a total authorized of 40 million shares.

Common Shares

Common shares at par value of ₱50 per share of which 133.2 million are issued and outstanding out of a total authorized of 149 million shares.

Cash Dividends

The dividend policy of Globe Telecom as approved by the Board of Directors is to declare cash dividends to its common stockholders on a regular basis as may be determined by the Board. The dividend payout rate is reviewed annually and subsequently each quarter of the year, taking into account Globe Telecom's operating results, cash flows, debt covenants, capital expenditure levels and liquidity.

On November 8, 2011, the Board of Directors approved the current dividend policy of Globe Telecom to distribute cash dividend at the rate of 75% to 90% of prior year's core net income.

On August 6, 2013, the Board of Directors further approved the change in distribution from semi-annual dividend payments to quarterly dividend distributions. On December 10, 2013, the BOD approved to defer the implementation of the quarterly dividend payout to the third quarter of 2014.

On November 5, 2018, the Board of Directors likewise approved the proposed change in the dividend policy from 75% to 90% of prior year's core net income to 60% to 75% of prior year's core net income, to be applied to the 2019 dividend declaration. The amended policy will provide Globe with increased flexibility with respect to capital management. This adjustment will also ensure the sustainability of the operations in this investment-heavy environment, while protecting future dividends, once planned expansion yields beneficial results.

The Board of Directors of Globe approved in separate approvals the declaration of four quarterly distributions of cash dividends of ₱22.75 per share, paid each last March 13, 2019, May 31, 2019, August 30, 2019 and December 6, 2019. Each cash dividend payment total to about ₱3.0 billion, bringing total distribution by end of December 2019 to ₱12.0 billion.

Likewise, the Board of Directors of Globe approved in separate approvals the declaration of the two semi-annual cash dividends for holders of its non-voting preferred shares paid each last February 22 and August 22, 2019. The amount of the cash dividend was at a fixed rate of 5.2006% per annum calculated in respect of each share by reference to the offer price of ₱500.00 per share on a 30/360-day basis for the six-month dividend period.

On December 10, 2019, the Board of Directors of Globe approved the declaration of the cash dividend for holders of its voting preferred shares payable on December 27, 2019 to shareholders on record as of December 26, 2019. The amount of the cash dividend will be based on the 3-day average of the 5yr BVAL preceding the dividend rate setting date (i.e. average of October 24, 25, 28, 2019) plus 2%. The aggregate dividend payment for the voting preferred shares is about ₱50.0 million. On the same date, the Globe BOD also approved the declaration and payment of the first semi-annual 2020 cash dividends for the Company's non-voting preferred shareholders on record as of January 29, 2020. The amount of

the cash dividend was at a fixed rate of 5.2006% per annum calculated in respect of each share by reference to the offer price of ₱500.00 per share on a 30/360-day basis for the six-month dividend period. Payment date: February 22, 2020.

Return on Average Equity (ROE)

Consolidated Return on Average Equity (ROE) registered at 28.9% as of end-December 2019, compared to 26.7% in 2018 using annualized net income and based on average equity balances for the year ended. Using annualized core net income, which excludes the effects of non-recurring expenses on net income, return on average equity as of end-December 2019 and 2018 were 29.1% and 26.8%, respectively.

Earnings Per Share (EPS)

Accordingly, consolidated basic earnings per common share were ₱162.96 and ₱135.91, while consolidated diluted earnings per common share were ₱162.20 and ₱135.40 as of end-December 2019 and 2018, respectively.

Financial Risk Management

FOREIGN EXCHANGE EXPOSURE

Foreign exchange risks are managed such that USD inflows from operations (transaction exposures) are balanced or offset by the net USD liability position of the company (translation exposures). Globe Group's objective is to maintain a position which results in, as close as possible, a neutral effect to the P&L relative to movements in the foreign exchange market.

Transaction exposures

Globe has natural net US\$ inflows arising from its operations. Consolidated foreign currency-linked revenues¹ were at 8% and 10% of total gross service revenues for the periods ended 31 December 2019 and 2018, respectively. In contrast, Globe's foreign-currency linked expenses were at 12% and 13% of total operating expenses for the same periods ended.

The US\$ flows are as follows:

	Dec. 31, 2019
US\$ and US\$ Linked Revenues	₱12.0 billion
US\$ Operating Expenses	₱ 8.3 billion
US\$ Net Interest Expense	₱ 0.6 billion

Due to these net US\$ inflows, an appreciation of the Peso has a negative impact on Globe's Peso EBITDA. Globe occasionally enters into forward contracts to hedge against a peso appreciation.

There were no outstanding forward USD sale contracts as of December 31, 2019.

Includes the following revenues:

- (1) billed in foreign currency and settled in foreign currency, and*
- (2) billed in Pesos at rates linked to a foreign currency tariff and settled in Pesos*

Translation Exposures

Globe's foreign exchange translation exposures result primarily from movements of the Philippine Peso (Php) against the U.S. Dollars (USD) with respect to USD-denominated financial assets, USD-denominated financial liabilities and certain USD-denominated revenues. Majority of revenues are generated in Php, while bulk of capital expenditures are in USD. In addition, 16% of debt as of December 31, 2019 are denominated in USD before taking into account any swap and hedges. After swaps, effectively 2% of total debt is denominated in US\$.

Information on Globe's foreign currency-denominated monetary assets and liabilities as of December 31, 2019 are as follows:

	Dec. 31, 2019
US\$ Assets	US\$ 152 million
US\$ Liabilities	US\$ 901 million
Net US\$ Liability Position	US\$ 749 million

As of end-December 2019, the Globe Group posted a total of ₱848 million net foreign exchange gain.

The Globe Group's foreign exchange risk management policy is to maintain a hedged financial position, after taking into account expected USD flows from operations and financing transactions. Globe Telecom enters into short-term foreign currency forwards and long-term foreign currency swap contracts in order to achieve this target.

As of end-December 2019, Globe has US\$298 million in cross currency swap contracts which are hedges of the interest and foreign exchange risks of some of our US\$ loans maturing in April 2020, December 2023, August 2024, March 2025, and August 2027. The MTM of the outstanding swap contracts stood at a loss of ₱474 million as of end-December 2019.

As of end-December 2019, Globe has US\$97.7 million in principal only swap contracts which are hedges of the foreign exchange risks of some of our US\$ loans maturing in April 2020, April 2022 and October 2022. The MTM of the swap contracts stood at a gain of ₱165 million as of end-December 2019.

Globe has US\$82 million short-term FX swap contracts which remain outstanding as of end-December 2019. The mark-to-market of the outstanding FX swap contracts stood at a loss of US\$12 million as of end-December 2019.

Globe has US\$30 million in outstanding forward USD purchase contracts which remain outstanding as of end-December 2019. The mark-to-market of the outstanding forward USD purchase contracts stood at a loss of US\$58 million as of end-December 2019.

INTEREST RATE EXPOSURE

Interest rate exposures are managed via targeted levels of fixed versus floating rate debt that are meant to achieve a balance between cost and volatility. Globe's policy is to maintain between 44-88% of its peso debt in fixed rate, and between 31-62% of its US\$ debt in fixed rate.

As of end-December 2019, Globe has a total of US\$77.7 million in US\$ interest swaps and US\$298 million in cross currency swaps that were entered in to contracts to achieve these targets. The US\$ swaps fixed some of the Company's outstanding floating rate debts with semi-annual payment intervals up to April 2020, and quarterly payment intervals up to April 2022, October 2022, December 2023, August 2024, March 2025, and August 2027.

As of end-December 2019, 85% (excluding short-term debt) of peso debt is fixed, while 57% of USD debt is fixed after swaps.

The MTM of the interest rate swap contracts (not including the currency swap contracts) stood at a loss of ₱32 million as of end-December 2019.

CREDIT EXPOSURES FROM FINANCIAL INSTRUMENTS

Outstanding credit exposures from financial instruments are monitored daily and allowable exposures are reviewed quarterly.

For investments, the Globe Group does not have investments in foreign securities (bonds, collateralized debt obligations (CDO), collateralized mortgage obligations (CMO), or any instruments linked to the mortgage market in the US). Globe's excess cash is invested in short term bank deposits.

The Globe Group also does not have any investments or hedging transactions with investment banks. Derivative transactions as of the end of the period are with large foreign and local banks. Furthermore, the Globe Group does not have instruments in its portfolio which became inactive in the market nor does the company have any structured notes which require use of judgment for valuation purposes.

VALUATION OF DERIVATIVE TRANSACTIONS

The company uses valuation techniques that are commonly used by market participants and that have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. The company uses readily observable market yield curves to discount future receipts and payments on the transactions. The net present value of receipts and payments are translated into Peso using the foreign exchange rate at time of valuation to arrive at the mark to market value. For derivative instruments with optionality, the company relies on valuation reports of its counterparty banks, which are the company's best estimates of the close-out value of the transactions.

Gains (losses) on derivative instruments represent the net mark-to-market (MTM) gains (losses) on derivative instruments. As of December 31, 2019, the MTM value of the derivatives of the Globe Group amounted to ₱411.36 million while net loss on derivative instruments arising from changes in MTM

reflected in the consolidated income statements as of end-December 2019 amounted to ₱809.54 million.

To measure riskiness, the Company provides a sensitivity analysis of its profit and loss from financial instruments resulting from movements in foreign exchange and interest rates. The interest rate sensitivity estimates the changes to the following P&L items, given an indicated movement in interest rates: (1) interest income, (2) interest expense, (3) mark-to-market of derivative instruments. The foreign exchange sensitivity estimates the P&L impact of a change in the USD/PHP rate as it specifically pertains to the revaluation of the net unhedged liability position of the company, and foreign exchange derivatives.

LEGAL, REGULATORY, AND CORPORATE DEVELOPMENTS

The Globe Group is contingently liable for various claims arising in the ordinary conduct of business and certain tax assessments which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. In the opinion of management and legal counsel, the possibility of outflow of economic resources to settle the contingent liability is remote.

Interconnection Charge for Short Messaging Service

On October 10, 2011, the NTC issued Memorandum Circular (MC) No. 02-10-2011 titled Interconnection Charge for Short Messaging Service requiring all public telecommunication entities to reduce their interconnection charge to each other from ₱0.35 to ₱0.15 per text, which Globe Telecom complied as early as November 2011. On December 11, 2011, the NTC One Stop Public Assistance Center (OSPAC) filed a complaint against Globe Telecom, Smart and Digitel alleging violation of the said MC No. 02-10-2011 and asking for the reduction of SMS off-net retail price from ₱1.00 to ₱0.80 per text. Globe Telecom filed its response maintaining the position that the reduction of the SMS interconnection charges does not automatically translate to a reduction in the SMS retail charge per text.

On November 20, 2012, the NTC rendered a decision directing Globe Telecom to:

- Reduce its regular SMS retail rate from P1.00 to not more than ₱0.80;
- Refund/reimburse its subscribers the excess charge of ₱0.20; and
- Pay a fine of ₱200.00 per day from December 1, 2011 until date of compliance.

On May 7, 2014, NTC denied the Motion for Reconsideration (MR) filed by Globe Telecom last December 5, 2012 in relation to the November 20, 2012 decision. Globe Telecom's assessment is that Globe Telecom is in compliance with the NTC Memorandum Circular No. 02-10-2011. On June 9, 2014, Globe Telecom filed petition for review of the NTC decision and resolution with the Court of Appeals (CA).

The CA granted the petition in a resolution dated September 3, 2014 by issuing a 60-day temporary restraining order on the implementation of Memorandum Circular 02-10-2011 by the NTC. On October 15, 2014, Globe Telecom posted a surety bond to compensate for possible damages as directed by the CA.

On June 27, 2016, the CA rendered a decision reversing the NTC's abovementioned decision and resolution requiring telecommunications companies to cut their SMS rates and return the excess amount paid by subscribers. The CA said that the NTC order was baseless as there is no showing that the reduction in the SMS rate is mandated under MC No. 02-10-2011; there is no showing, either that the present P1.00 per text rate is unreasonable and unjust, as this was not mandated under the memorandum. Moreover, under the NTC's own MC No. 02-05-2008, SMS is a value added service (VAS) whose rates are deregulated. The respective motions for reconsideration filed by NTC and that of intervenor Bayan Muna Party List (Bayan Muna) Representatives Neri Javier Colmenares and Carlos Isagani Zarate were both denied.

The NTC thus elevated the CA's ruling to the Supreme Court (SC) via a Petition for Review on Certiorari dated September 15, 2017.

For its part, Bayan Muna filed its own Petition for Review on Certiorari of the CA's Decision. On January 4, 2018, Globe received a copy of the SC's Resolution dated November 6, 2017, requiring it to comment on said petition of Bayan Muna. Subsequently, on February 21, 2018, Globe received a copy of the SC's Resolution dated December 13, 2017 consolidating the Petitions for Review filed by Bayan Muna and NTC, and requiring Globe to file its comment on the petition for review filed by NTC. Thus, on April 2, 2018, Globe filed its Consolidated Comment on both Bayan Muna and the NTC's petitions for review. On September 18, 2018, Globe received a copy of Bayan Muna's Consolidated Reply to Globe's Consolidated Comment and

Digitel and Smart's Comment.

Globe Telecom believes that it did not violate NTC MC No. 02-10-2011 when it did not reduce its SMS retail rate from Php 1.00 to Php 0.80 per text, and hence, would not be obligated to refund its subscribers. However, if it is ultimately decided by the Supreme Court (in case an appeal is taken thereto by the NTC from the adverse resolution of the CA) that Globe Telecom is not compliant with said circular, Globe may be contingently liable to refund to its subscribers the ₱0.20 difference (between ₱1.00 and ₱0.80 per text) reckoned from November 20, 2012 until said decision by the SC becomes final and executory. Management does not have an estimate of the potential claims currently.

Guidelines on Unit of Billing of Mobile Voice Service

On July 23, 2009, the NTC issued NTC MC No. 05-07-2009 (Guidelines on Unit of Billing of Mobile Voice Service). The MC provides that the maximum unit of billing for the Cellular Mobile Telephone System (CMTS) whether postpaid or prepaid shall be six (6) seconds per pulse. The rate for the first two (2) pulses, or equivalent if lower period per pulse is used, may be higher than the succeeding pulses to recover the cost of the call set-up. Subscribers may still opt to be billed on a one (1) minute per pulse basis or to subscribe to unlimited service offerings or any service offerings if they actively and knowingly enroll in the scheme.

On December 28, 2010, the Court of Appeals (CA) rendered its decision declaring null and void and reversing the decisions of the NTC in the rates applications cases for having been issued in violation of Globe Telecom and the other carriers' constitutional and statutory right to due process. However, while the decision is in Globe Telecom's favor, there is a provision in the decision that NTC did not violate the right of petitioners to due process when it declared via circular that the per pulse billing scheme shall be the default.

On January 21, 2011, Globe Telecom and two other telecom carriers, filed their respective Motions for Partial Reconsideration (MR) on the pronouncement that "the Per Pulse Billing Scheme shall be the default". The petitioners and the NTC filed their respective Motion for Reconsideration, which were all denied by the CA on January 19, 2012.

On March 12, 2012, Globe and Innove elevated to the Supreme Court the questioned portions of the Decision and Resolution of the CA dated December 28, 2010 and its Resolution dated January 19, 2012. The other service providers, as well as the NTC, filed their own petitions for review. The adverse parties have filed their comments on each other's petitions, as well as their replies to each other's comments. Parties were required to file their respective Memoranda and Globe filed its Memorandum on May 25, 2018. The case is now submitted for resolution.

Right of Innove to Render Service and Build Telecommunications Infrastructure in BGC

- PLDT and its affiliate, Bonifacio Communications Corporation (BCC) and Innove and Globe Telecom are in litigation over the right of Innove to render services and build telecommunications infrastructure in the Bonifacio Global City (BGC). In the case filed by Innove before the NTC against BCC, PLDT and the Fort Bonifacio Development Corporation (FBDC), the NTC has issued a Cease and Desist Order preventing BCC from performing further acts to interfere with Innove's installations in the BGC.

On January 21, 2011, BCC and PLDT filed with the CA a Petition for Certiorari and Prohibition against the NTC, et al. seeking to annul the Order of the NTC dated October 28, 2008 directing BCC, PLDT and FBDC to comply with the provisions of NTC MC 05-05-02 and to cease and desist from performing further acts that will prevent Innove from implementing and providing telecommunications services in the Fort Bonifacio Global City pursuant to the authorization granted by the NTC. On April 25, 2011, Innove Communications, filed its comment on the Petition.

On August 16, 2011, the CA ruled that the petition against Innove and the NTC lacked merit, holding that neither BCC nor PLDT could claim the exclusive right to install telecommunications infrastructure and providing telecommunications services within the BGC. Thus, the CA denied the petition and dismissed the case. PLDT and BCC filed their motions for reconsideration thereto, which the CA denied.

On July 6, 2012, PLDT and BCC assailed the CA's rulings via a petition for review on certiorari with the Supreme Court. Innove and Globe filed their comment on said petition on January 14, 2013, to which said petitioners filed their reply on May 21, 2013. The case remains pending with the SC.

- In a case filed by BCC against FBDC, Globe Telecom, and Innove before the RTC of Pasig, which case sought to enjoin Innove from making any further installations in the BGC and claimed damages from all the parties for the breach of the exclusivity of BCC in the area, the court did not issue a TRO

and has instead scheduled several hearings on the case. The defendants filed their respective motions to dismiss the complaint on the grounds of forum shopping and lack of jurisdiction, among others. On March 30, 2012, the RTC of Pasig, as prayed for, dismissed the complaint on the aforesaid grounds. The motion for reconsideration filed by BCC on July 20, 2012 remains pending with the trial court.

Acquisition by Globe Telecom and PLDT of the Entire Issued and Outstanding Shares of VTI

In a letter dated June 7, 2016 issued by Philippine Competition Commission (PCC) to Globe Telecom, PLDT, SMC and VTI regarding the Joint Notice filed by the aforementioned parties on May 30, 2016, disclosing the acquisition by Globe Telecom and PLDT of the entire issued and outstanding shares of VTI, the PCC claims that the Notice was deficient in form and substance and concludes that the acquisition cannot be claimed to be deemed approved.

On June 10, 2016, Globe Telecom formally responded to the letter reiterating that the Notice, which sets forth the salient terms and conditions of the transaction, was filed pursuant to and in accordance with Memorandum Circular No. I6-002 (MC No. I6-002) issued by the PCC. MC No. 16-002 provides that before the implementing rules and regulations for Republic Act No. 10667 (the Philippine Competition Act of 2015) come into full force and effect, upon filing with the PCC of a notice in which the salient terms and conditions of an acquisition are set forth, the transaction is deemed approved by the PCC and as such, it may no longer be challenged. Further, Globe Telecom clarified in its letter that the supposed deficiency in form and substance of the Notice is not a ground to prevent the transaction from being deemed approved. The only exception to the rule that a transaction is deemed approved is when a notice contains false material information. In this regard, Globe Telecom stated that the Notice does not contain any false information.

On June 17, 2016, Globe Telecom received a copy of the second letter issued by PCC stating that notwithstanding the position of Globe Telecom, it was ruling that the transaction was still subject for review.

On July 12, 2016, Globe Telecom asked the CA to stop the government's anti-trust body from reviewing the acquisition of SMC's telecommunications business. Globe Telecom maintains the position that the deal was approved after Globe Telecom notified the PCC of the transaction and that the anti-trust body violated its own rules by insisting on a review. On the same day, Globe Telecom filed a Petition for Mandamus, Certiorari and Prohibition against the PCC, docketed as CA-G.R. SP No. 146538. On July 25, 2016, the CA, through its 6th Division issued a resolution denying Globe Telecom's application for TRO and injunction against PCC's review of the transaction. In the same resolution, however, the CA required the PCC to comment on Globe Telecom's petition for certiorari and mandamus within 10 days from receipt thereof. The PCC filed said comment on August 8, 2016. In said comment, the PCC prayed that the ₱70 billion deal between PLDT-Globe Telecom and San Miguel be declared void for PLDT and Globe Telecom's alleged failure to comply with the requirements of the Philippine Competition Act of 2015. The PCC also prayed that the CA direct Globe Telecom to: cease and desist from further implementing its co-acquisition of the San Miguel telecommunications assets; undo all acts consummated pursuant to said acquisition; and pay the appropriate administrative penalties that may be imposed by the PCC under the Philippine Competition Act for the illegal consummation of the subject acquisition. The case remains pending with the CA.

Meanwhile, PLDT filed a similar petition with the CA, docketed as CA G.R. SP No. 146528, which was raffled off to its 12th Division. On August 26, 2016, PLDT secured a TRO from said court. Thereafter, Globe Telecom's petition was consolidated with that of PLDT, before the 12th Division. The consolidation effectively extended the benefit of PLDT's TRO to Globe Telecom. The parties were required to submit their respective Memoranda, after which, the case shall be deemed submitted for resolution.

On February 17, 2017, the CA issued a Resolution denying PCC's Motion for Reconsideration dated September 14, 2016 for lack of merit. In the same Resolution, the Court granted PLDT's Urgent Motion for the Issuance of a Gag Order and ordered the PCC to remove the offending publication from its website and also to obey the sub judice rule and refrain from making any further public pronouncements regarding the transaction while the case remains pending. The Court also reminded the other parties, PLDT and Globe, to likewise observe the sub judice rule. For this purpose, the Court issued its gag order admonishing all the parties "to refrain, cease and desist from issuing public comments and statements that would violate the sub judice rule and subject them to indirect contempt of court. The parties were also required to comment within ten days from receipt of the Resolution, on the Motion for Leave to Intervene, and Admit the Petition-in-Intervention dated February 7, 2017 filed by Citizenwatch, a non-stock and non-profit association.

On April 18, 2017, PCC filed a petition before the SC docketed as G.R. No. 230798, to lift the CA's order that has prevented the review of the sale of San Miguel Corp.'s telecommunications unit to PLDT Inc. and Globe Telecom. On April 25, 2017, Globe filed before the SC a Motion for Intervention with Motion to Dismiss the petition filed by the PCC.

As of June 30, 2017, the SC did not issue any TRO on the PCC's petition to lift the injunction issued by the CA. Hence, the PCC remains barred from reviewing the SMC deal.

On July 26, 2017, Globe received the SC en banc Resolution granting Globe's Extremely Urgent Motion to Intervene. In the same Resolution, the Supreme Court treated as Comment, Globe's Motion to Dismiss with Opposition Ad Cautelam to PCC's Application for the Issuance of a Writ of Preliminary Injunction and/or TRO.

On August 31, 2017, Globe received another Resolution of the SC en banc, requiring the PCC to file a Consolidated Reply to the Comments respectively filed by Globe and PLDT, within ten (10) days from notice. Globe has yet to receive the Consolidated Reply of PCC since the latter requested for extension of time to file the same.

In the meantime, in a Decision dated October 18, 2017, the CA, in CA-G.R. SP No. 146528 and CA-G.R. SP No. 146538, granted Globe and PLDTs Petition to permanently enjoin and prohibiting PCC from reviewing the acquisition and compelling the PCC to recognize the same as deemed approved. PCC elevated the case to the SC via Petition for Review on Certiorari.

Co-use of frequencies by PLDT/Smart and Globe Telecom as a result of the acquisition of controlling shares in VTI

On January 21, 2019, Globe filed its Comment to a petition filed by lawyers Joseph Lemuel Baligod and Ferdinand Tecson before the Supreme Court, against the NTC, PCC, Liberty Broadcasting Network, Inc., (LBNI), Bell Telecommunications Inc. (BellTel), Globe, PLDT and Smart, docketed as G.R. No. 242353. The petition sought to, among others, enjoin PLDT/Smart and Globe from co-using the frequencies assigned to LBNI and BellTel in view of alleged irregularities in NTC's assignment of these frequencies to these entities. In its Comment, Globe argued that the frequencies were assigned in accordance with existing procedures prescribed by law and that to prevent the use of the frequencies will only result to its being idle and unutilized. Moreover, in view of the substantial investments made by Globe, for the use of these frequencies, enjoining its use will cause grave and irreparable injury not only to Globe but to subscribers who will be deprived of the benefits of fast and reliable telecommunications services. The other Respondents have likewise filed their respective Comments to the petition.

CORPORATE DEVELOPMENTS:

- The NTC issued an advisory, ordering local telecommunication companies to move the migration date to October 6, 2019 from March 18, 2019. This was after the Bankers Association of the Philippines (BAP) and the Credit Card Association of the Philippines (CCAP) filed their respective petitions to postpone the migration to a later date to provide banks and credit card companies sufficient time to implement the necessary changes to their operations and systems.

From October 6, 2019 to January 5, 2020, customers who will still incorrectly dial the old 7-digit number will hear a special announcement, saying the format has been changed to 8 digits. Globe will continue reminding its customers on the upcoming migration in October through all available channels, including SMS, email, and social media. Globe and Bayan customers may visit www.globe.com.ph/help/eight-digit-number-for-landlines-and-duo.html for more information on the migration.

- Globe Telecom has entered into a tripartite agreement with ISOC Infrastructure Inc. and Malaysia-based tower giant edotco Group Sdn. Bhd., becoming the first telco to support the common tower initiative of the Department of Information and Communications Technology (DICT). ISOC and edotco, who were the first towercos to seek vendor accreditation with Globe, will build an initial 150 sites for the company.

The DICT signed agreements with 23 tower companies with ISOC and edotco leading the pack as among the first to do so. Despite the agreements, the government has yet to release a common tower policy governing towercos in the country.

The DICT targets to build at least 50,000 new common towers across the country in the next seven to ten years. The government agency also announced its recent plans to accelerate the building of 2,500 common towers in properties owned by government agencies. Telco stakeholders, however, are seeking the immediate release of the long-delayed Common Tower Policy.

- Globe Telecom, Aboitiz InfraCapital, and Frontier Tower Associates Philippines (FTAP) signed a memorandum of understanding (MOU) on July 2, 2019 to improve connectivity in Cebu, Davao, and Olongapo. The MOU, in support of the common tower initiatives of the Department of Information and Communications Technology (DICT), will explore the possibility of leasing build-to-suit sites, towers, and other passive telecommunications infrastructure and facilities.

The MOU signing between Globe and the Aboitiz-FTAP partnership came immediately after Aboitiz and FTAP signed on June 19 a cooperation agreement for the development, construction, operation, and maintenance of a common tower network.

The DICT targets to roll out at least 50,000 new common towers across the country in the next seven to ten years. Recently, the government agency announced its plans to accelerate the building of 2,500 common towers in properties owned by government agencies.

- On July 22, 2019, Globe Telecom sold its interest in AFPI to Globe Fintech Innovations for a total consideration of ₱240 million. Gain on disposal of investment in AFPI was recognized as part of other income
- On September 11, 2019, the Board of Directors of Globe through its Executive Committee, approved the acquisition of 51% of Yondu Inc., equivalent to 22,950 shares for Php501 million from Xurpass Inc. and the signing of the corresponding Deed of Sale of Shares and other related definitive agreements. The transaction is consistent with Globe's strategic imperative of developing its ICT capabilities responsive to the changing needs of its customers. Yondu's strong IT core competencies combined with Globe's digital expertise will strengthen the value proposition of products and services catered to enterprise clients.
- On September 24, 2019, Globe has signed a memorandum of understanding (MOU) with Transcend Towers Infrastructure (Philippines) Inc., a wholly owned subsidiary of American Tower Corporation, to build more towers in the Philippines. In support of the common tower initiative of the Department of Information and Communications Technology (DICT), the agreement will have Transcend Towers build an initial 150 sites for Globe in North Luzon.
- On February 8, 2019, the RA 11202 or the "Mobile Number Portability Act" was signed into law. The act allows subscribers to change their subscription plans or service providers and still keep their current mobile numbers. Moreover, no interconnection fee or charge shall be imposed for domestic calls and SMS made by a subscriber. This act shall take effect fifteen days after its publication in the Official Gazette or in any newspaper of general circulation.

Within ninety (90) days from the effectivity of the act, NTC shall coordinate with the Department of Information and Communications Technology, The National Privacy Commission, the Philippine Competition Commission, and other concerned agencies, and promulgate rules and regulations and other issuances to ensure the effective implementation of the Act. Within six (6) months from the promulgation of the rules and regulations, service providers shall comply with the provisions of the act and set up a mechanism for the purpose of implementing nationwide.

On December 26, 2019, the country's major mobile operators Globe, new player Dito Telecommunity and PLDT subsidiary Smart Communications have joined forces to put up a new company using fresh investments to enable number porting services in line with the new mobile number portability initiative of the government. This is an important first step towards the full implementation of Republic Act 11202 also known as the "Mobile Number Portability Act" ("the MNP Act"). Syniverse, the world's most connected company, was chosen by the Philippine mobile operators through a rigorous technical and commercial evaluation process, to be the mobile number portability service provider (MNPS). The company will bring in the technical infrastructure to fulfill its primary function as clearinghouse for the telcos and ensuring smooth implementation of number porting services.

As MNPS, Syniverse is likewise expected to fulfill all functions outlined in the implementing rules and regulations under the NTC Memorandum Circular 03-06-2019 issued in July this year. With the initial step of setting up the support mechanisms, the actual implementation of MNP will be contingent upon the completion of integration and interoperability tests of the clearinghouse

facilities with the separate multi-vendor systems of the mobile operators.

Details on these transactions have been extensively discussed in the disclosures filed with the SEC and PSE and maybe accessed from the PSE and Company websites.

2. Causes of any material change from period to period: 2019 vs. 2018

Assets

Current

- A** Cash and cash equivalents – Decline of ₱14.9B in cash is largely due to higher amount of cash used for financing and investing activities slightly offset by higher cash generated from operations. Relative to the previous year, Globe made more loan repayments and also acquired and invested in various subsidiaries and joint ventures within 2019.
- B** Receivable – ₱2.3B decline is mostly due to write-offs and increased collections on mobile.
- C** Allowance for Doubtful Accounts – Movement is due to write-offs, slightly offset by additional provisions for billed accounts.
- D** Traffic Settlement Receivable – Decrease of ₱963M is mostly from net settlement of foreign and roaming traffic, followed by local traffic, and slightly offset by data traffic.
- E** Other Receivables – Increase of ₱572M is due to increased AR from dealers, mostly on AMAX load from corporate partners. Higher insurance claims also contributed to the increase.
- F** Allowance for Doubtful Accounts (Traffic and others) – Movement is due to provisions for foreign traffics accounts.
- G** Prepayments and Other Current Assets – The ₱3.1B increase is mostly due to application of advanced payments for network rollout, and prepayments and reclassification of current portions of certain loans
- H** Inventories and Supplies – Declined by ₱140M from net issuances of handsets.

Noncurrent

- I** Fixed Assets – Increase of ₱13.3B is largely due to the addition of telecom equipment from ongoing network expansion, as well as additional building and leasehold improvements.
- J** Intangible Assets – Slight increase of ₱96M is mostly from additional intangible assets resulting from the acquisition of ECPay offset by regular amortization of Bayan's intangible assets.
- K** Investment in Joint Venture and Associates – Slightly grew by ₱47M from additional investments in Mynt, which was mostly offset by the share in net losses of the same. The reacquisition of Yondu also contributed to the increase.
- L** Goodwill – Increase of ₱1.8B is from the acquisition of ECPay and reacquisition of Yondu within the year.
- M** Other Investments – Increase of ₱695M is attributable to additional AFS investments for KVI.
- N** Deferred Tax Asset – Decline of ₱208M is mostly from wireline business' deferred revenue, loan interest expense, and provisions.
- O** Derivative Assets – Decline of ₱1.9B is attributable to the decreased MTM value of existing swaps.

- P** Misc. Deposits and Others – ₱440M decrease is mostly from reclassification of certain GGRP and BHI loan collections to current.

Liabilities

Current

- Q** Trade Payables – ₱2.1B increase is mostly due to higher number of goods/services received that have yet to be invoiced, as well as higher net payables to local suppliers and contractors.
- R** Traffic Settlement Payable – Movement of ₱109M is due to net settlements for roaming and data traffic.
- S** Other Creditors – Bulk of the ₱2.6B increase is from the acquisition of ECPay and the consolidation of their payables to partners and deposits.
- T** Taxes Payable – Declined by ₱363M from lower VAT and overseas communications tax, offset by higher withholding taxes for 2019.
- U** Income Taxes Payable – Increase of ₱153M is due to higher net provisions versus last year.
- V** Provisions – Slight increase of ₱73M is mostly due to net reclassification of real property tax provisions from accrued expenses.
- W** Accrued Expenses – Increase of ₱3.3B increase is attributable to higher accrual of corporate incentives, contracted services, and taxes and license fees for additional sites.
- X** Accrued Interest on Loans – ₱208M decline is due to various loan payments for the year offsetting accruals.
- Y** Accrued Project Cost – Decrease of ₱6.6B is attributable to payments made for various completed projects
- Z** Derivative Liabilities – Increase of ₱527M is due to the increased MTM value cash flow hedges offset by settlement of FX swaps.
- AA** Unearned Revenue – Increase of ₱786M is attributable to higher prepaid top-ups, AMAX reloads, and advanced MSF for postpaid accounts.
- AB** Current Portion of Long-Term Debt-Bank – Bulk of the ₱12.4B decline is from loan payments to various banks, as well as bond payments.

Noncurrent

- AC** Net Deferred Tax Liability – Bulk of the ₱1.1B increase is due to higher tax depreciation and lower net receivables
- AD** Other Long-term Liabilities – Increase of ₱2.1B is attributable to pension re-measurements net of payments and contributions.

3. Description of material commitments and general purpose of such commitments. Material off-balance sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons created during the period.

For details on material commitments and arrangements, see Notes 25 in the attached Notes to the Financial Statements.

4. Seasonal Aspects that have a material effect on the FS

No seasonal aspects that have a material effect on the financial statements.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 7. Directors and Key Officers

A. Board of Directors

As of December 31, 2020

Name	Position
Jaime Augusto Zobel de Ayala	Chairman (NED)
Fernando Zobel de Ayala	Co-Vice Chairman (NED)
Lang Tao Yih, Arthur	Co-Vice Chairman (NED)
Ernest L. Cu	Executive Director, President and Chief Executive Officer
Romeo L. Bernardo	Director (NED)
Delfin L. Lazaro	Director (NED)
Samba Natarajan	Director (NED)
Jose Teodoro K. Limcaoco	Director (NED)
Rex Ma. A. Mendoza	Lead Independent Director (NED, ID)
Saw Phaik Hwa	Independent Director (NED, ID)
Cirilo P. Noel	Independent Director (NED, ID)

Note: Non-Executive Director (NED), Independent Director (ID)

Nominees to the Board of Directors (2020-2021)

- Jaime Augusto Zobel de Ayala
- Lang Tao Yih, Arthur
- Fernando Zobel de Ayala
- Samba Natarajan
- Ernest L. Cu
- Delfin L. Lazaro
- Romeo L. Bernardo
- Cezar P. Consing
- Rex Ma. A. Mendoza – Nominee for Independent Director
- Saw Phaik Hwa – Nominee for Independent Director
- Cirilo P. Noel – Nominee for Independent Director

Jaime Augusto Zobel de Ayala

Chairman, Non-Executive Director

Committee Memberships:

- *Executive Committee (Chairman)*

Filipino, 61, has been the Chairman of the Board since December 1996 and Director since March 1989. Among other current positions, he is also the Chairman and CEO of Ayala Corporation since April 2006; Chairman of Integrated Micro-Electronics, Inc. and Bank of the Philippines Islands; and Vice Chairman of Ayala Land, Inc., Manila Water Company, Inc. and AC Energy Corporation (formerly AC Energy Philippines, Inc.); Chairman of Ayala Retirement Fund Holdings, Inc., AC Industrial Technology Holdings, Inc., AC Ventures Holding Corp., AC Infrastructure Holdings Corporation, AC Energy International, Inc. and Asiacom Philippines, Inc.; Co-Chairman of Ayala Foundation, Inc. and Ayala Group Club, Inc.; Director of Alabang Commercial Corporation, Ayala International Pte. Ltd., AC Energy and Infrastructure Corporation (formerly AC Energy, Inc.), Ayala Healthcare Holdings, Inc., Light Rail Manila Holdings, Inc. and AG Holdings Ltd.

Skills and experience:

Outside the Ayala group, he is a member of various business and socio-civic organizations in the Philippines and abroad, including the JP Morgan International Council, JP Morgan Asia Pacific Council, and Mitsubishi Corporation International Advisory Council. He sits on the board of the Singapore Management University and on various advisory boards of Harvard University, including the Global Advisory Council, HBS Board of Dean's Advisors, and HBS Asia-Pacific Advisory Board, which he chairs. He is Chairman Emeritus of the Asia Business Council, a member of the Global Board of Adviser of the Council on Foreign Relations, and Co-Vice Chairman of the Makati Business Club, Chairman of Endeavor Philippines, and a board member of Eisenhower Fellowships.

Mr. Zobel was awarded the Presidential Medal of Merit in 2009, the Philippine Legion of Honor with rank of Grand Commander in 2010, and the Order of Mabini with rank of Commander in 2015 by the President of the Philippines in recognition of his outstanding public service. In 2017, he was recognized as a United Nations Sustainable Development Goals Pioneer by the UN Global Compact for his work in sustainable business strategy and operations. The first recipient of the award from the Philippines, he was one of 10 individuals recognized for championing sustainability and the pursuit of the 17 SDGs in business.

He graduated with B.A. in Economics (Cum Laude) from Harvard College in 1981 and obtained an MBA from the Harvard Graduate School of Business in 1987.

Directorship in other publicly-listed companies:

Ayala Corporation, Ayala Land, Inc., Integrated Micro-Electronics, Inc., Bank of the Philippine Islands, Manila Water Company, Inc. and AC Energy Corporation (formerly AC Energy Philippines, Inc.). All of which are listed on the Philippine Stock Exchange.

Fernando Zobel de Ayala

Co-Vice Chairman, Non-Executive Director

Committee memberships:

- *Compensation and Remuneration Committee*
- *Finance Committee*

Filipino, 60, has served as Director since October 1995. He is the President and Chief Operating Officer of Ayala Corporation since April 2006, and Director since May 1994. He is the Chairman of Ayala Land, Inc., Manila Water Company, Inc., AC Energy Corporation (formerly AC Energy Philippines, Inc.), AC International Finance Ltd., Liontide Holdings, Inc., AC Energy and Infrastructure Corporation (formerly AC Energy, Inc.), Ayala Healthcare Holdings, Inc., Automobile Central Enterprise, Inc., Alabang Commercial Corporation, Accendo Commercial Corp. and Hero Foundation, Inc.; Co-Chairman of Ayala Foundation, Inc. and Ayala Group Club, Inc.; Vice-Chairman of AC Industrial Technology Holdings, Inc., ALI Eton Property Development Corporation, Ceci Realty Inc., Fort Bonifacio Development Corporation, Bonifacio Land Corporation, Emerging City Holdings, Inc., Columbus Holdings, Inc., Berkshires Holdings, Inc., AKL Properties, Inc., AC Ventures Holdings Corp., and Bonifacio Art Foundation, Inc.; Director of Bank of the Philippine Islands, Integrated Micro-Electronics, Inc., Livelt Investments, Ltd., AG Holdings Ltd., AC Infrastructure Holdings Corporation, Altaraza Development Corporation, Asiacom Philippines, Inc., Ayala Retirement Fund Holdings, Inc., Honda Cars Philippines, Inc., Isuzu Philippines Corporation, and Manila Peninsula. He is an Independent Director of Pilipinas Shell Petroleum Corporation.

Skills and experience:

He is also a member of the Board of INSEAD Business School and Georgetown University; Member of the International Advisory Board of Tikehau Capital and of the Hispanic Society Museum & Library International Advisory Council; Vice Chairman of the Philippine-Singapore Business Council, member of the World Presidents' Organization and Chief Executives Organization; Chairman of Habitat for Humanity International's Asia-Pacific Capital Campaign Steering Committee; and Member of the Board of Trustees of Caritas Manila, Pilipinas Shell Foundation, and the National Museum.

Mr. Zobel graduated with B.A. Liberal Arts at Harvard College in 1982 and holds a CIM from INSEAD, France.

Directorship in other publicly-listed companies:

Ayala Corporation, Ayala Land, Inc., AC Energy Corporation (formerly AC Energy Philippines, Inc.), Bank of the Philippine Islands, Integrated Micro-Electronics, Inc., Manila Water Company, Inc., and Pilipinas Shell Petroleum Corporation. All of which are listed on the Philippine Stock Exchange.

Lang Tao Yih, Arthur

Co-Vice Chairman, Non-Executive Director

Committee memberships:

- *Executive Committee*

- *Compensation and Remuneration Committee*

Singaporean, 48, has served as Director since April 2017. He is the CEO International of Singapore Telecommunications Limited. His main responsibilities are to oversee the growth of the Group's regional associates across India, Indonesia, the Philippines, Thailand, and 14 countries in Africa, strengthen its relationship with overseas partners, and drive regional initiatives, such as the mobile financial services, video gaming businesses and eSports, for scale and synergies. Effective 1 April 2021, he will take on the additional role of Group Chief Financial Officer with the focus on capital allocation and value creation. He is also in charge of the digital bank joint venture with Grab across Southeast Asia.

Skills and experience:

He was formerly the Group CFO of CapitaLand Limited, one of Asia's largest real estate companies. Prior to joining CapitaLand, he was at Morgan Stanley having been the co-head of the Southeast Asia investment banking division and the Chief Operating Officer for the Asia Pacific investment banking division. Mr. Lang is the Chairman of the National Kidney Foundation Board. He is a board member of Bharti Airtel Limited, Bharti Telecom Limited, Intouch Holdings PCL and the Straits Times Pocket Money Fund. He is also on the Board of Trustees for the SMU Business School.

Mr. Lang received the Best CFO of the Year Award, for listed companies with market capitalization of S\$1 billion and above, at the Singapore Corporate Awards in 2015.

Mr. Lang has a Master of Business Administration from the Harvard Business School and a BA in Economics (magna cum laude) from Harvard University.

Directorship in other publicly-listed companies:

Bharti Airtel Limited that is listed on the National Stock Exchange of India Ltd and BSE Limited, and Intouch Holdings PCL that is listed on the Stock Exchange of Thailand.

Ernest L. Cu

Executive Director, President and Chief Executive Officer

Committee memberships:

- *Executive Committee*

Filipino, 60, has served as Director since April 2009. He is the President and Chief Executive Officer (CEO) of Globe Telecom, Inc. He joined Globe in October 2008 as Deputy CEO, and was officially appointed President and CEO on 2 April 2009. Since then, Mr. Cu has been passionately driving a sweeping transformation across the company, including modernizing its network and IT infrastructure, developing a strong collaborative and service-oriented culture, and creating product innovations in its core business segments. Globe has since outperformed industry growth, with the company breaking records across all key product groups, brands and market segments, catapulting Globe as the number 1 mobile brand in the country.

Under Mr. Cu's visionary leadership, Globe embarked on a purpose-led transformation in 2016 to create a more sustainable organization. With its renewed mission, vision, and core values, collectively embodied in the new Globe Purpose, the company is now setting its sights on serving as a catalyst in driving the nation forward. In 2019, Globe became a signatory to the United Nations Global Compact, committing to implement universal sustainability business principles.

Skills and experience:

Prior to Globe, he was President and CEO of SPi Technologies from 1997 to 2008. At the cusp of the new millennium, he spurred the beginning of the BPO business model for the Philippines, earning him the recognition as one of the founding fathers of BPO in the country. Lauding his pioneering spirit, Ernst & Young named him ICT Entrepreneur of the Year in 2003. In 2017, he was hailed as the Philippines' Best CEO by Finance Asia. A second for Cu, he first received the award in 2010. Also, in 2017, for the fifth straight year, Mr. Cu was recognized as one of the 100 most influential telecom leaders worldwide by London-based Global-Telecoms Business Magazine Power 100. Frost & Sullivan Asia Pacific has also named him CEO of the Year twice, first in 2012, and again in 2017. In 2020, Mr. Cu was awarded Asia's Best CEO at the Corporate Governance Asia Awards' 10th Asia Excellence.

Mr. Cu has a Bachelor of Science Degree in Industrial Management Engineering from De La Salle University in Manila, and an M.B.A. from the J.L. Kellogg Graduate School of Management in Northwestern University.

Mr. Cu is not a Director or an executive in any other publicly-listed company.

Romeo L. Bernardo

Non-Executive Director

Committee memberships:

- *Audit and Related Party Transactions Committee*
- *Finance Committee*
- *Board Risk Oversight Committee*

Filipino, 66, has served as a Director since September 2001. He is also the Managing Director of Lazaro Bernardo Tiu and Associates (LBT), a financial advisory firm based in Manila. He is a GlobalSource economist in the Philippines. He is also the Chairman of ALFM Family of Funds.

Skills and experience:

He is a member of the Philippine World Bank Advisory Group and a member of the Panel of Conciliators of the International Centre for Settlement of Investment Disputes.

He previously served as Undersecretary of Finance and as Alternate Executive Director of the Asian Development Bank. He was also an Advisor of the World Bank and the IMF (Washington D.C.).

Mr. Bernardo holds a degree in Bachelor of Science in Business Economics from the University of the Philippines (magna cum laude) and a Master's Degree in Development Economics at Williams College from Williams College in Williamstown, Massachusetts.

Directorship in other publicly-listed companies:

Aboitiz Power Corporation, Bank of the Philippine Islands, and RFM Corporation. All of which are listed on the Philippine Stock Exchange.

Delfin L. Lazaro

Non-Executive Director

Committee memberships:

- *Finance Committee*

Filipino, 74, has served as Director since January 1997 and a member of the Finance Committee. His other significant positions include: Chairman of Atlas Fertilizer & Chemicals Inc.; Chairman and President of A.C.S.T. Business Holdings, Inc.; Vice Chairman and President of Asiacom Philippines, Inc.; Director of AC Industrial Technology Holdings, Inc., AYC Holdings, Ltd., AC International Finance, Ltd., Purefoods International Limited and Probe Productions, Inc. He is an Independent Adviser to the Board of Directors of Ayala Land, Inc.

Skills and experience:

He graduated with BS Metallurgical Engineering at the University of the Philippines in 1967 and took his MBA (with Distinction) at Harvard Graduate School of Business in 1971.

Directorship in other publicly-listed companies:

Ayala Corporation, Integrated Micro-Electronics, Inc., and Manila Water Company, Inc. All of which are listed on the Philippine Stock Exchange.

Samba Natarajan

Non-Executive Director

Committee memberships:

- *Executive Committee*
- *Finance Committee*

US citizen, 55, has served as Director since 7 April 2015, a member of the Finance and Executive Committee. He is CEO of Strategic Portfolio, Singapore Telecommunications Limited since April 2021. His responsibilities include group-wide strategy and business restructuring for the Singtel Group, in addition to managing a portfolio of digital businesses: Digital Marketing, Gaming and corporate venture fund, Innov8, that invests in cutting edge technologies. He was the CEO of Group Digital Life from April 2015 to March 2021. He joined Singtel in May 2014 as Managing Director of Digital Enterprise leading a team focused on identifying and executing enterprise growth opportunities from emerging technology trends. He brings more than 25 years of corporate and consulting experience across a wide range of senior roles in the areas of strategy, business development and finance.

Skills and experience:

He worked for Citibank from 1988 to 1997 and McKinsey & Company from 1999 to 2014. In his last role with McKinsey, he was the Leader of Southeast Asia TMT practice, consulting with C-level executives in the areas of growth, transformation, corporate finance and commercial operations. Mr. Natarajan sits on the board of several digital subsidiaries of the Singtel group, including Amobee, HOOQ and Trustwave. He also sits on the Board of Governors of the Singapore American School.

He holds a Bachelor of Engineering degree in Electrical Engineering with distinction from the Birla Institute of Technology and Science in Pilani, India, a Post Graduate Diploma in Management from the Indian Institute of Management in Ahmedabad, India where he was an industrial scholar and an MBA from the Wharton School of the University of Pennsylvania, USA, where he was a Hope Fellow, Ford Fellow and Palmer Scholar. He was profiled in "Leaders for the Global Markets", Wharton School, 1999–2000.

Mr. Natarajan is not a Director in any other publicly-listed company.

Jose Teodoro K. Limcaoco

Non-Executive Director

Committee memberships:

- *Executive Committee*

Filipino, 58, has served as Director since 13 April 2016. Mr. Limcaoco has been the Chief Finance Officer and Finance Group Head of Ayala Corporation since April 2015. He is also the Chief Risk Officer and Chief Sustainability Officer of Ayala Corporation. He is a director of Bank of the Philippine Islands, and Integrated Micro-Electronics, Inc. as well as an independent director of SSI Group, Inc. He is the Chairman of AC Energy International, Inc. (formerly Presage Corporation), Darong Agricultural and Development Corporation and Zapfam Inc. He is the President and CEO of AC Ventures Holding Corp., AYC Finance Limited, AC International Finance Limited. He is the Vice Chairman of Lagdigan Land Corporation. He is the President of Liontide Holdings, Inc. and of Philwater Holdings Company, Inc. He is a Director of Ayala Hotels, Inc., AC Energy and Infrastructure Corporation (formerly AC Energy, Inc.), Ayala Healthcare Holdings, Inc., AC Infrastructure Holdings Corporation, Ayala Aviation Corporation, Asiacom Philippines, Inc., Ayala Group Legal, Michigan Holdings, Inc., AC Industrial Technology Holdings, Inc., A.C.S.T Business Holdings, Inc., Bestfull Holdings Limited, Purefoods International Limited, AYC Holdings Limited, AG Holdings Limited, Fine State Group Limited, AG Region Pte. Ltd., Ayala International Holdings Limited, Ayala International Pte. Ltd., Strong Group Limited, Total Jade Group Limited, VIP Infrastructure Holdings Pte. Ltd., AI North America, Inc., LICA Management Inc., and Just For Kids, Inc. He is the Treasurer of Ayala Retirement Fund Holdings, Inc.

Skills and experience:

Mr. Limcaoco joined Ayala Corporation as a Managing Director in 1998. Prior to his appointment as CFO in April 2015, he held various responsibilities including President of BPI Family Savings Bank, President of BPI Capital Corporation, Officer-in-Charge for Ayala Life Assurance, Inc. and Ayala Plans,

Inc., Trustee and Treasurer of Ayala Foundation, Inc., President of myAyala.com, and CFO of Azalea Technology Investments, Inc. He served as the President of the Chamber of Thrift Banks from 2013-2015.

He was named as the ING-Finex CFO of the Year in 2017. He has held prior positions with JP Morgan & Co. and with BZW Asia.

He graduated from Stanford University with a BS Mathematical Sciences (Honors Program) in 1984 and from the Wharton School of the University of Pennsylvania with an MBA (Finance and Investment Management) in 1988.

Directorship in other publicly-listed companies:

Bank of the Philippine Islands, Integrated Micro-Electronics, Inc., and SSI Group, Inc. All of which are listed on the Philippine Stock Exchange.

Rex Ma. A. Mendoza

Non-Executive and Lead Independent Director

Committee memberships:

- *Nomination and Governance Committee (Chairman)*
- *Compensation and Remuneration Committee (Chairman)*
- *Audit and Related Party Transactions Committee*
- *Board Risk Oversight Committee*

Filipino, 58, has been Independent Director since April 2014. He is the President and CEO of Rampver Financials, a financial services firm and the leading mutual funds distributor in the country. He is also Chairman of Singapore Life Philippines, and the lead Independent Director of AyalaLand Logistics Holdings Corporation and a Director of Ayala Land, Inc., National Reinsurance Corporation of the Philippines, Esquire Financing, Inc., Seedbox Technologies, Inc., The Cullinan Group, Seven Tall Trees Events Company, Inc. and Mobile Group, Inc. He is the author of two books, "Trailblazing Success" and "Firing on All Cylinders", both certified national bestsellers.

Skills and experience:

Mr. Mendoza was previously the Senior Adviser to the AIA Group CEO for Marketing and Distribution. AIA Group Limited is the leading Pan-Asian insurance company and is the parent firm of the Philippine American Life and General Insurance Company (PhilamLife). Prior to this position, he was the President and CEO of Philam Life, Chairman of The Philam Foundation, Inc. and Vice Chairman of BPI Philam Life Assurance Company. Prior to rejoining Philam Life, he was Senior Vice President and Chief Marketing and Sales Officer of Ayala Land, Inc. He was also Chairman of Ayala Land International Sales, Inc., President of Ayala Land Sales, Inc. and Avida Sales Corporation.

Mr. Mendoza was awarded Most Distinguished Alumnus of the University of the Philippines' Cesar E.A. Virata School of Business last December 2013. He is also a fellow with distinction at the Life Management Institute of Atlanta, Georgia, U.S.A., a Registered Financial Planner and a four-time member of the Million Dollar Round Table.

Mr. Mendoza was a professor of Marketing and Computational Finance at the De La Salle University Graduate School of Business. He taught strategic marketing, services marketing and services strategy. He has served as Chairman of the Marketing Department and was awarded as one of the University's most outstanding professors.

He earned his Master's Degree in Business Management with distinction from the Asian Institute of Management in 1986 and was one of the 10 Outstanding Graduates of his batch at the University of the Philippines where he obtained a BSBA degree with a double major in marketing and finance in 1983.

Directorship in another publicly-listed company:

Ayala Land, Inc., AyalaLand Logistics Holdings Corporation and National Reinsurance Corporation of the Philippines. All listed on the Philippine Stock Exchange.

Saw Phaik Hwa

Non-Executive and Independent Director

Committee memberships:

- *Nomination and Governance Committee*
- *Compensation and Remuneration Committee*
- *Audit and Related Party Transactions Committee*
- *Board Risk Oversight Committee (Chairman)*

Singaporean, 66, has been an Independent Director since 7 April 2015. Ms. Saw was the Group CEO of Auric Pacific Group, listed on the Mainboard of the Singapore Exchange, which has diverse business interests ranging from distribution of fast-moving consumer food, food manufacturing and retailing, management of restaurant and food court operations to other strategic investments including fund investment. The Group operates in various countries throughout Asia including Singapore, Malaysia, Indonesia, Hong Kong and China. Ms. Saw retired as its CEO on 1 May 2015.

Skills and experience:

Prior to this, Ms. Saw was the President and CEO of SMRT Corporation Ltd between December 2002 to January 2012, Singapore's first multi-modal public transport service provider. During her tenure, she enhanced the public travel experience in Singapore by introducing commuter-centric initiatives and adding lifestyle conveniences at stations to make public transport a choice mode of travel for all. She was also instrumental in broadening SMRT's geographical footprint as well as establishing SMRT's presence overseas with the opening of offices in the Middle East and China which serve as springboards to opportunities in those regions. From 1984 to 2002, she was the Regional President in charge of businesses in Singapore, Indonesia, and Malaysia for DFS Venture Singapore.

Ms. Saw holds a Second Upper Class Honours in Biochemistry from the University of Singapore and attended the Advanced Management Programme at the University of Hawaii.

Ms. Saw is not a Director in any other publicly-listed company.

Cirilo P. Noel

Non-Executive and Independent Director

Committee memberships:

- *Nomination and Governance Committee*
- *Compensation and Remuneration Committee*
- *Audit and Related Party Transactions Committee (Chairman)*
- *Board Risk Oversight Committee*

Filipino, 63, has been an Independent Director since 17 April 2018. Mr. Noel is a lawyer and certified public accountant (CPA). He holds Chairman's position at Palm Concepcion Power Corporation and Juxtapose Ergo Consultus, Inc. He is also a member of the Board of Directors of Security Bank Corporation where he was appointed Vice Chairman in April 2020. He is likewise a Board member of San Miguel Food and Beverage, Inc., Robinsons Retail Holdings, Inc., and JG Summit Holdings, Inc. He also sits as a Board member of Transnational Diversified Corporation, Eton Properties, Inc., Amber Kinetics Holdings Co. PTE Ltd., LH Paragon Group, and Golden ABC. He is a member of the Board of St. Luke's Medical Center-Global City and a member of the Board of Trustees of St. Luke's Medical Center-Quezon City, St. Luke's Medical Center College of Medicine, and St. Luke's Medical Center Foundation, Inc. He is also currently affiliated with the Makati Business Club, Harvard Law School Association of the Philippines, and Harvard Club of the Philippines.

Mr. Noel was a member of the Board of Directors of Philippine Airlines, PAL Holdings, Inc., Cal Comp Technology (Philippines) Inc., and Transnational Diversified Group Inc.

Skills and experience:

As a certified public accountant (CPA) and lawyer, Mr. Noel's areas of expertise include international tax for inbound and outbound investments, tax advisory and planning, tax advocacy, litigation, investment and trade laws. He held various positions in SGV & Co. including Chairman from 2010 to 2017, Managing Partner from 2009 to 2016, Vice Chairman & Deputy Managing Director from 2004 to

2009, Head of Tax Division from 2001 to 2008, and Partner, Tax Services from 1993 to 2017. He was also Ernst & Young (EY) ASEAN Tax Head and Far East Area Tax Leader and a Member of the E&Y Global Advisory Council and a Presiding Partner of the Asia Pacific Council from 2004 to 2009.

Mr. Noel graduated from the University of the East with a Bachelor of Science degree in Business Administration and obtained his Bachelor of Law degree from the Ateneo Law School. He has a Master of Law degree from the Harvard Law School and a Fellow of the Harvard International Tax Program. He attended the AIM Management Development Program.

Directorship in another publicly-listed company:

Security Bank Corporation, JG Summit Holdings, Inc., Robinsons Retail Holdings, Inc., and San Miguel Food and Beverage, Inc. All of which are listed on the Philippine Stock Exchange.

Cezar P. Consing

Nominee to the Board of Directors (2021-2022)

Filipino, 61, has been a Director of Ayala Corporation since December 2020. He is a Senior Managing Director of Ayala Corporation and has been a member of the Ayala Group Management Committee since April 2013. He has been the President and CEO of Bank of the Philippine Islands (BPI), one of the Ayala Group's publicly listed companies, since April 2013. He is an Independent Director of Jollibee Foods Corporation. His other significant positions are: President of Bancnet, Inc.; Chairman of Philippine Dealing Systems Holdings Corp.; and Director of Filgifts.com .The Rohatyn Group, Sqreem Technologies and Endeavor Philippines. He is Chairman and President of the Bankers Association of the Philippines. He is also a Director of the US-Philippines Society, trustee of the Manila Golf Club Foundation, and a member of the Trilateral Commission. He served as an Independent Director of CIMB Group Holdings from 2006 to 2013 and First Gen Corporation from 2005 to 2013, and as Chairman of National Reinsurance Corporation from 2018 to 2019.

Skills and experience:

Prior to being President of BPI, Mr. Consing first worked for BPI's corporate planning and corporate banking divisions from 1980 to 1985. He worked for J.P. Morgan & Co. in Hong Kong and Singapore from 1985 to 2004 and became the co-head of the firm's investment banking business in Asia Pacific from 1997 to 2004 and President of J.P. Morgan Securities (Asia Pacific) Ltd. As a senior Managing Director of J.P. Morgan, he served as a member of the firm's global investment banking management committee and its Asia Pacific management committee. He was a partner at The Rohatyn Group from 2004 to 2013, ran its Hong Kong office and its private investing business in Asia, and was a board director of its real estate, and energy and infrastructure private equity investing subsidiaries.

Mr. Consing graduated with a degree of A.B. (Accelerated Program) Economics (Magna Cum Laude) from De La Salle University in 1979 and M.A. Applied Economics from the University of Michigan, Ann Arbor, in 1980.

Directorship in another publicly-listed company:

Ayala Corporation, Bank of the Philippine Islands and Jollibee Foods Corporation. All of which are listed on the Philippine Stock Exchange.

B. Key Officers as of 31 December 2020

The key officers and consultants of the Company are appointed by the Board of Directors and their appointment as officers may be terminated at will by the Board of Directors. The table below shows the name and position of Globe Telecom's key officers as of 31 December 2020.

Key Officers – Globe

Name	Position
Ernest L. Cu ¹	President and Chief Executive Officer (CEO)
Alberto M. de Larrazabal ²	Chief Commercial Officer (CCO)
Gil B. Genio	Chief Technology and Information Officer (CTIO), and Chief Strategy Officer (CSO)
Rosemarie Maniego-Eala	Chief Finance Officer (CFO), Treasurer, and Chief Risk Officer (CRO)
Vicente Froilan M. Castelo	General Counsel
Rebecca V. Eclipse	Chief Customer Experience Officer (CCEO)
Renato M. Jiao	Chief Human Resources Officer (CHRO)
Carlomagno E. Malana	Chief Information Officer (CIO)
Bernard P. Llamzon	Executive Vice President - Channel Management
Marisalve Ciocson-Co	Senior Vice President - Law and Compliance, Chief Compliance Officer, and Assistant Corporate Secretary
Rosalin E. Palacol ³	Chief Audit Executive (CAE)
Solomon M. Hermosura	Corporate Secretary

Alberto M. de Larrazabal ²

Filipino, 65, Globe's Chief Commercial Officer (CCO). As CCO, Mr. de Larrazabal oversees the integration and execution of the Company's strategies across all commercial units, including marketing, sales and channels, and product development for all segments of business. He joined Globe in June 2006 as Head of the Treasury Division. He became the company's Chief Finance Officer in April 2010. He had over two decades of extensive experience as a senior executive in Finance, Business Development, Treasury Operations, Joint Ventures, Mergers and Acquisitions, as well as Investment Banking and Investor Relations.

Prior to joining Globe, he held such positions as VP and CFO of Marsman Drysdale Corp., VP and Head of the Consumer Sector – JP Morgan, Hong Kong, and SVP and CFO of San Miguel Corporation.

He holds a Bachelor of Science degree in Industrial Management Engineering from De La Salle University.

Maria Louisa Guevarra-Cabreira ²

Filipino, 47, is currently the Head of Globe's Consumer Business Group, and formerly, the Managing Partner of 917Ventures. Ms. Cabreira has more than 20 years solid experience growing new and existing businesses. She has been with Globe since 2008 and has held various senior leadership roles in Consumer Mobile Business and the Consumer Business Group. Under her watch, Globe rose to its No.1 position beginning 4Q of 2016, through optimum portfolio management across two key categories, postpaid and prepaid mobile.

In August 2019, Globe announced the creation of 917Ventures, now the largest corporate incubator in the country. Ms. Cabreira was appointed Managing Partner of 917Ventures, tasked to create new businesses beyond telco and to oversee its current portfolio of non-telco brands such as GCash,

¹ Member, Board of Directors

² Mr. de Larrazabal has been nominated to succeed Mr. Jose Teodoro K. Limcaoco as Chief Finance Officer, Chief Risk Officer and Chief Sustainability Officer of Ayala Corporation, for election at the next organizational meeting of Ayala Corporation's Board of Directors immediately following Ayala Corporation's Annual Stockholders' Meeting on April 23, 2021. Nomination of Ms. Maria Louisa Guevarra-Cabreira to succeed Mr. Alberto M. de Larrazabal as the new Chief Commercial Officer (CCO) will be for election at the organizational meeting of Globe Board of Directors immediately following its Annual Stockholders' Meeting on April 20, 2021. The Company released a disclosure on this matter dated December 16, 2020 ([https://www.globe.com.ph/content/dam/globe/brie/About-us/investor-relations/documents/SEC-PSE-Disclosures/2020/Other-Reports/Other-Disclosures/SEC-Form-17-C--Nomination-of-Officer-\(PSESECReceived16Dec2020\).pdf](https://www.globe.com.ph/content/dam/globe/brie/About-us/investor-relations/documents/SEC-PSE-Disclosures/2020/Other-Reports/Other-Disclosures/SEC-Form-17-C--Nomination-of-Officer-(PSESECReceived16Dec2020).pdf))

³ Appointed as the new Chief Audit Executive (CAE) as disclosed last November 3, 2020.

KonsultaMD, and AdSpark. She established a strong foundation for 917Ventures and positioned it for growth by securing approval and funding from key shareholders of Globe, assembling the best team, and building the right infrastructure and processes. In October 2020, Ms. Cabreira was assigned back to Globe to Head the Consumer Business Group.

Prior to Globe, Ms. Cabreira was Category Marketing Manager for the Beverages Category in Kraft Foods, Philippines (now known as Mondelez), looking after global brands Tang, Maxwell House, and Kool-Aid. She was responsible for driving the brand Tang to brand leadership, ousting long-time local player Eight O'Clock. Prior to this, she was head for the Cheese Category where she brought local brand Eden to the No. 1 position. These brands remain to be leaders today in their respective categories.

Ms. Cabreira has a Bachelor of Science Degree in Legal Management from the Ateneo de Manila University.

Gil B. Genio

Filipino, 61, Globe's Chief Technology and Information Officer (CTIO) since November 2015, and its Chief Strategy Officer (CSO) since 2010. As CTIO, he leads all product, network, technology and information organizations and drives the overall vision, development and execution of architecture and strategies, proactively responding to our business and market demands. As CSO, he leads corporate strategy and business development efforts. He is also a Director at its subsidiaries Global Telehealth Inc., Globe Capital Venture Holdings and Bell Tel, ETPI, CaelumPacific Corp., Third Pillar Business Applications Inc., and others.

Among his previous jobs in Globe was Chief Financial Officer, followed by stints as Group Head for Fixed networks, Carrier Services and Business customers, and Chief Operating Officer for Business and International Markets. Before joining Globe, he spent more than 11 years with Citibank in the Philippines, Singapore, Japan and Hong Kong, with stints in financial control, risk management, product development, audit and market risk management. His past industry affiliations have been Vice Chairman (2012-2014) then Chairman (2014-2016) of the GSM Association Asia Pacific (GSMA AP); member of the Advisory Board for Mobile World Capital Barcelona; and member, TM Forum Advisory Council for Asia Pacific; member of the Board of Trustees of the IT and Business 00000 Association; IBAP (2011-2013; 2015-2016). Mr. Genio is also currently a member of the Board of Trustees of Insular Life, a mutual insurance group.

He obtained a Master's Degree in Business Management, graduating with Distinction, from the Asian Institute of Management. He holds a Bachelor of Science degree in Physics, magna cum laude, from the University of the Philippines.

Rosemarie Maniego-Eala

Filipino, 50, Globe's Chief Finance Officer, Treasurer and Chief Risk Officer. She joined Globe in February 1998. Her previous positions in the company were Assistant Vice President for Financial Planning and Analysis, President of G-Xchange Inc. (mobile-commerce subsidiary), and Senior Vice President for International Business. She has had extensive experience in financial planning and analysis, capital markets fund raising, joint ventures, mergers and acquisitions, investor relations, strategic planning, business development, and setting up and managing start-ups. Prior to joining Globe, she was Deputy Research Head for Natwest Markets.

Ms. Maniego-Eala earned her Bachelor of Arts in Management Economics from the Ateneo de Manila University.

Vicente Froilan M. Castelo

Filipino, 56, Globe's General Counsel and Head of the Corporate and Legal Services Group (CLSG) since April 2011. He is a veteran in the practice of law, and is one of the pioneers in the practice of law in the telecommunications and information communication technology field. He joined Globe Telecom as the Head of Regulatory Affairs in July 1998.

He earned his Bachelor of Laws from San Beda College and is the President of the Philippine Chamber of Telecommunication Operators and President of the Telecommunications and Broadcast Attorneys of the Philippines.

Rebecca V. Eclipse

Filipino, 58, Globe's Chief Customer Experience Officer (CCEO) and Head of the Office of Strategy Management. Ms. Eclipse was appointed as the Chief Customer Experience Officer in 2015. She has since led the company's CX transformation programs, improving the experience across all touch points, amidst digital transformation while instilling a company culture centered on treating customers right.

Globe has been recognized in the International CX community winning various categories in customer service in the Stevie Awards in the same year, including Gold Stevie for Best Use of Technology (All Industries), Silver Stevie in Innovation and Customer Service Team of the Year (Telecommunications), among other accolades. She has also earned their Gold accolade as Customer Service Executive of the Year. In 2016, she was cited by Global Telecoms Business as one of the Top 50 Women to Watch in the industry.

Under her leadership, Globe made great strides in CX with digital innovation and proactive care. She drives strategic programs that improve customer experience and eliminate customer pain points to live out Globe's Purpose of treating people right: customers, frontliners, employees, and partners.

Ms. Eclipse joined Globe in March 1995 and heralds over 25 years of experience in the telecommunications industry, holding key leadership roles in internal audit, financial and risk management, revenue assurance and fraud, covering areas that include strategy management, process and quality management and customer experience transformation. She draws from her consulting, risk management, financial management and auditing experience from SGV & Co, as well as Oceanic Wireless Network, Inc. and Eastern Telecommunications, Inc.

Ms. Eclipse graduated magna cum laude from the Central Colleges of the Philippines with a Bachelor's Degree in Business Administration. She is a Certified Public Accountant registered with the Professional Regulation Commission, and she is a member of the Philippine Institute of Certified Public Accountants (PICPA), Institute of Internal Auditors (IIA), and Information Systems and Control Auditors Association (ISACA).

Renato M. Jiao

Filipino, 64, Globe's Chief Human Resources Officer (CHRO). As CHRO, Mr. Jiao is responsible for developing and executing human resource strategies in support of the overall business plan and strategic direction of the organization, specifically in the areas of succession planning, talent management, change management, organizational and performance management, employee experience and culture, and most importantly, people and organizational transformation.

He joined Globe in June 2010. Mr. Jiao has over 30 years of experience in general management and leveraging leading-edge technologies, processes and human capital for competitive advantage. He is a seasoned HR Practitioner with 15 years of experience in multi-functional HR practice areas. Mr. Jiao also held various significant positions in Procter & Gamble (Philippines), Inc. and Procter & Gamble Asia Pte Ltd. Prior to joining Globe, he was President of IBM Business Services, Inc.

He earned his Bachelor of Science degree in Mechanical Engineering from the University of the Philippines.

Carlomagno E. Malana

Filipino, 51, appointed as Globe's Chief Information Officer (CIO) on January 1, 2020. As CIO, Mr. Malana leads Globe's digital transformation and is responsible for all information technology development, operations, and infrastructure investments.

Prior to joining Globe, Mr. Malana was the AVP for Strategy Execution for AT&T, based in Dallas, Texas, USA, where he led strategic revenue initiatives for the \$35B AT&T Business division that serves business customers globally with information and communications technology solutions. He also led the Merger Integration Office for AT&T Mexico, a \$3B mobile provider serving 20 million subscribers where he successfully led major transformation programs in sales, finance, and technology. He has held multiple leadership positions in technology, M&A integration, finance, sales and transformation and he has driven innovation through Big Data, Process Automation, Digital, Cloud and Migrations in AT&T from 2001-2019. Prior to AT&T, Mr. Malana led technology strategy, M&A, PMO, and support services for Frontier Communications, formerly based in Plano, Texas, USA.

Mr. Malana graduated with a double degree in BS Mechanical Engineering and BS Material Science Engineering from the University of California at Berkeley and finished his MBA at Southern Methodist University, Dallas, Texas.

Bernard P. Llamzon

Filipino, 60, Globe's Executive Vice President of Channel Management Group since April 2017. He joined Globe in October 2006 to handle Sales and Distribution for wireless products and has since then created a track record of operational excellence and effective execution.

Mr. Llamzon is a veteran in the field of Sales and Distribution with significant contributions in the beverage, tobacco and telecommunications industries. Deriving from 27 years of experience, he possesses broad and deeply-applied knowledge on all sales channel types, practices the disciplines of a global company, has a well-developed local network, and has tested leadership over a large sales organization.

He holds a Bachelor's degree in Commerce, major in Business Management from De La Salle University, and attended the Management Development Program of the Asian Institute of Management and INSEAD's World Class Business Manager Program.

Marisalve Ciocson-Co

Filipino, 50, Globe's Chief Compliance Officer and Senior Vice President for Law and Compliance of Globe CLSG since April 2017. She is also the Company's Assistant Corporate Secretary.

Ms. Ciocson-Co graduated cum laude with a degree in Bachelor of Arts in Political Science from the University of the Philippines-Diliman and received her Juris Doctor (Law) degree from Ateneo de Manila University College of Law.

Rosalin E. Palacol¹

Filipino, 45, Globe's Chief Audit Executive (CAE) effective 03 November 2020. As CAE, Ms. Palacol is responsible for all of Globe's audit activities including oversight over internal and external audit functions. She is also the head of Globe's Internal Controls Division. She joined Globe in June 2000 as Auditor. Ms. Palacol is an audit and internal controls executive who has held multiple leadership positions in audit and risk management including revenue assurance and fraud risk management, business analysis and strategies. Her 20 years at Globe has been valuable to the risk management and audit teams.

Ms. Palacol graduated with a Bachelor of Science in Accountancy from De La Salle University and finished her MBA at DLSU Professional Schools, Inc.

Solomon M. Hermosura

Filipino, 58, Globe's Corporate Secretary since July 2010. He is a Managing Director of Ayala Corporation since 1999 and a member of its Management Committee since 2009 and the Ayala Group Management Committee since 2010. He is the Group Head of Corporate Governance, Chief Legal Officer, Compliance Officer, Corporate Secretary and Data Protection Officer of Ayala Corporation. He is the CEO of Ayala Group Legal. He also serves as Group General Counsel and Corporate Secretary of Ayala Land, Inc.; Corporate Secretary of Manila Water Company, Inc., Integrated Micro-Electronics, Inc., Ayala Foundation, Inc., AREIT, Inc. and AC Energy Philippines, Inc. He also serves as Corporate Secretary and a member of the Board of Directors of a number of companies in the Ayala Group.

Mr. Hermosura is currently a member of the faculty of the College of Law of San Beda University.

He graduated valedictorian with Bachelor of Laws degree from San Beda College in 1986 and placed third in the 1986 Bar Examinations.

¹Appointed as the new Chief Audit Executive (CAE) as disclosed on November 3, 2020 ([https://www.globe.com.ph/content/dam/globe/brie/About-us/investor-relations/documents/SEC-PSE-Disclosures/2020/Other-Reports/Other-Disclosures/SEC-Form-17-C-Corporate-Disclosure-on-Appointment-of-Key-Officer-\(SECPSEReceived3Nov2020\)-\(1\).pdf](https://www.globe.com.ph/content/dam/globe/brie/About-us/investor-relations/documents/SEC-PSE-Disclosures/2020/Other-Reports/Other-Disclosures/SEC-Form-17-C-Corporate-Disclosure-on-Appointment-of-Key-Officer-(SECPSEReceived3Nov2020)-(1).pdf))

C. Family Relationships

The Chairman, Jaime Augusto Zobel de Ayala and a Director, Fernando Zobel de Ayala, are brothers.

There are no known family relationships between the current members of the Board of Directors and key officers other than the above.

D. Significant Employee

The Company considers all its employees to be significant partners and contributors to the business.

E. Involvement in Certain Legal Proceedings

(1) Directors, Officers - None of the directors, officers or members of the Company's senior management had during the last five years, been subject to any of the following:

- (a) any bankruptcy, petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to the time;
- (b) any conviction by final judgment of any offense in any pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (c) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities, or banking activities; and
- (d) found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated.

Item 8. Executive Compensation

A. Standard Arrangements

Directors

Article II Section 7 of the Company's By-Laws provides:

"SECTION 7. Compensation of Directors - Directors as such may receive, pursuant to a resolution of the stockholders, fees and other compensation for their services as directors, including, without limitation, their services as members of committees of the Board of Directors (As amended on April 12, 2011)."

The stockholders ratified a resolution at its meeting held on 8 April 2014 authorizing the increase in the compensation of Directors, except executive directors, from ₱100,000 to ₱200,000 for every Board meeting and Stockholders' meeting attended. The compensation of Directors will remain at ₱100,000 for every committee meeting attended or such meetings other than those mentioned above. Additionally, the Company's executive director does not receive per diem remuneration in addition to his role as an executive director. The Company has no other arrangement with regard to the remuneration of its existing directors and officers aside from the compensation herein stated. The following non-executive directors of the Board received gross per diem remuneration for attending seven (7) Board meetings and their respective Committee meetings in 2020.

Director	Gross Per diem Remuneration (in Php)
Jaime Augusto Zobel de Ayala	2,200,000.00
Lang Tao Yih, Arthur	2,400,000.00
Fernando Zobel de Ayala	2,300,000.00
Delfin L. Lazaro	2,100,000.00
Samba Natarajan	3,000,000.00
Jose Teodoro K. Limcaoco	2,200,000.00
Romeo L. Bernardo	2,900,000.00
Rex Ma, A. Mendoza	2,900,000.00
Saw Phaik Hwa	2,900,000.00
Cirilo P. Noel	2,900,000.00
TOTAL	25,800,000.00

Key Officers

The total annual compensation (salary and other variable pay) of the CEO and other senior officers of the Company (excluding its subsidiaries) amounted to ₱295 million in 2020 and ₱277 million in 2019. The projected total annual compensation for 2021 is ₱269 million.

The total annual compensation paid to all senior personnel (Executives) of the Company (excluding its subsidiaries) amounted to ₱3,529 million in 2020 and ₱3,058 million in 2019. The projected total annual compensation for 2021 is ₱3,329 million.

The total annual compensation for key officers and managers of the Company includes basic salaries, guaranteed bonuses and variable pay (performance-based annual incentive) are shown below.

Name and Principal Position	Year	Salary (in ₱ Millions)	Bonus (in ₱ Millions)	Other Annual Compensation (in ₱ Millions)
Ernest L. Cu ¹ President & Chief Executive Officer				
Alberto M. de Larrazabal ¹ Chief Commercial Officer				
Rebecca V. Eclipse ¹ Chief Customer Experience Officer				
Gil B. Genio ¹ Chief Technology and Information Officer				
Renato M. Jiao ¹ Chief Human Resource Officer				
CEO & Most Highly Compensated Executive Officers	Actual 2019	129	148	0
	Actual 2020	134	161	
	Projected 2021	139	130	0
All other officers ² as a group unnamed	Actual 2019	1,691	1,367	0
	Actual 2020	1,888	1,641	0
	Projected 2021	1,950	1,379	0

¹ CEO & Most Highly Compensated Executive Officers

² All Other Executives

B. Other Arrangements

The Globe Group also has stock-based compensation, pension and benefit plans.

Stock Option Plans

The Globe Group has Executive Stock Option Plan (ESOP) and Long-Term Incentive Plan (LTIP). The number of shares allocated under these plans shall not exceed the aggregate equivalent of 6% of the authorized capital stock.

1. Executive Stock Option Plan (ESOP)

The Company offered the Executive Stock Option Plan (ESOP) to its directors and officers, including key officers of its subsidiaries, in April 2003 until October 2009. The last exercise date is September 2019 (See Note 28.2.1 in the attached Notes to the Financial Statements). There are no more outstanding stock option of December 31, 2020 and 2019.

The Company has not adjusted nor amended the exercise price of the options previously awarded to the above named officers.

2. Long-Term Incentive Plan (LTIP)

In November 2014, Globe obtained approval from the Board of Directors to implement a Long-Term Incentive Plan (LTIP) also called a Performance Share Plan (PSP) covering key executives and senior management. Under the PSP, the grantees are awarded a specific number of shares at the start of the performance period which vest over a specified performance period and contingent upon the achievement of specified long-term goals.

See Note 28.1.2 in the attached Notes to the Financial Statements for the discussion of the Company's Long-Term Incentive Plan (LTIP).

Item 9. Security Ownership of Certain Record, Beneficial Owners & Management

A. Security Ownership of Certain Record and Beneficial Owners (of more than 5%) as of 31 December 2020

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	% of total o/s shares ⁶
Voting Preferred	Asiacom Philippines, Inc. ¹ 34/F Tower 1 Bldg., Ayala Ave., Makati City	Asiacom Philippines, Inc. (hereafter, "Asiacom")	Filipino	158,515,016	50.81%
Common	Singapore Telecom Int'l. Pte. Ltd. (STI) ² 31 Exeter Road, Comcentre, Singapore	Singapore Telecom Int'l. Pte. Ltd.	Singaporean	62,646,487	20.08%
Common	Ayala Corporation ³ 34/F Tower 1 Bldg., Ayala Ave., Makati City	Ayala Corporation ("AC")	Filipino	41,157,276	13.19%
Non-Voting Preferred	PCD Nominee Corp. (Filipino) ⁴ G/F Makati Stock Exch. Bldg., Ayala Avenue, Makati City	PCD Participants acting for themselves or for their customers ⁵	Various Filipino	18,151,010	5.82%
Common				12,831,638	4.11%
Common	PCD Nominee Corp. (Non-Filipino) ⁴ G/F Makati Stock Exch. Bldg., Ayala Avenue, Makati City	PCD Participants acting for themselves or for their customers ⁵	Various Non-Filipino	15,716,202	5.04%
Non-Voting Preferred				45,000	0.01%

¹ Asiacom Philippines, Inc. is a significant shareholder of the Company. As per the Asiacom By-laws and the Corporation Code, the Board of Directors of Asiacom has the power to decide how the Asiacom shares in Globe are to be voted. Mr. Jaime Augusto Zobel de Ayala has been named and appointed to exercise the voting power.

² STI, a wholly-owned subsidiary of Singtel (Singapore Telecom), is a significant shareholder of the Company. As per its By-laws, STI, through its appointed corporate representatives, has the power to decide how the STI shares in Globe are to be voted. Mr. Arthur Lang and Mr. Samba Natarajan have been appointed by Singtel as the authorized Corporate Representatives of the company to exercise all powers on behalf of the company at all General Meetings of Globe Telecom, Inc.

³ Ayala Corporation is a significant shareholder of the Company. As per the AC By-laws & the Corporation Code, the Board of Directors of AC has the power to decide how AC shares in Globe are to be voted. Mr. Jaime Augusto Zobel de Ayala has been named and appointed to exercise the voting power.

⁴ The PCD Nominee Corporation is a wholly-owned subsidiary of Philippine Central Depository, Inc. and is not related to the Company. It is the registered owner in the Company's books and holds shares on behalf of PCD participants and their clients

⁵ Each beneficial owner of shares through a PCD participant will be the beneficial owner to the extent of the number of shares in his account with the PCD participant. None of the 28,547,840 common shares and 18,196,010 non-voting preferred shares registered in the name of PCD Nominee Corporation beneficially owns more than 5% of the Company's outstanding shares.

⁶ Total outstanding shares includes common, voting preferred and non-voting preferred shares.

B. Security Ownership of Directors and Key Officers as of 31 December 2020

<i>Title of Class and Nature of Beneficial Ownership</i>	<i>Name of Beneficial Owner</i>	<i>Amount</i>	<i>Citizenship</i>	<i>% of Total Voting Shares</i>	<i>% of Total Outstanding Shares</i>
Directors					
Common (direct)	Jaime Augusto Zobel de Ayala	2	Filipino	0.00%	0.00%
Common (indirect)		1		0.00%	0.00%
Common (direct)	Lang Tao Yih, Arthur	2	Singaporean	0.00%	0.00%
Common (direct)	Delfin L. Lazaro	1	Filipino	0.00%	0.00%
Non-voting Preferred (indirect)		2,800		-	0.00%
Common (indirect)	Fernando Zobel de Ayala	1	Filipino	0.00%	0.00%
Common (direct)	Jose Teodoro K. Limcaoco	1	Filipino	0.00%	0.00%
Common (direct)	Romeo L. Bernardo	1,799	Filipino	0.00%	0.00%
Common (indirect)		500		0.00%	0.00%
Voting Preferred (indirect)		1		0.00%	0.00%
Voting Preferred (direct)	Saw Phaik Hwa	1	Singaporean	0.00%	0.00%
Common (direct)	Samba Natarajan	2	US Citizen	0.00%	0.00%
Voting Preferred (direct)	Cirilo P. Noel	1	Filipino	0.00%	0.00%
Voting Preferred (direct)	Rex Ma. A. Mendoza	1	Filipino	0.00%	0.00%
Common (direct)	Ernest L. Cu	86,314	Filipino	0.03%	0.03%
Common (indirect thru PCD)		73,544		0.03%	0.02%
Common (indirect thru spouse)		1,470		0.00%	0.00%
Voting Preferred (direct)		1		0.00%	0.00%
Non-voting Preferred (indirect)		16,700		-	0.01%
Officers					
Common (direct)	Ernest L. Cu	86,314	Filipino	0.03%	0.03%
Common (indirect thru PCD)		73,544		0.03%	0.02%
Common (indirect thru spouse)		1,470		0.00%	0.00%
Voting Preferred (direct)		1		0.00%	0.00%
Non-voting Preferred (indirect)		16,700		-	0.01%
Common (indirect)	Rebecca V. Eclipse	18,915	Filipino	0.01%	0.01%
Common (direct)		21,180		0.01%	0.01%
Non-voting Preferred (direct)		4,000		-	0.00%
Common (indirect)	Gil B. Genio	84,310	Filipino	0.03%	0.03%
Common (direct)		23,027		0.01%	0.01%
Common (indirect thru relative)		6,000		0.00%	0.00%
Common (direct)	Alberto M. de Larrazabal	27,507	Filipino	0.01%	0.01%
Common (indirect)		3,000		0.00%	0.00%
Non-Voting Preferred (direct)		2,000		-	0.00%
Common (direct)	Marisalve Ciocson-Co	4,375	Filipino	0.00%	0.00%
Common (indirect)		3,059		0.00%	0.00%
Common (direct)	Vicente Froilan M. Castelo	9,339	Filipino	0.00%	0.00%
Common (direct)	Bernard P. Llamzon	5,940	Filipino	0.00%	0.00%

Common (direct)	Renato M. Jiao	21,085	Filipino	0.01%	0.01%
Common (indirect)		285		0.00%	0.00%
Non-Voting Preferred (direct)	Rosalin E. Palacol	200	Filipino	-	0.00%
Common (indirect)	Carlomagno E. Malana	460	Filipino	0.00%	0.00%
Common (direct)	Rosemarie Maniego-Eala	17,137	Filipino	0.01%	0.01%
Common (direct)	Solomon M. Hermosura	20	Filipino	0.00%	0.00%
All Directors and Officers as a group (Common)		409,276		0.14%	0.13%
All Directors and Officers as a group (Voting Preferred)		5		0.00%	0.00%
All Directors and Officers as a group (Non-Voting Preferred)		25,700		-	0.01%

None of the members of the Company's directors and management own 2% or more of the outstanding capital stock of the Company.

Item 10. Certain Relationships and Related Transactions

The Globe Group, in their regular conduct of business, enter into transactions with their major stockholders, AC and Singtel, associates, joint ventures and certain related parties. These transactions, which are accounted for at market prices normally charged to unaffiliated customers for similar goods and services, include the following:

Entities with joint control over Globe Group – AC and Singtel

- Globe Telecom has interconnection agreements with Singtel. Interconnection revenues and costs recognized from the agreements with Singtel are as follows:

(In Thousand Pesos)	2020	2019	2018
Service revenues	₱463,331	₱466,404	₱639,399
Interconnection costs	61,970	42,184	61,423

- Globe Telecom and Singtel have a technical assistance agreement whereby Singtel will provide consultancy and advisory services, including those with respect to the construction and operation of Globe Telecom's networks and communication services, equipment procurement and personnel services. In addition, Globe Telecom has software development, supply, license and support arrangements, lease of cable facilities, maintenance and restoration costs and other transactions with Singtel.
- The details of fees (included in repairs and maintenance under the "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) incurred under these agreements are as follows:

(In Thousand Pesos)	2020	2019	2018
Maintenance costs	₱55,405	₱119,336	₱83,497
Technical assistance fee	138,411	132,576	158,117
Software development, supply, license and support			
	13,418	39,618	45,799

- Globe Telecom, Innove and BTI earn subscriber revenues from AC. Service revenues recognized from AC amounted to ₱13.93 million, ₱14.41 million and ₱31.36 million in 2020, 2019 and 2018, respectively.
- Globe Telecom reimburses AC for certain operating expenses. Total expense recognized by the Globe Group from the transaction amounted to ₱54.44 million, ₱64.37 million and ₱86.60 million in 2020, 2019 and 2018, respectively.

Joint Ventures in which the Globe Group is a Venturer
(see Note 20.2 of the attached consolidated financial statements)

BMPL

Globe Telecom has preferred roaming service contract with BMPL. Under this contract, Globe Telecom will pay BMPL for services rendered by the latter which include, among others, coordination and facilitation of preferred roaming arrangement among JV partners, and procurement and maintenance of telecommunications equipment necessary for delivery of seamless roaming experience to customers. Globe Telecom also incurs commission from BMPL for regional top-up service provided by the JV partners. The net outstanding liabilities to BMPL related to these transactions amounted to ₱1.33 million and ₱1.38 million as of December 31, 2020 and 2019, respectively. Total expenses recognized related to these transactions amounted to ₱21.82 million, ₱21.46 million and ₱20.70 million in 2020, 2019, and 2018, respectively.

Mynt

The Globe Group renders certain management support services to GXI. The management services also include the use of the Globe Group's network and facilities to conduct GXI's operations. Management fee income amounted to ₱51.79 million in 2020 and 2019 (see Note 23).

The Globe Group also has a VAS sharing agreement with GXI. Under the agreement, GXI shall perform the following services and shall be entitled to a certain percentage of data revenues arising from GCash transactions:

- (1) provide an e-commerce system (the application that drives the service) through which mobile wallets get updated for each cash-in and cash-out transaction;
- (2) provide cash-in and cash-out distribution channels for the remittance business through its partners (which may include Globe Stores); and
- (3) provide customer support.

GXI is also entitled to a certain percentage share for the airtime load purchased by the Globe Group's subscribers and Application Processing Interface (API) fees for the usage of GCash system in continuing service of the various products and services of the Globe Group.

Total amount charged to consolidated profit and loss amounted to ₱1,184.85 million and ₱322.05 million in 2020 and 2019, respectively.

Transactions with other related parties
(see Note 20.3 of the attached consolidated financial statements)

Globe Retirement Plan (GRP)

The Globe Group granted various loans to the GRP at an interest rate of 5.50%, which matured on September 11, 2020. Upon maturity, the loan was extended until September 11, 2023 with the interest rate reduced to 4.25% per annum. Interest income amounted to ₱25.65 million, ₱31.09 million and ₱36.37 million in 2020, 2019 and 2018, respectively (see Note 22). As of December 31, 2020 and 2019, the outstanding balance of loan receivable from GGRP amounted to ₱478.00 million and ₱548.00 million, respectively (see Note 10).

The retirement plan utilized the loan to fund its investments in BHI, a domestic corporation organized to invest in media ventures. BHI has controlling interest in Altimax Broadcasting Co., Inc. (Altimax) and Broadcast Enterprises and Affiliated Media Inc. (BEAM), respectively.

BHI

The Globe Group granted loans amounting to ₱250.00 million and ₱45.00 million to BHI at 5% interest which matured on August 14, 2017. The ₱250.00 million loan is covered by a pledge agreement whereby in the event of default, the Globe Group shall be entitled to offset whatever amount is due to BHI from any unpaid fees to BEAM from the Globe Group. The ₱45.00 million loan is fully secured by a chattel mortgage agreement dated December 21, 2009 between Globe Group and BEAM. Upon maturity, the loan was extended until August 14, 2020 with the interest rate increased to 5.75% per annum. The loan was prepaid in full on October 16, 2020.

As of December 31, 2020, and 2019, the outstanding balance of loan receivable from BHI amounted to nil and ₱108.62 million, respectively. (Note 10). Interest income amounted to ₱4.79 million, ₱6.47 million and ₱7.50 million in 2020, 2019, and 2018, respectively (see Note 22).

BEAM

On February 1, 2009, the Globe Group entered into a memorandum of agreement (MOA) with BEAM for the latter to render mobile television broadcast service to Globe subscribers using the mobile TV service. The Globe Group recognized expense amounting to ₱220.17 million, ₱175.60 million and ₱190.00 million in 2020, 2019 and 2018, respectively.

Altimax

On October 1, 2009, the Globe Group entered into a MOA with Altimax for the Globe Group's co-use of specific frequencies of Altimax's for the rollout of broadband wireless access to the Globe Group's subscribers. The Globe Group recognized expense amounting to ₱3.89 million, ₱11.77 million and ₱55.00 million in 2020, 2019 and 2018, respectively.

Others

The Globe Group earns service revenues, maintains money market placements and cash in bank balances, acquires transportation equipment and incurs general, selling and administrative expenses such as rentals, utilities and customer contract services, from entities which are either controlled, jointly controlled or significantly influenced by AC.

Transactions with Key Management Personnel of the Globe Group
(see Note 20.4 of the attached consolidated financial statements)

The Globe Group's compensation of key management personnel by benefit type are as follows:

(In Thousand Pesos)	2020	2019
Short-term employee benefits	₱294,900	₱275,400
Share-based payments	198,400	181,600
Post-employment benefits	16,175	13,000
	₱509,475	₱470,000

There are no agreements between the Globe Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Globe Group's retirement plans.

For a summary of balances arising from related party transactions for the relevant financial year, please refer to Note 20 of the attached consolidated financial statements.

PART IV – CORPORATE GOVERNANCE AND SUSTAINABILITY

Item 11. Corporate Governance

In compliance with pertinent regulations¹, the Integrated Annual Corporate Governance Report (i-ACGR) replaces the CG section of the company's Securities and Exchange Commission (SEC) Form 17-A, the previous SEC Form ACGR and PSE's CGR-1, and shall be submitted by the Company to pertinent regulatory agencies on or before May 30 of every year.

The i-ACGR will also be available on the company website, through the i-ACGR page (<https://www.globe.com.ph/about-us/corporate-governance/annual-corporate-governance-report.html>), upon completion of submission to pertinent regulatory agencies. Globe Telecom also continues to adopt Integrated Reporting in accordance with the International Integrated Reporting Framework advocated by the International Integrated Reporting Council (IIRC). It is also in reference to the ASEAN Corporate Governance Scorecard (ACGS) Principles, the SEC i-ACGR and other global reporting frameworks². The Report undergoes external party assurance, which was conducted by DNV for 2020. It highlights the company's shift to sustainable value creation, containing information about the company's strategies, governance and performance in the context of its external environment and how these create value over the short, medium and long terms. The Report also aims to enhance appreciation among Globe's stakeholders of how the company contributes to addressing the major challenges and key issues in today's society, linking Globe's sustainability performance to its business results. The Report also highlights the company's strategy in line with its market vision, anticipating a shift towards the digital lifestyle of every Filipino. As done in previous years, the Report will also be available on the company website on or before the Company's Annual Stockholders' Meeting (ASM), which will be held on April 20, 2021. The Company encourages stakeholders to refer to the Integrated Report for a more in-depth and detailed presentation and discussion not only of Globe Telecom's annual financial results, CG and sustainability initiatives, but also of the company's strategies, governance and performance in the context of its external environment and how these create value. The Integrated Report is also available on the company website through the Investor Relations page (<https://www.globe.com.ph/about-us/investor-relations.html>).

Globe's CG practices are principally contained in the Articles of Incorporation (AOI) and By-Laws, complemented by the Manual of Corporate Governance (MCG), company policies, Committee charters, the Board's charter, and the Code of Conduct and Ethics (CoC). The AOI and By-Laws maintain the basic structure of CG while the MCG, charters, policies and CoC act as supplements. These legal documents outline the core of Globe's operational framework including the principal duties of the members of the Board with emphasis on the governance structure, composition, and diversity in the Board, ensuring that duties and responsibilities are performed in a manner that safeguards the interests of the company and protects Globe's stakeholders amidst an increasingly competitive environment.

Globe is likewise dedicated to maintaining the organization's compliance with the SEC Code of Corporate Governance, all listing rules of the Philippine Stock Exchange (PSE), and other regulations issued by the SEC, among other regulatory agencies. An annual Certification of Compliance with the Company's MCG is issued and signed by the Chief Compliance Officer with the President and CEO. An annual Certification of Compliance with the CoC is issued and signed by the Chief Human Resource Officer (CHRO). These Certifications are also posted on the Company website's CG page and included in the Integrated Report.

Globe also continues to align the Company's policies and practices with the ASEAN Corporate Governance Scorecard (ACGS), which adopts international CG best practices and standards including the CG principles of the Organisation for Economic Co-operation and Development (OECD). The company website is maintained to ensure investor-friendliness and the convenient access of information for all of Globe's shareholders and various stakeholders. The Company website contains comprehensive information about Globe's business, products and services, disclosures and reports, CG scorecard, surveys and reports, press releases and an archive thereof, as well as the corporate policies, charters and manuals, vision, mission, core values, investor relations program, sustainability and corporate social responsibility activities, among others. Globe ensures that all information included

¹ SEC Memorandum Circular No. 5, series of 2013; SEC Memorandum Circular No. 15, Series of 2017; and PSE Circular No. 2017-0079 on the Integrated Annual Corporate Governance Report (i-ACGR).

² In reference to the Global Reporting Initiative (GRI) standards, Task Force on Climate-related Financial Disclosures (TCFD) recommendations, Sustainability Accounting Standards Board (SASB), the United Nations Sustainable Development Goals (SDGs), and the United Nations Global Compact principles (UNGC).

in the company website are accurate, relevant and up-to-date. Apart from the Sustainability page (<https://www.globe.com.ph/about-us/sustainability.html>), dedicated pages in the website were created for the posting of reports and corporate documents for the easy reference of all customers and all stakeholders. These pages include, but are not limited to, the following:

- i. IR page (<https://www.globe.com.ph/about-us/investor-relations.html>)
 - a. Various SEC and PSE Disclosures including the Annual Report (SEC Form 17-A), Audited Financial Statements, Annual Information Statement (SEC Form 20-IS) and the General Information Sheet (GIS), among others:
<https://www.globe.com.ph/about-us/investor-relations/sec-pse-disclosures.html>
 - b. Dividend Policy and Historical Dividends:
<https://www.globe.com.ph/about-us/investor-relations/stock-information/dividend-policy.html>
- ii. CG page (<https://www.globe.com.ph/about-us/corporate-governance.html>)
 - a. Integrated Annual Corporate Governance Report (i-ACGR):
<https://www.globe.com.ph/about-us/corporate-governance/annual-corporate-governance-report.html>
 - b. Integrated Reports:
<https://www.globe.com.ph/about-us/sustainability.html>
 - c. ASEAN Corporate Governance Scorecard (ACGS):
<https://www.globe.com.ph/about-us/corporate-governance/asean-corporate-governance-scorecard.html>
 - d. Annual Stockholders' Meetings (ASMs):
<https://www.globe.com.ph/about-us/corporate-governance/annual-stockholders-meetings.html>
 - e. Certificates of Compliance:
<https://www.globe.com.ph/about-us/corporate-governance/certificate-of-compliance.html>
 - f. Related Party Transactions (RPTs):
<https://www.globe.com.ph/about-us/corporate-governance/related-party-transactions.html>
 - g. Company Policies:
<https://www.globe.com.ph/about-us/corporate-governance/company-policies.html>
 - h. Board of Directors:
<https://www.globe.com.ph/about-us/corporate-governance/board-of-directors.html>
 - i. Conglomerate Map
<https://www.globe.com.ph/about-us/corporate-governance/conglomerate-map.html>
 - j. Enterprise Risk Management
<https://www.globe.com.ph/about-us/corporate-governance/enterprise-risk-management.html>

Item 12. Sustainability Report

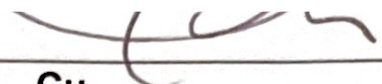
Please refer to the Sustainability Report embodied in the 2020 Integrated Report posted in the Company's official website with the following link: <https://www.globe.com.ph/about-us/sustainability/integrated-report.html>


SEC Number: 1177


SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Taguig on _____.

By:

1. 
Ernest L. Cu
President and Chief Executive Officer

2. 
Rosemarie Maniego-Eala
Chief Finance Officer

3. 
Atty. Solomon M. Hermosura
Corporate Secretary

SUBSCRIBED AND SWORN to before me this ___ day of FEB 08 2021, affiants who are personally known to me or identified through competent evidence of identity, to wit

Name	Passport or ID No.	Date of Issue	Expiry Date
Ernest L. Cu			
Rosemarie Maniego-Eala			
Solomon M. Hermosura			

ATTY. NINA MIKAELA S. SARMIENTO
Notary Public for Taguig City
Appointment No. 79 (2019-2021)
Until June 30, 2021
The Globe Tower
52nd Street corner 7th Avenue
Bonifacio Global City, Taguig 1634
PTR No. A-5075038/January 5, 2021/Taguig
IBP Lifetime No. 850/August 22, 2000
Roll of Attorney No. 60958

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PART V – EXHIBITS AND SCHEDULES

- A. Exhibits** – Please see accompanying Index to Exhibits in the following pages
- B. Reports on SEC Form 17-C** - The Company regularly files various reports on SEC Form 17-C relative to various company disclosures. Of these, the more significant ones are as follows:

Date	Title
January 20, 2020	Corporate Disclosure Update on the Incorporation of Telecommunications Connectivity, Inc.
February 27, 2020	2019 Consolidated Audited Financial Statements
February 28, 2020	Press Release – Globe Telecom closes term loans with the Bank of the Philippine Islands and Metropolitan Bank & Trust Company
March 16, 2020	Corporate Disclosure on the impacts and risk of COVID-19 on the business
April 16, 2020	Press Release – Globe approves purchase of Cascadeo's assets
June 29, 2020	Press Release – Globe Telecom closes term loan with China Banking Corporation
July 15, 2020	Press Release – Globe Telecom mandates banks for US Dollar Bond Issuance
July 16, 2020	Press Release – Globe Telecom prices US\$600M 10-year and 15-year Reg S Only Dual Tranche USD Denominated Senior Unsecured Fixed Rate Notes
August 17, 2020	Press Release – Globe approves investment in Third Pillar Business Applications Inc.
August 17, 2020	Corporate Disclosure Update on Investment in Third Pillar Business Applications Inc.
September 14, 2020	Corporate Disclosure on Change in Key Officer
November 3, 2020	Corporate Disclosure on Change in Key Officer
November 4, 2020	Corporate Disclosure Update on Purchase of Cascadeo's assets
November 13, 2020	Corporate Disclosure on Amendment to the By-Laws
December 3, 2020	Press Release – Globe Telecom closes term loan with Land Bank of the Philippines
December 11, 2020	Corporate Disclosure on Setting of 2021 Annual Stockholders' Meeting (ASM)
December 16, 2020	Corporate Disclosure on CCO Succession
December 18, 2020	Compliance with SEC Memorandum Circular No. 28, Series of 2020

INDEX TO EXHIBITS

Description of Exhibit	Remarks/Attachment
Statement of Management's Responsibility	√
Report of Auditors and Consolidated Financial Statements and Notes to Consolidated Financial Statements	√
Independent Auditors' Report on the Supplementary Schedules	√
Map of the relationship of the companies within the group	√
Reconciliation of Retained Earnings Available for Dividend Declaration	√
Schedule of Financial Soundness Indicators	√
Financial Assets	*
Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	√
Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	√
Long-term Debt	√
Indebtedness to Related Parties	*
Guarantees of Securities of Other Issuers	*
Capital Stock	√
Aging Analysis of Accounts Receivable	√
BIR ITR Filing Reference of Parent Company Financial Statements	√

*Note: * The exhibits are either Not Applicable to the Company or require No Answer.*



Independent Auditor's Report

To the Board of Directors and Shareholders of
Globe Telecom, Inc.
The Globe Tower, 32nd Street corner 7th Avenue
Bonifacio Global City, Taguig City

Our Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Globe Telecom, Inc. and its subsidiaries (together, the "Group") as at December 31, 2020, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

What we have audited

The consolidated financial statements of the Group comprise:

- the consolidated statement of financial position as at December 31, 2020;
- the consolidated statement of total comprehensive income for the year ended December 31, 2020;
- the consolidated statement of changes in equity for the year ended December 31, 2020;
- the consolidated statement of cash flows for the year ended December 31, 2020; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Independent Auditor's Report
 To the Board of Directors and Shareholders of
 Globe Telecom, Inc.
 Page 2

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue recognition</p> <p>Refer to notes 2.15 and 33 to the consolidated financial statements.</p> <p>Revenue recognition has been identified as a key audit matter primarily due to the significant volume of transactions processed through various systems which heavily relies on automated processes and controls from account activation, recording of usage, billing and ultimate revenue recognition.</p>	<p>We addressed all assertions by understanding the Group's revenue recognition policy in accordance with PFRS 15, <i>Revenue from Contracts with Customers</i>, and the related business processes and information technology (IT) environment. We also evaluated the design and operating effectiveness of the controls surrounding the relevant IT systems, as well as the related application controls over the capture and recording of the revenue transactions. We involved our IT specialists to test the automated controls and the interface controls between IT systems and applications.</p> <p>In addition, we performed a combination of controls and substantive testing approach as follows:</p> <ul style="list-style-type: none"> • We tested the operating effectiveness of key controls over subscriber acquisition, rate changes, charging, billing, and recording of revenue transactions.



Independent Auditor's Report
To the Board of Directors and Shareholders of
Globe Telecom, Inc.
Page 3

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment loss recognized on telecommunications equipment	<ul style="list-style-type: none">• We tested key reports and reconciliations used by management to ensure the completeness and accuracy of revenue from business support systems to the general ledger. We tested the accuracy of adjustments on revenues recognized including those from other carriers and value-added service providers.• We performed substantive procedures to gain comfort over significant service and non-service revenues including allocation of relevant transaction prices.
Refer to note 11 to the consolidated financial statements.	We performed the following audit procedures to test the impairment loss recognized on telecommunications equipment:
The Group recognized impairment loss on telecommunications equipment in relation to the replacement of existing fixed line broadband facilities by fiber technology and change out of 3G equipment to give way to the 5G deployment and LTE capacity expansion. This represents a significant event that occurred during the period.	<ul style="list-style-type: none">• We performed procedures to understand the Group's network modernization plan and the specific assets identified for impairment.• We performed substantive procedures to ensure completeness and accuracy of the assets identified for impairment in accordance with the network modernization plan.• We independently assessed Group's business plans and basis for retaining the carrying amount of certain assets that were not identified for impairment.

Other Matter

The consolidated financial statements of the Group as at December 31, 2019 and for the years ended December 31, 2019 and 2018 were audited by another auditor whose report dated February 3, 2020 expressed an unqualified opinion on those consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report are expected to be made available to us after the date of this auditor's report.



Independent Auditor's Report
To the Board of Directors and Shareholders of
Globe Telecom, Inc.
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Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate or to cease operations of the Group, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



Independent Auditor's Report
To the Board of Directors and Shareholders of
Globe Telecom, Inc.
Page 5

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each entity within the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Isla Lipana & Co.

Independent Auditor's Report
To the Board of Directors and Shareholders of
Globe Telecom, Inc.
Page 6

The engagement partner on the audit resulting in this independent auditor's report is
Roderick M. Danao.

Isla Lipana & Co.

Roderick M. Danao
Partner

CPA Cert. No. 88453

P.T.R. No. 0011280, issued on January 5, 2021, Makati City

SEC A.N. (individual) as general auditors 1585-AR-2, Category A; effective until October 14, 2022

SEC A.N. (firm) as general auditors 0142-SEC, Category A;

valid to audit 2020 to 2024 financial statements

TIN 152-015-078

BIR A.N. 08-000745-042-2020, issued on December 14, 2020; effective until December 13, 2023

BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
February 9, 2021



Isla Lipana & Co.

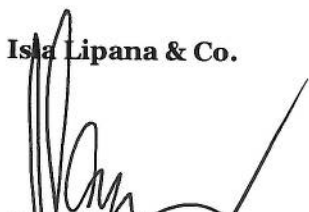
Statement Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
Globe Telecom, Inc.
The Globe Tower, 32nd Street corner 7th Avenue
Bonifacio Global City, Taguig City

We have audited the consolidated financial statements of Globe Telecom, Inc. (the "Parent Company") as at and for the year ended December 31, 2020, on which we have rendered the attached report dated February 9, 2021.

In compliance with SRC Rule 68 and based on the certification received from the Parent Company's corporate secretary and the results of our work done, the Parent Company has eight hundred and ninety seven (897) shareholders owning one hundred (100) or more shares each as at December 31, 2020.

Isla Lipana & Co.


Roderick M. Danao
Partner

CPA Cert. No. 88453

P.T.R. No. 0011280, issued on January 5, 2021, Makati City

SEC A.N. (individual) as general auditors 1585-AR-2, Category A; effective until October 14, 2022

SEC A.N. (firm) as general auditors 0142-SEC, Category A;

valid to audit 2020 to 2024 financial statements

TIN 152-015-078

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BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
February 9, 2021



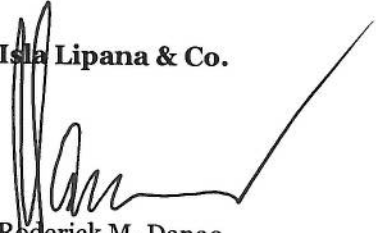
Isla Lipana & Co.

Statement Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
Globe Telecom, Inc.
The Globe Tower, 32nd Street corner 7th Avenue
Bonifacio Global City, Taguig City

We have audited the consolidated financial statements of Globe Telecom, Inc. (the "Parent Company") and its subsidiaries as at and for the year ended December 31, 2020, on which we have rendered the attached report dated February 9, 2021. The supplementary information shown in the *Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration and Map of Relationships of the Companies within the Group*, as additional components required by Rule 68 of the SRC, and Schedules A, B, C, D, E, F and G, as required by the SRC, is presented for purposes of filing with the Securities and Exchange Commission and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with Rule 68 of the SRC.

Isla Lipana & Co.


Roderick M. Danao
Partner

CRA Cert. No. 88453

P.T.R. No. 0011280, issued on January 5, 2021, Makati City

SEC A.N. (individual) as general auditors 1585-AR-2, Category A; effective until October 14, 2022

SEC A.N. (firm) as general auditors 0142-SEC, Category A;

valid to audit 2020 to 2024 financial statements

TIN 152-015-078

BIR A.N. 08-000745-042-2020, issued on December 14, 2020; effective until December 13, 2023

BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
February 9, 2021



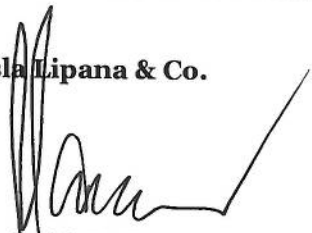
Isla Lipana & Co.

Statement Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
Globe Telecom, Inc.
The Globe Tower, 32nd Street corner 7th Avenue
Bonifacio Global City, Taguig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Globe Telecom, Inc. as at and for the year ended December 31, 2020, and have issued our report thereon dated February 9, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The *Supplementary Schedule on Financial Soundness Indicators*, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised SRC Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the consolidated financial statements as at and for the year ended December 31, 2020 and no material exceptions were noted.

Isla Lipana & Co.


Roderick M. Danao
Partner

CPA Cert. No. 88453

P.T.R. No. 0011280, issued on January 5, 2021, Makati City

SEC A.N. (individual) as general auditors 1585-AR-2, Category A; effective until October 14, 2022

SEC A.N. (firm) as general auditors 0142-SEC, Category A;

valid to audit 2020 to 2024 financial statements

TIN 152-015-078

BIR A.N. 08-000745-042-2020, issued on December 14, 2020; effective until December 13, 2023

BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
February 9, 2021



Globe Telecom, Inc.
The Globe Tower
32nd Street corner 7th Avenue,
Bonifacio Global City,
Taguig, Philippines 1634

+632.7972000

www.globe.com.ph

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS**

The management of Globe Telecom, Inc. and Subsidiaries ("Globe Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2020, and 2019 and for each of the three years in the period ended December 31, 2020, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Globe Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Globe Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Globe Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

Isla Lipana & Co., the independent auditors appointed by the stockholders for the year ended December 31, 2020; and Navarro Amper & Co., the independent auditors appointed by the stockholders for the years ended December 31, 2019 and 2018, have examined the consolidated financial statements of the Globe Group in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.


JAIME AUGUSTO ZOBEL DE AYALA
Chairman of the Board


ERNEST L. CU
President and Chief Executive Officer


ROSEMARIE MANIEGO-EALA
Chief Finance Officer and Treasurer

Signed this 9th day of February 2021

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SUBSCRIBED AND SWORN to before me this _____ at _____ City, affiants who are personally known to me or identified through competent evidence of identity, to wit:

Name	Passport or ID No.	Date of Issue	Expiry Date
Jaime Augusto Zobel De Ayala			
Ernest L. Cu			
Rosemarie Maniego-Eala			

Doc. No. : 324
Page No. : 66
Book No. : III
Series of 2021.

ATTY. NINA MIRABELLA S. SARMIENTO
Notary Public for Taguig City
Appointment No. 79 (2019-2021)
Until June 30, 2021
28th Floor, The Globe Tower
32nd Street corner 7th Avenue
Bonifacio Global City, Taguig 1634
PTR No. A-5075038/January 5, 2021/Taguig
IBP Lifetime No. 850/August 22, 2000
Roll of Attorney No. 60958

GLOBE TELECOM, INC. AND SUBSIDIARIES

Consolidated Financial Statements
December 31, 2020, 2019 and 2018





GLOBE TELECOM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	December 31	
		2020	2019
<i>(In Thousand Pesos)</i>			
ASSETS			
Current Assets			
Cash and cash equivalents	5	₱19,508,114	₱8,298,092
Trade receivables – net	6	20,145,484	21,138,950
Contract assets and deferred contract costs – net	7	6,956,159	8,339,219
Inventories and supplies – net	9	5,988,899	4,713,572
Derivative assets – current	8	2,014	301,624
Prepayments and other current assets	10	11,497,195	18,948,015
		64,097,865	61,739,472
Noncurrent Assets			
Property and equipment – net	11	190,292,393	182,662,528
Intangible assets and goodwill – net	12	17,052,913	15,553,097
Right of use assets – net	13	4,300,835	3,566,280
Investments in associates and joint ventures	15	35,706,460	34,473,865
Deferred income tax assets – net	29	2,556,059	1,866,591
Derivative assets – net of current portion	8	56,510	125,331
Deferred contract costs – net of current portion	7	356,657	289,663
Other noncurrent assets	10	25,360,145	4,013,910
		275,681,972	242,551,265
		₱339,779,837	₱304,290,737
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables and accrued expenses	16	₱56,377,186	₱56,979,315
Contract liabilities and deferred revenues – current	7	9,033,697	8,764,803
Loans payable – current	18	8,521,424	12,919,898
Derivative liabilities – current	8	1,056,816	547,046
Lease liabilities - current	13	999,200	981,817
Provisions	17	2,784,521	2,622,318
Income tax payable	29	1,502,194	1,761,984
		80,275,038	84,577,181
Noncurrent Liabilities			
Loans payable – net of current portion	18	156,270,726	122,942,837
Contract liabilities – net of current portion	7	227,923	49,869
Deferred income tax liabilities – net	29	5,056,340	5,057,641
Derivative liabilities – net of current portion	8	1,882,967	291,270
Lease liabilities – non current	13	3,525,472	2,681,800
Pension liability	28	5,647,387	3,738,430
Other long-term liabilities	19	4,089,514	3,704,712
		176,700,329	138,466,559
Total Liabilities		256,975,367	223,043,740
Equity			
Capital Stock	21	8,464,211	8,452,995
Additional paid in capital	21	37,001,626	36,808,776
Cost of share-based payments	28	638,323	447,656
Other reserves	21.6	(4,219,590)	(1,766,610)
Retained earnings	21.5	40,682,494	37,169,604
Equity attributable to equity holders of the Parent		82,567,064	81,112,421
Non-controlling interest		237,406	134,576
Total Equity		82,804,470	81,246,997
		₱339,779,837	₱304,290,737

See accompanying Notes to Consolidated Financial Statements.



GLOBE TELECOM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF TOTAL COMPREHENSIVE INCOME

	Notes	For the Years Ended December 31		
		2020	2019	2018
<i>(In Thousand Pesos, Except Per Share Figures)</i>				
REVENUES				
Service revenues		₱146,388,134	₱149,009,963	₱132,875,310
Nonservice revenues		14,131,408	17,650,374	18,297,496
	33	160,519,542	166,660,337	151,172,806
INCOME (LOSSES)				
Equity share in net losses of associates and joint ventures	15	(2,367,440)	(2,554,782)	(1,249,603)
Interest income	22	194,938	500,437	391,030
Gain on disposal of property and equipment – net		33,244	43,012	73,088
Other income – net	23	3,817,211	1,047,007	695,405
		1,677,953	(964,326)	(90,080)
COSTS AND EXPENSES				
General, selling and administrative expenses	24	64,913,355	64,471,409	57,742,131
Depreciation and amortization	25	35,412,038	34,143,541	30,421,721
Cost of inventories sold	9	16,406,196	18,554,814	18,645,314
Interconnect costs	34	1,007,234	3,982,873	5,677,375
Financing costs	26	7,111,410	6,802,861	6,195,225
Impairment and other losses	27	10,207,599	4,913,137	4,787,644
		135,057,832	132,868,635	123,469,410
INCOME BEFORE INCOME TAX		27,139,663	32,827,376	27,613,316
PROVISIONS FOR INCOME TAX				
Current		8,139,602	8,488,595	7,259,985
Deferred		377,016	2,055,024	1,727,388
	29	8,516,618	10,543,619	8,987,373
NET INCOME		18,623,045	22,283,757	18,625,943
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified into profit or loss in subsequent periods:				
Transactions on cash flow hedges – net		(725,684)	(1,213,355)	863,715
Exchange differences arising from translations of foreign investments		(3,385)	(106,988)	28,524
	21.6	(729,069)	(1,320,343)	892,239
Item that will not be reclassified into profit or loss in subsequent periods:				
Changes in fair value of financial assets at fair value through other comprehensive income		1,362	440,349	151,974
Remeasurement gain (loss) on defined benefit plan		(1,817,274)	(1,373,043)	49,709
	21.6	(1,815,912)	(932,694)	201,683
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		(2,544,981)	(2,253,037)	1,093,922
TOTAL COMPREHENSIVE INCOME		₱16,078,064	₱20,030,720	₱19,719,865

(Forward)



GLOBE TELECOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF TOTAL COMPREHENSIVE INCOME

		For the Years Ended December 31		
	Notes	2020	2019	2018
<i>(In Thousand Pesos, Except Per Share Figures)</i>				
Total net income attributable to:				
Equity holders of the Parent		₱18,578,322	₱22,269,340	₱18,640,740
Non-controlling interest		44,723	14,417	(14,797)
		18,623,045	22,283,757	18,625,943
Total comprehensive income attributable to:				
Equity holders of the Parent		16,033,341	20,016,303	19,734,662
Non-controlling interest		44,723	14,417	(14,797)
		₱16,078,064	₱20,030,720	₱19,719,865
Earnings Per Share				
Basic	30	₱135.04	₱162.96	₱135.91
Diluted	30	₱134.40	₱162.20	₱135.40
Cash dividends declared per common share	21.3	₱107.99	₱91.00	₱91.00

See accompanying Notes to Consolidated Financial Statements.



GLOBE TELECOM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Year Ended December 31, 2020									
	Notes	Capital Stock (Note 21.2)	Additional Paid-in Capital	Cost of Share-Based Payments	Other Reserves (Note 21.6)	Retained Earnings	Total Equity Attributable to Parent	Non-controlling Interest	Total
<i>(In Thousand Pesos)</i>									
As of January 1, 2020		P8,452,995	P36,808,776	P447,656	(P1,766,610)	P37,169,604	P81,112,421	P134,576	P81,246,997
Total comprehensive income for the period		-	-	-	(2,544,981)	18,578,322	16,033,341	44,723	16,078,064
Dividends on:	21.3								
Common Stock		-	-	-	-	(14,403,344)	(14,403,344)	-	(14,403,344)
Preferred Stock - voting		-	-	-	-	(50,027)	(50,027)	-	(50,027)
Preferred Stock – non-voting		-	-	-	-	(520,060)	(520,060)	-	(520,060)
Share-based compensation	28	-	-	394,733	-	-	394,733	-	394,733
Issue of shares under share-based compensation plan	21.2	11,216	192,850	(204,066)	-	-	-	-	-
Reclassification of fair value gain on investment in equity securities at FVOCI	21.6	-	-	-	92,001	(92,001)	-	-	-
Non-controlling interest arising from business combination	14	-	-	-	-	-	-	58,107	58,107
As of December 31, 2020		P8,464,211	P37,001,626	P638,323	(P4,219,590)	P40,682,494	P82,567,064	P237,406	P82,804,470

(Forward)



GLOBE TELECOM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	For the Year Ended December 31, 2019								
	Notes	Capital Stock (Note 21.2)	Additional Paid-in Capital	Cost of Share-Based Payments	Other Reserves (Note 21.6)	Retained Earnings	Total Equity Attributable to Parent	Non-controlling Interest	Total
<i>(In Thousand Pesos)</i>									
As of January 1, 2019, as previously stated		₱8,445,238	₱36,528,251	₱417,345	₱561,103	₱27,167,398	₱73,119,335	₱24,172	₱73,143,507
Adjustment on initial application of PFRS 16, net of tax	3.2	-	-	-	-	336,464	336,464	505	336,969
As of January 1, 2019, as restated		8,445,238	36,528,251	417,345	561,103	27,503,862	73,455,799	24,677	73,480,476
Total comprehensive income for the period		-	-	-	(2,253,037)	22,269,340	20,016,303	14,417	20,030,720
Dividends on:	21.3								
Common Stock		-	-	-	-	(12,118,071)	(12,118,071)	-	(12,118,071)
Preferred Stock - voting		-	-	-	-	(50,027)	(50,027)	-	(50,027)
Preferred Stock – non-voting		-	-	-	-	(520,060)	(520,060)	-	(520,060)
Share-based compensation	28	-	-	325,160	-	-	325,160	-	325,160
Exercise of stock options	21.2	499	11,354	(4,300)	-	-	7,553	-	7,553
Issue of shares under share-based compensation plan	21.2	7,258	269,171	(276,429)	-	-	-	-	-
Forfeiture of stock option		-	-	(14,120)	-	9,884	(4,236)	-	(4,236)
Reclassification of accumulated share in an associate's other comprehensive income	21.6	-	-	-	1,101	(1,101)	-	-	-
Reclassification of fair value gain on investment in equity securities at FVOCI	21.6	-	-	-	(75,777)	75,777	-	-	-
Minority buyout from subsidiary		-	-	-	-	-	-	(536)	(536)
Non-controlling interest arising from business combination	14	-	-	-	-	-	-	96,018	96,018
As of December 31, 2019		₱8,452,995	₱36,808,776	₱447,656	(1,766,610)	₱37,169,604	₱81,112,421	₱134,576	₱81,246,997

(Forward)



GLOBE TELECOM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	Capital Stock (Note 21)	Additional Paid-in Capital	Cost of Share-Based Payments	For the Year Ended December 31, 2018			Non-controlling Interest	Total
					Other Reserves (Note 21.6)	Retained Earnings	Total Equity Attributable to Parent		
<i>(In Thousand Pesos)</i>									
As of January 1, 2018, as previously stated		₱8,438,404	₱36,319,449	₱401,543	(₱352,375)	₱21,708,003	₱66,515,024	₱42,713	₱66,557,737
Adjustment on initial application of PFRS 15, net of tax	3.3	-	-	-	-	4,880,805	4,880,805	954	4,881,759
Adjustment on initial application of PFRS 9, net of tax	3.3	-	-	-	-	(5,581,683)	(5,581,683)	(4,843)	(5,586,526)
As of January 1, 2018, as restated		8,438,404	36,319,449	401,543	(352,375)	21,007,125	65,814,146	38,824	65,852,970
Total comprehensive income for the year		-	-	-	1,093,922	18,640,740	19,734,662	(14,797)	19,719,865
Dividends on:	21.3								
Common Stock		-	-	-	-	(12,104,579)	(12,104,579)	-	(12,104,579)
Preferred Stock – voting		-	-	-	-	(41,752)	(41,752)	-	(41,752)
Preferred Stock – non-voting		-	-	-	-	(520,060)	(520,060)	-	(520,060)
Share-based compensation	28	-	-	236,714	-	-	236,714	-	236,714
Issue of shares under share-based compensation plan		6,463	202,629	(208,221)	-	-	871	-	871
Exercise of stock options		371	6,173	(4,862)	-	-	1,682	-	1,682
Forfeiture of stock options		-	-	(7,829)	-	5,480	(2,349)	-	(2,349)
Reclassification remeasurement gains (losses) on defined benefit plans	21.6	-	-	-	(180,444)	180,444	-	-	-
Non-controlling interest arising from business combination		-	-	-	-	-	-	145	145
As of December 31, 2018		₱8,445,238	₱36,528,251	₱417,345	₱561,103	₱27,167,398	₱73,119,335	₱24,172	₱73,143,507

See accompanying Notes to Consolidated Financial Statements.



GLOBE TELECOM, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	For the Years Ended December 31		
		2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		<i>(In Thousand Pesos)</i>		
Income before income tax		₱27,139,663	₱32,827,376	₱27,613,316
Adjustments for:				
Depreciation and amortization	25	35,412,038	34,143,541	30,421,721
Impairment and other losses	27	10,207,599	4,913,137	4,787,644
Financing cost	26	7,111,410	6,802,861	6,195,225
Equity share in net losses of associates and joint ventures	15	2,367,440	2,554,782	1,249,603
Gain on deemed sale of investment in Mynt	15	(2,042,441)	-	-
Foreign exchange losses (gains) – net	23	(1,690,842)	(848,394)	900,430
(Gain) loss on derivative instruments	23	1,579,746	809,540	(1,004,171)
Pension expense	28	898,536	1,121,653	594,633
Share-based compensation	28	394,733	325,160	236,714
Gain on debt renegotiation	23	(343,122)	-	-
Interest income	22	(194,938)	(500,437)	(391,030)
Gain on settlement and rereasurement of ARO	19, 23	(34,845)	(5,769)	(27,894)
Gain on disposal of property and equipment		(33,244)	(43,012)	(73,088)
Gain on sale of investment in associate	15, 23	-	(240,000)	-
Operating income before working capital changes		80,771,733	81,860,438	70,503,103
Changes in operating assets and liabilities:				
Decrease (Increase) in:				
Trade receivables – net		(4,949,952)	(2,424,629)	(5,791,841)
Inventories and supplies		(1,560,116)	(572,350)	(1,990,025)
Contract assets		1,316,067	158,341	(784,314)
Prepayments and other current assets		15,611,495	(5,301,967)	(2,327,349)
Other noncurrent assets		(21,339,684)	(258,528)	(147,569)
Increase (Decrease) in:				
Trade payables and accrued expenses		2,600,560	6,715,399	2,092,554
Other long-term liabilities		(1,441,720)	(741,332)	(1,128,399)
Contract liabilities and deferred revenues		446,948	697,416	2,199,814
Cash generated from operations		71,455,331	80,132,788	62,625,974
Income taxes paid		(6,295,333)	(6,090,569)	(4,775,445)
Net cash flows from operating activities		65,159,998	74,042,219	57,850,529
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment		(60,268,935)	(50,975,224)	(42,768,194)
Investment in joint ventures	15	(1,532,500)	(3,305,000)	(111,200)
Intangible assets	12	(32,586)	(48,532)	(490,569)
Collections of loans receivable from related party		358,620	70,000	180,000
Net cash outflow from acquisition of subsidiaries, net of cash acquired	14	(385,181)	(1,563,649)	-
Interest received		193,249	544,739	352,302
Proceeds from sale of property and equipment		93,154	101,463	171,638
Dividends received		-	21,368	13,852
Proceeds from sale of investment in equity securities		-	124,056	418
Net cash flows used in investing activities		(61,574,179)	(55,030,779)	(42,651,753)

(Forward)



GLOBE TELECOM, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	For the Years Ended December 31		
		2020	2019	2018
<i>(In Thousand Pesos)</i>				
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings:				
Long-term	18	₱43,998,820	₱5,000,000	₱24,156,000
Short-term	18	18,440,000	-	-
Repayments of borrowings:				
Long-term	18	(12,928,496)	(16,745,816)	(8,319,604)
Short-term	18	(17,740,000)	(300,000)	-
Payments of dividends to stockholders:	21.3			
Common		(14,403,344)	(12,118,071)	(12,104,579)
Preferred		(570,087)	(570,087)	(561,812)
Exercise of stock options		-	7,553	2,553
Payments of lease liabilities	13	(1,536,853)	(1,298,341)	-
Interest paid		(6,770,877)	(7,232,591)	(6,607,604)
Net cash provided by (used in) financing activities		8,489,163	(33,257,353)	(3,435,046)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		12,074,982	(14,245,913)	11,763,730
NET FOREIGN EXCHANGE DIFFERENCE ON CASH AND CASH EQUIVALENTS		(864,960)	(682,381)	240,436
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		8,298,092	23,226,386	11,222,220
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	5	₱19,508,114	₱8,298,092	₱23,226,386

See accompanying Notes to Consolidated Financial Statements.



GLOBE TELECOM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 Corporate Information

1.1 Globe Telecom, Inc.

Globe Telecom, Inc. (hereafter referred to as “Globe Telecom” or The “Parent Company”) is a stock corporation organized under the laws of the Philippines on January 16, 1935, and enfranchised under Republic Act (RA) No. 7229 and its related laws to render any and all types of domestic and international telecommunications services. Globe Telecom is one of the leading providers of digital wireless communications services in the Philippines under the Globe Postpaid and Prepaid, and Touch Mobile (TM) using a fully digital network. It also offers domestic and international long distance communication services or carrier services. Globe Telecom’s head office is located at The Globe Tower, 32nd Street corner 7th Avenue, Bonifacio Global City, Taguig, Metropolitan Manila, Philippines. Globe Telecom is listed in the Philippine Stock Exchange (PSE) and has been included in the PSE composite index since September 17, 2001. Major stockholders of Globe Telecom include Ayala Corporation (AC), Singapore Telecom International Pte Ltd. (Singtel) and Asiacom Philippines, Inc. None of these companies exercise control over Globe Telecom.

1.2 Innove Communications, Inc. (Innove)

Globe Telecom owns 100% of Innove, a stock corporation organized under the laws of the Philippines and enfranchised under RA No. 11151 and its related laws to render any and all types of domestic and international telecommunications services. Innove holds a license to provide digital wireless communication services in the Philippines. Innove also has a license to establish, install, operate and maintain a nationwide local exchange carrier (LEC) service, particularly integrated local telephone service with public payphone facilities and public calling stations, and to render and provide international and domestic carrier and leased line services.

On November 2, 2015, Innove and Techzone Philippines incorporated TechGlobal Data Center, Inc. (TechGlobal), a joint venture company formed for the purpose of operating and managing all kinds of data centers, and providing information technology-enabled, knowledge-based and computer-enabled support services. Innove and Techzone hold ownership interest of 49% and 51%, respectively. TechGlobal started commercial operations in August 2017.

1.3 GTI Business Holdings, Inc. (GTI) and Subsidiaries

Globe Telecom owns 100% of GTI. GTI was incorporated and registered under the laws of the Philippines, on November 25, 2008, as a holding company.

1.4 GTI Corporation (GTIC)

In July 2009, GTI incorporated a wholly owned subsidiary, GTIC, a company organized under the General Corporation Law of the United States of America, State of Delaware as a wireless and data communication services provider.



1.5 Globe Telecom HK Limited (GTHK)

In December 2011, GTI incorporated a wholly owned subsidiary, GTHK, a limited company organized under the Companies Ordinance of Hong Kong as a marketing and distribution company. On March 17, 2015, GTHK applied for a services-based operator license (SBO) with the Office of the Communications Authority in Hong Kong (OFCA) which was subsequently approved on May 7, 2015. As of June 1, 2020, the SBO was cancelled and surrendered to the OFCA. GTHK is engaged in the marketing and selling of telecommunication products and services in the international market, except the United States of America and the Philippines, under a distributor arrangement.

1.6 Globetel European Limited (GTEU) and Subsidiaries

On May 10, 2013, GTI incorporated a wholly owned subsidiary, GTEU as holding company for the operating companies of the Globe Group located in the United Kingdom, Spain and Italy.

In 2013, GTEU incorporated its wholly owned subsidiaries, UK Globetel Limited (UKGT), Globe Mobilé Italy S.r.l. (GMI), and Globetel Internacional European España, S.L. (GIEE), for the purpose of establishing operations in Europe by marketing and selling mobile telecommunications services to Filipino individuals and businesses located in the United Kingdom, Spain and Italy.

On June 2, 2016, the BOD approved the cessation of the operations of UKGT, GMI and GIEE effective July 31, 2016. UKGT and GMI completed the liquidation process in 2018. On July 30, 2019, GIEE completed its regulatory requirements for liquidation.

1.7 Globetel Singapore Pte. Ltd. (GTSG)

On November 12, 2014, GTI incorporated GTSG, a wholly owned subsidiary, for the purpose of offering full range of international data services in Singapore under a facilities-based operations license (FBO) with Infocomm Media and Development Authority (IMDA) in Singapore which was granted on January 7, 2015.

1.8 Third Pillar Business Applications, Inc. (TPBAI) and a Subsidiary

On August 17, 2020, GTI entered into a Share Purchase Agreement for the acquisition of 67% of TPBAI. TPBAI, a corporation organized under the laws of the Philippines, is engaged in systems integration, license reselling, and data management services. TPBAI previously owns 11% of Third Pillar Global Delivery Center Inc. (TPGDC). GTI's acquisition of TPBAI also mandated TPBAI's acquisition of the remaining 89% ownership of TPGDC making TPBAI the sole owner of TPGDC. TPGDC is engaged in software implementation and maintenance services and the outsourcing arm of TPBAI.

1.9 CaelumPacific Corp.(CaelumPacific) and Subsidiaries

On July 30, 2020, GTI incorporated CaelumPacific, a wholly owned subsidiary organized under the laws of the Philippines for the purpose of providing technical consulting and IT related services.

On July 31, 2020, Caelum US Holdings Inc. (Caelum US), a wholly owned subsidiary of CaelumPacific, was incorporated under the laws of the state of Delaware as holding company.

On August 3, 2020, Caelum Northwest Corp. (Caelum Northwest), a wholly owned subsidiary of Caelum US, was incorporated under the laws of the state of Washington for the purpose of customized cloud software development and providing cloud consulting services.



On November 3, 2020, the definitive agreements between Caelum Group and Cascadeo have been signed and executed following the completion of all relevant conditions relating to the sale of assets of Cascadeo in the Philippines and the US. Cascadeo is a group of companies in the Philippines and US which offers cloud-native consulting and managed services capabilities for enterprises and small and medium business customers.

1.10 Kickstart Ventures, Inc. (Kickstart) and Subsidiaries

On March 28, 2012, Globe Telecom incorporated Kickstart, a stock corporation organized under the laws of the Philippines and formed primarily for the purpose of investing in individual, corporate, or start-up businesses, and to do research, technology development and commercializing of new business ventures.

In February 2014, Kickstart acquired 40% equity interest in Flipside Publishing Services, Inc. (FPSI). Since Kickstart was able to demonstrate control over FPSI despite having less than 50% ownership interest, FPSI was assessed to be a subsidiary of Kickstart and is included in the consolidation of Globe Group. FPSI is engaged in acquiring publishing rights to produce, publish, market, and sell printed and electronic books (e-books) and other electronic documents and content for international and domestic sales. FPSI ceased operations in July 2016. FPSI remains a dormant company as of reporting date.

In February 2020, Kickstart registered three Cayman Islands exempted companies with limited liabilities, namely (1) Kickstart Capital Co. Ltd. (KCCL), a wholly owned subsidiary of Kickstart; (2) AG Active Associated I, Limited, a wholly owned subsidiary of KCCL; and, (3) Kickstart Ventures Co. Ltd., a 65% owned subsidiary of KCCL. These entities were formed as a platform for the management of third party venture capital investment funds.

1.11 Asticom Technology, Inc. (Asticom) and Subsidiaries

On June 3, 2014, Globe Telecom signed an agreement with Azalea Technology Investments Inc. (ASTI) and SCS Computer Systems, Pte. Ltd. acquiring 100% ownership stake in Asticom. Asticom is primarily engaged in providing business process and shared service support, as well as IT system integration and consultancy services.

On August 20, 2020, Asticom incorporated its wholly owned subsidiary, Asticom Business Services, Inc. (ABSI). ABSI was incorporated to leverage Asticom's business growth, particularly its full-BPO services offering.

1.12 Globe Capital Venture Holdings Inc. (GCVHI) and Subsidiaries

On June 29, 2015, Globe Telecom incorporated its wholly owned subsidiary, GCVHI as an investing and holding company primarily engaged in purchasing, subscribing, owning, holding, assigning real and personal property, shares of stock and other securities. In August 2019, GCVHI was rebranded to "917 Ventures" and will house Globe Telecom's non-telco incubated products.

On October 13, 2015, GCVHI incorporated its wholly owned subsidiary Adspark Holdings, Inc. (AHI), a holding company established for the acquisition of additional investment in Globe Telecom's non-core business. AHI holds 100% of Adspark Inc. (AI), an advertising company. On January 29, 2016, AI acquired 70% of the outstanding shares of Socialytics Inc. (Socialytics), a social media marketing firm. In 2020, AI acquired the remaining 30% of the outstanding shares of Socialytics making it a wholly owned subsidiary of AI.

GCVHI owns 40% ownership interest in Globe Fintech Innovations, Inc. (GFI) and 50% ownership interest in Global Telehealth, Inc. (GTHI).



On February 4, 2020, GCVHI incorporated 917Ventures, Inc. as a holding company for GCVHI's business incubators.

1.13 Bayan Telecommunications Inc. (BTI) and Subsidiaries

Globe owns 99% of BTI, a stock corporation organized under the laws of the Philippines and enfranchised under RA No. 11503 and its related laws to render domestic and international telecommunications services. BTI is a facilities-based provider of data services and fixed-line telecommunications.

BTI's subsidiaries are: Radio Communications of the Philippines, Inc. (RCPI), Telecoms Infrastructure Corp. of the Philippines (Telicphil), Sky Internet, Incorporated (Sky Internet), GlobeTel Japan (formerly BTI Global Communications Japan, Inc.), and NDTN Land, Inc. (NLI), (herein collectively referred to as "BTI Group").

1.14 TaoDharma Inc. (Tao)

Globe Telecom owns 67% of Tao, an entity incorporated and registered under the laws of the Philippines. Tao operates and maintains retail stores in strategic locations within the Philippines that sells telecommunications or internet-related services, and devices, gadgets and accessories.

1.15 GTowers Inc (GTowers)

On August 17, 2018, GTowers was incorporated and registered under the laws of the Philippines as a wholly owned subsidiary of Globe Telecom. GTowers is still under pre-operating stage as of reporting date.

1.16 Yondu, Inc. and a Subsidiary

Yondu is engaged in the development and creation of wireless products and services accessible through mobile devices or other forms of communication devices. It also provides internet and mobile value-added services, information technology and technical services including software development and related services. Yondu is registered with the Department of Transportation and Communication (DOTC) as a content provider.

As of December 31, 2018, Yondu was 51% owned by Xurpas Inc. (Xurpas) and 49% owned by Globe Telecom. On September 11, 2019, the BOD of Globe Telecom approved the acquisition of 51% of the outstanding shares of Yondu, equivalent to 22,950 shares. The acquisition increased Globe Telecom's ownership interest from 49% to 100% and was accounted for as an acquisition of a subsidiary.

Yondu holds 100% of Rocket Search, Inc. (formerly Yondu Software Labs, Inc.), a company primarily engaged in providing information technology (IT) products and services and engaged in IT placement services.

1.17 Electronic Commerce Payments, Inc. (ECPay)

On October 25, 2019, Globe Telecom acquired 77% ownership of ECPay. ECPay is primarily engaged in the business of providing IT and e-commerce solutions, including, but not limited to, prepaid phone and internet products, bills payments and others.



2 Summary of Significant Accounting Policies

2.1 Basis of Preparation and Presentation

The consolidated financial statements of Globe Telecom, Inc. and its subsidiaries, collectively referred to as the “Globe Group”, have been prepared under the historical cost convention method, except for:

- certain financial instruments carried at fair value;
- certain financial instruments and lease liabilities carried at amortized cost;
- inventories carried at net realizable value;
- investments in associates and joint ventures in which equity method of accounting is applied; and,
- retirement benefit obligation measured at the present value of the defined benefit obligation net of the fair value of the plan assets.

The consolidated financial statements of the Globe Group are presented in Philippine Peso (₱), which is Globe Telecom’s functional currency, and rounded to the nearest thousands, except when otherwise indicated.

On February 9, 2021, the BOD approved and authorized the release of the consolidated financial statements of Globe Telecom, Inc. and its subsidiaries as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020.

2.2 Statement of Compliance

The consolidated financial statements of the Globe Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC), and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standards Council (FRSC) and the Board of Accountancy, and adopted by the Securities and Exchange Commission (SEC).



2.3 Composition of the Group

The accompanying consolidated financial statements include the accounts of Globe Telecom and the following subsidiaries:

Name of Subsidiary	Place of Incorporation	Principal Activity	Parent Company's Percentage of Ownership	
			2020	2019
Innove	Philippines	Wireline voice and data communication services	100%	100%
GTI	Philippines	Holding company	100%	100%
GTIC	United States	Wireless and data communication services	100%	100%
GTHK	Hong Kong	Marketing and distributing company	100%	100%
GTSG	Singapore	Wireless and data communication services	100%	100%
GTEU	United Kingdom	Holding company	100%	100%
TPBAI ³	Philippines	Data management services	67%	-
TPGDC ³	Philippines	Support and shared services provider	100%	-
CaelumPacific ⁴	Philippines	Technical consulting and IT related services	100%	-
Caelum US ⁴	United States	Holding company	100%	-
Caelum Northwest ⁴	United States	Cloud software development and consulting services	100%	-
KVI	Philippines	Venture capital company	100%	100%
FPSI ¹	Philippines	E-book solutions	40%	40%
KCCL ⁴	Cayman Islands	Management of capital investment funds	100%	-
KVCL ⁴	Cayman Islands	Management of capital investment funds	65%	-
AAAL ⁴	Cayman Islands	Management of capital investment funds	100%	-
Asticom	Philippines	Support and shared services provider	100%	100%
ABSI ⁴	Philippines	Support and shared services provider	100%	-
GCVHI	Philippines	Holding Company	100%	100%
917V ⁴	Philippines	Holding Company	100%	-
AHI	Philippines	Holding company	100%	100%
AI	Philippines	Advertising company	100%	100%
Socialytics	Philippines	Advertising company	100%	70%
BTI	Philippines	Wireline voice and data communication services	99%	99%
RCPI	Philippines	Wireline communication services	91%	91%
Telicphil ¹	Philippines	Telco equipment administration and maintenance	58%	58%
Sky Internet	Philippines	Data communication services	100%	100%
GlobeTel Japan	Japan	Wireless and data communication services	100%	100%
NLI	Philippines	Land holding company	70%	70%
Tao	Philippines	Distributing company	67%	67%
G Towers, Inc.	Philippines	Tower company	100%	100%
Yondu ²	Philippines	Information technology and software development	100%	100%
Rocket Search ²	Philippines	Information technology and software development	100%	100%
EC Pay ²	Philippines	Information technology and electronic services	77%	77%

¹ Ceased operations

² Consolidated in 2019

³ Consolidated in 2020

⁴ Incorporated in 2020

2.4 Business Combination and Goodwill

Acquisitions of businesses are accounted for using the purchase method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Globe Group, liabilities incurred by the Globe Group to the former owners of the acquiree and the equity interest issued by the Globe Group in exchange for control of the acquiree. Acquisition related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with PAS 12, Income Taxes and PAS 19, Employee Benefits, respectively;
- liabilities and equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangement of the Globe Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with PFRS 2, Share-based Payment, at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with PFRS 5, Non-current assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in the consolidated profit or loss as bargain purchase gain.

Goodwill is not amortized but is reviewed for impairment at least annually. For purposes of impairment testing, goodwill is allocated to each of the Globe Group's cash-generating units that are expected to benefit from the synergies of the combination.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interest are measured at fair value or, when applicable, on the basis specified in another PFRS.

When the consideration transferred by the Globe Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the changes in fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with PFRS 9, Financial Instruments, or PAS 37, Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Globe Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amount arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Globe Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

2.4.1 Consolidation procedures

The assets, liabilities, income and expense of subsidiaries are consolidated from the date on which control is transferred to the Parent Company and ceases to be consolidated from the date on which control is transferred out of the Parent Company.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company as well as accounting policies for like transactions and other events in similar circumstances. When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with the Globe Group's accounting policies.

All significant intercompany balances and transactions, including intercompany profits and losses, were eliminated in full during consolidation.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Globe Group's foreign operations are translated into Philippine Peso using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising from the translation, if any, are recognized in other comprehensive income and accumulated in other equity reserves.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity reserves in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

2.4.2 Determination of control

The Parent Company controls an investee if and only if the Parent Company 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.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company 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;
- rights arising from other contractual arrangements; and
- the Parent Company's voting rights and potential voting rights.

The Globe Group re-assesses 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.

2.4.3 Non-controlling interest

Non-controlling interests pertain to the equity in a subsidiary not attributable, directly or indirectly to the Globe Group. Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not wholly-owned and are presented in the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position, separately from the equity attributable to the Parent Company.

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, even if this results in the non-controlling interests having deficit balance.

2.4.4 Changes in ownership without loss of control

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The carrying amounts of the Globe Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiaries. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity holders of the Parent Company.

2.4.5 Changes in ownership with loss of control

If the Globe Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.



2.5 *Financial Instruments*

2.5.1 *Initial Recognition*

Financial instruments are recognized in the Globe Group's consolidated statements of financial position when the Globe Group becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, i.e., the date that the Globe Group commits to purchase or sell the asset.

Financial instruments are recognized initially at fair value. Transaction costs are included in the initial measurement of the Group's financial instruments, except for financial instruments classified at fair value through profit or loss (FVPL).

2.5.2 *Classification and Subsequent Measurement of Financial Assets*

The Globe Group classifies its financial assets into the following categories: financial assets at FVPL, financial assets at amortized cost and financial assets at fair value through other comprehensive income (FVOCI).

2.5.2.1 *Financial assets at FVPL*

The Globe Group classifies the following investments as financial assets at FVPL:

- investments in equity securities unless irrevocably elected at initial recognition to be measured at FVOCI;
- investments in debt instruments held within a business model whose objective is to sell prior to maturity or has contractual terms that does not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, unless designated as effective hedging instruments under a cash flow hedge;
- investments that contain embedded derivatives; and
- investment in debt instruments designated as financial assets at FVPL at initial recognition.

Financial assets at FVPL are carried at fair value at the end of each reporting period with any resultant gain or loss recognized in profit or loss.

Financial assets classified under this category are disclosed in [Note 32.1](#).

2.5.2.2 *Financial assets at amortized cost*

Investments in debt instrument, loans, trade and other receivables that are held within a business model whose objective is to collect the contractual cash flows and has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are classified as financial assets at amortized cost, unless the asset is designated at FVPL under the fair value option.

Subsequent to initial recognition, financial assets classified under this category are measured at amortized cost using effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is not material.

Financial assets classified under this category are disclosed in [Note 32.1](#).

2.5.2.3 Financial assets at fair value through other comprehensive income

The Globe Group classifies the following investments as financial assets at FVOCI:

- Investments in debt instrument that is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, unless the asset is designated at FVPL under the fair value option;
- Investments in equity securities irrevocably elected to be measured at FVOCI; and
- Derivative designated as effective hedging instruments under cash flow hedges.

Financial assets at FVOCI are carried at fair value at the end of each reporting period. Changes in the carrying amount financial assets at FVOCI arising from movements in fair value are recognized in other comprehensive income and accumulated in other equity reserves. When the investment is disposed of, the cumulative gain or loss previously accumulated in equity reserves is reclassified directly to retained earnings.

Financial assets classified under this category are disclosed in [Notes 32.1](#).

2.5.3 Impairment of Financial Assets at amortized cost

The Globe Group assesses at end of the reporting date whether a financial asset or group of financial assets is impaired.

The Globe Group recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost, loans, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Globe Group applies the simplified ECL approach and always recognizes lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated based on the characteristics of the product and payment behavior of the subscriber at the reporting date.

For all other financial instruments, the Globe Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Globe Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Globe Group measures ECL on an individual basis, or on a collective basis for portfolios of receivables that share similar economic risk characteristics.



Significant increase in credit risk

In assessing whether the credit risk on non-trade receivables has increased significantly since initial recognition, the Globe Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Globe Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. The forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Globe Group presumes that the credit risk on non-trade receivables has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Globe Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Globe Group assumes that the credit risk on non-trade receivables has not increased significantly since initial recognition if the instrument is determined to have low credit risk at the reporting date. The Globe Group considers a financial asset to have low credit risk when the counterparty has a strong financial position and there is no past due amounts. An instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Globe Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.



Definition of default

For subscribers receivable and contract assets, the Globe Group considers that default has occurred when the subscriber has been permanently disconnected.

For all other receivables, The Globe Group considers the following as constituting an event of default as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Globe Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Globe Group considers that default has occurred when a financial asset is more than 90 days past due unless the Globe Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, (e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the Group has effectively exhausted all collection efforts). Financial assets written off may still be subject to enforcement activities under the Globe Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, this is represented by the assets' gross carrying amount at the reporting date.



The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Globe Group in accordance with the contract and all the cash flows that the Globe Group expects to receive, discounted at the original effective interest rate.

If the Globe Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Globe Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets such as trade receivables and contract assets for which simplified approach was used.

The Globe Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2.5.4 Classification of financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument.

2.5.4.1 Classification and Subsequent Measurement of Financial liabilities

The Globe Group further classifies its financial liabilities into financial liabilities at FVPL and financial liabilities at amortized cost. The classification depends on the nature and purpose of the financial liability and is determined at the time of initial recognition.

2.5.4.1.1 Financial liabilities at FVPL

This category consists of financial liabilities that were designated by management as FVPL on initial recognition and derivative financial liabilities not designated as effective hedging instruments under cash flow hedges.

Financial liabilities at FVPL are carried in the consolidated statements of financial position at fair value, with changes in fair value recognized in profit or loss.

Financial liabilities classified under this category are disclosed in [Note 32](#).

2.5.4.1.2 Financial liabilities at amortized cost

Loans, trade and other payables which are not designated as financial liabilities at FVPL are classified as financial liabilities at amortized cost. Financial liabilities classified under this category are subsequently measured at amortized cost using the effective rate method. Financial liabilities classified under this category is disclosed in [Note 32](#).

2.5.4.1.3 Equity instruments

Capital Stock

Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value. The transaction costs incurred as a necessary part of completing an equity transaction are accounted for as part of that transaction and are deducted from additional paid-in capital, net of related income tax benefits.

Additional Paid-in Capital

Additional paid-in capital includes any premium received in excess of par value on the issuance of capital stock.

Retained Earnings

Retained earnings represent accumulated profit attributable to equity holders of the Parent Company after deducting dividends declared. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

2.5.5 Derivative Instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedge of an identified risk and qualifies for hedge accounting treatment. The objective of hedge accounting is to match the impact of the hedged item and the hedging instrument in the consolidated profit or loss. To qualify for hedge accounting, the hedging relationship must comply with requirements such as the designation of the derivative as a hedge of an identified risk exposure, hedge documentation, probability of occurrence of the forecasted transaction in a cash flow hedge, assessment (both prospective and retrospective bases) and measurement of hedge effectiveness, and reliability of the measurement bases of the derivative instruments.

Upon inception of the hedge, the Globe Group documents the relationship between the hedging instrument and the hedged item, its risk management objective and strategy for undertaking various hedge transactions, and the details of the hedging instrument and the hedged item. The Globe Group also documents its hedge effectiveness assessment methodology, both at the hedge inception and on an ongoing basis, as to whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Hedge effectiveness is likewise measured, with any ineffectiveness being reported immediately in the consolidated profit or loss.

2.5.5.1 Types of Hedges

The Globe Group designates derivatives which qualify as accounting hedges as either:

- a hedge of the fair value of a recognized fixed rate asset, liability or unrecognized firm commitment (fair value hedge); or
- a hedge of the cash flow variability of recognized floating rate asset and liability or forecasted sales transaction (cash flow hedge).

Fair Value Hedges

Fair value hedges are hedges of the exposure to variability in the fair value of recognized assets, liabilities or unrecognized firm commitments. The gain or loss on a derivative instrument designated as a fair value hedge, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in the consolidated profit or loss in the same accounting period. Hedge effectiveness is determined based on the hedge ratio of the fair value changes of the hedging instrument and the underlying hedged item. When the hedge ceases to be highly effective, hedge accounting is discontinued.



Cash Flow Hedges

A cash flow hedge is a hedge of the exposure to variability in future cash flows related to a recognized asset, liability or a forecasted sales transaction. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized in other comprehensive income and accumulated in other equity reserves. Any hedge ineffectiveness is immediately recognized in the consolidated profit or loss.

If the hedged cash flow results in the recognition of a nonfinancial asset or liability, gains and losses previously recognized in other comprehensive income are transferred from equity and included in the initial measurement of the cost or carrying value of the asset or liability. Otherwise, for all other cash flow hedges, gains and losses initially recognized in equity are transferred to consolidated profit or loss in the same period or periods during which the hedged forecasted transaction or recognized asset or liability affect earnings.

Hedge accounting is discontinued prospectively when the hedge ceases to be highly effective. When hedge accounting is discontinued, the cumulative gains or losses on the hedging instrument that has been recognized in OCI is retained in other equity reserves until the hedged transaction impacts consolidated profit or loss. When the forecasted transaction is no longer expected to occur, any net cumulative gains or losses previously recognized in other equity reserves is immediately reclassified in the consolidated profit or loss.

2.5.6 Other Derivative Instruments Not Accounted for as Accounting Hedges

Certain freestanding derivative instruments that provide economic hedges under the Globe Group's policies either do not qualify for hedge accounting or are not designated as accounting hedges. Changes in the fair values of derivative instruments not designated as hedges are recognized immediately in the consolidated profit or loss.

2.5.7 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.5.8 Derecognition of Financial Instruments

2.5.8.1 Financial Asset

The Globe Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when the Globe Group transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Globe Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Globe Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Globe Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Globe Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable are recognized in the consolidated profit or loss.

2.5.8.2 Financial Liability

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. On derecognition of financial liabilities, the difference between the carrying amount of the financial liability derecognized and the sum of consideration paid and payable is recognized in the consolidated profit or loss.

Modification of Debt Terms in a Financial Liability

A modification of debt terms may include changes to stated interest rate for the remaining original life of the debt, maturity date or dates, currency denomination, and face amount of the debt, among others.

A substantial modification of the terms in a financial liability is accounted for as an extinguishment of the original liability and recognition of a new liability.

When the modification of debt terms in a financial liability is not substantial, the revised cash flows as a result of the modification should be discounted at the date of the modification at the original effective interest rate. The difference between the carrying amount of the liability immediately before the modification and the sum of the present value of the cash flows of the modified liability discounted at the original EIR should be recognized in profit or loss as a modification gain or loss.

A modification is deemed to be substantial if the net present value of the cash flows under the modified terms, including any fees paid or received, is at least 10 per cent different from the net present value of the remaining cash flows of the liability prior to the modification, both discounted at the original effective interest rate of the liability prior to the modification.

2.6 Inventories

Inventories are initially measured at cost. Subsequently, inventories are stated at the lower of cost and net realizable value. The costs of inventories are calculated using the moving average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

When the net realizable value of the inventories is lower than the cost, the Globe Group provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in the consolidated profit or loss. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

2.7 Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the consolidated statement of financial position as current assets when the cost of goods or services related to the prepayments are expected to be incurred within one year. Otherwise, prepayments are classified as non-current assets.



2.8 Value Added Tax (VAT)

Input VAT is recognized when the Globe Group purchases goods or services from a VAT registered supplier or vendor.

2.9 Property and Equipment

Property and equipment are initially measured at cost. The cost of an item of property and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the future costs of dismantling and removing the item and restoring the site on which it is located.

The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Major spare parts and stand-by equipment qualify as property and equipment when the Globe Group expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property and equipment, they are accounted for as property and equipment.

At the end of each reporting period, items of property and equipment are carried at cost less any subsequent accumulated depreciation and impairment losses.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Globe Group. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Depreciation is computed on the straight-line method based on the estimated useful lives (EUL) of the assets as follows:

	Years
Telecommunications equipment:	
Tower	20
Switch	7-10
Outside plant, cellsite structures and improvements	10-20
Distribution dropwires and other wireline asset	2-10
Cellular equipment and others	3-10
Buildings	20
Cable systems	5-20
Office equipment	3-7
Transportation equipment	3-5

Leasehold improvements are amortized over the shorter of their EUL of 5 years or the corresponding lease terms.



The EUL of property and equipment are reviewed annually based on expected asset utilization of expected future technological developments and market behavior.

Assets in the course of construction are carried at cost, less any recognized impairment loss. These are transferred to the related property and equipment account when the construction or installation and the related activities necessary to prepare the property and equipment for their intended use are complete, and the property and equipment are ready for service. Depreciation of these assets, on the same basis as other property and equipment, commences at the time the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated profit or loss.

2.10 Intangible Assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially recognized at cost. Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their EUL. The EUL and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following conditions have been demonstrated:

- technical feasibility of completing the intangible asset so that it will be available for use or sale;
- intention to complete the intangible asset and use or sell it;
- ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in the consolidated profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are recognized initially at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortization of intangible asset is computed based on the EUL of the assets below:

	Years
Software	3-10
Spectrum and franchise	10
Customer contracts	4
Merchant networks	4-21

Derecognition of Intangible assets

Intangible assets are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated profit or loss.

2.11 Investments in Associate and Joint Venture

An associate is an entity over which the Globe 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 (JV) 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.

Investments in associate or JV are measured initially at cost. Subsequent to initial recognition, the Globe Group's investments in its associate and JV are accounted for using the equity method. Under the equity method, the investments in an associate and JV are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Globe Group's share in net assets of the associate and JV, less any allowance for impairment losses. The consolidated profit or loss includes the Globe Group's share in the results of operations of its associate or JV. Any change in OCI of those investees is presented as part of the Globe Group's OCI. In addition, where there has been a change recognized directly in the equity of the associate or JV, the Globe Group recognizes its share of any changes and presents this, when applicable, directly in equity.

When the share of losses recognized under the equity method has reduced the investment to zero, the Globe Group shall discontinue recognizing its share of further losses and apply it to other interests that, in substance, form part of the Globe Group's net investment in the associate or JV. If the associate or JV subsequently reports profits, the Globe Group will resume recognizing its share of those profits only after its share of the profits equal the share in losses not recognized.



The financial statements of the associate or joint venture are prepared for the same reporting period as the Globe Group.

The Globe Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Globe Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Globe Group measures the retained interest at fair value at that date and the fair value is regarded as its new carrying amount. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is recognized in the consolidated profit or loss. In addition, the Globe Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Globe Group reduces its ownership interest in an associate or a joint venture but the Globe Group continues to use the equity method, the Globe Group derecognizes the portion of the carrying amount of the investment that was disposed of. The difference between the amount of investment derecognized and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture.

The Globe Group's interest in an associate or a joint venture may also be reduced other than by an actual disposal. Such a reduction in interest, which is commonly referred to as a deemed disposal, may arise for a number of reasons, including:

- the investor does not take up its full allocation in a rights issue by the associate or joint venture;
- the associate or joint venture declares scrip dividends which are not taken up by the investor so that its proportional interest is diminished;
- another party exercises its options or warrants issued by the associate or joint venture; or
- the associate or joint venture issues shares to third parties.

The Globe Group accounts for a deemed disposal on the same basis as a regular disposal. Any resulting gain or loss on deemed disposal is recognized in the consolidated profit or loss.

2.12 Impairment of Nonfinancial Assets

At the end of each reporting period, the Globe Group assesses whether there is any indication that any of its tangible and intangible assets with finite useful lives may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.



At the time of impairment testing a cash-generating unit to which goodwill has been allocated, there may be an indication of an impairment of an asset within the unit containing the goodwill. In such circumstances, the asset is tested for impairment first, and an impairment loss is recognized for that asset before testing for impairment the cash-generating unit containing the goodwill.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized as income. Impairment losses relating to goodwill cannot be reversed in future periods.

2.13 Provisions

Provisions are recognized when the Globe Group has a present obligation, either legal or constructive, as a result of a past event and it is probable that the Globe Group will be required to settle the obligation through an outflow of resources embodying economic benefits, and the amount of the obligation can be estimated reliably.

The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the cash flows estimated to settle the present obligation; its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at end of each reporting period and adjusted to reflect the current best estimate.

If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision should be reversed.

2.13.1 Asset Retirement Obligation (ARO)

The net present value of legal obligations associated with the retirement of an item of property and equipment that resulted from the acquisition, construction or development and the normal operation of property and equipment is recognized in the period in which it is incurred. The retirement obligation is initially measured at the present value of the estimated future dismantlement or restoration cost using current market borrowing rates. Subsequently, the discount is amortized as interest expense.

Changes in Existing Decommissioning, Restoration and Similar Liabilities

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, are accounted as follows;

- changes in the liability are added to, or deducted from, the cost of the related asset in the current period, except that the amount deducted from the cost of the asset must not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognized immediately in the consolidated profit or loss; and
- if the adjustment results in an addition to the cost of an asset, the entity should consider whether this may indicate that the new carrying amount of the asset may not be fully recoverable. If so, the asset should be tested for impairment.

2.14 Contingent liabilities and contingent assets

Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Globe Group.

Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are disclosed only if an inflow of economic benefits is probable.

2.15 Revenue Recognition

Revenue is measured based on the consideration specified in an arrangement with the customer, net of any amounts collected on behalf of third parties. The Globe Group recognizes revenue upon transfer of control of a product or service to a customer.

In arrangements where another party is involved in providing the services, the Globe Group assesses whether the nature of its promise in the arrangement is to provide the specified services itself or to arrange for those services to be provided by the other party. If the promise in an arrangement is to provide the services itself, the Globe Group recognizes the service revenue at gross amount of consideration, with the amount remitted to the other party being recognized as expense. However, if the promise is to simply arrange for those services to be provided by the other party, the Globe Group recognizes service revenues equivalent only to the extent of fees or commission to which it expects to be entitled in exchange for arranging the services.



The Globe Group recognizes revenues from the following sources:

- Mobile services provided to subscribers at prepaid or postpaid arrangements such as Short Messaging Services (SMS), voice, data communication, and other value added services (Note 2.15.1);
- Wireline services provided to subscribers under subscription arrangements such as, voice, corporate communication, and home broadband internet (Note 2.15.1);
- Inbound traffic originating from other telecommunications providers that terminates at Globe Group's network (Note 2.15.2);
- Inbound roaming due from foreign carriers (Note 2.15.3);
- Postpaid wireless communication services bundled with sale of handsets and other devices (Note 2.15.4);
- Postpaid wireline communication services bundled with equipment installation services (Note 2.15.5);
- Leases, interests and management fees (Note 2.15.7).

2.15.1 Mobile and wireline services

Monthly service fees from mobile and wireline services under postpaid subscriptions are recognized as service revenues throughout the subscription period.

Proceeds from over-the-air reloading channels and sale of prepaid cards are initially recognized as deferred revenues. These are eventually credited to service revenues upon actual usage of load value. Any unused remaining load value after the prescribed validity period are immediately recognized as service revenue.

Subscription to promotional offer of SMS, voice, data communication, broadband internet, and other services, are recognized as service revenue over the promotional period.

2.15.2 Inbound traffic

Inbound traffic originating from other telecommunications providers that terminates at the Globe Group's network are recognized as service revenues in the period the inbound traffic occurred based on agreed rates with the other telecommunication providers.

2.15.3 Inbound roaming services

Service revenues from foreign carriers for inbound roaming transactions at the Globe Group's network are recognized in the period the inbound roaming connection is provided.

2.15.4 Postpaid mobile services and sale of mobile handsets and other devices

The Globe Group provides postpaid wireless communication services which are bundled with sale of mobile handsets and other devices. The postpaid wireless communication services and the sale of devices are considered two separate performance obligations which are capable of being distinct and separately identifiable. The Globe Group allocates the contract consideration between the two performance obligations based on their corresponding relative stand-alone selling prices (SSP). The stand-alone selling prices are determined based on the expected cost plus margin or adjusted market approach. The amount allocated to the postpaid wireless communication service is recognized as service revenue over the period of subscription. Any amount allocated to the sale of device is immediately recognized as non-service revenue upon delivery of the item. Contract assets are recognized for the unbilled portion of the consideration allocated to the sale of devices which are subsequently reduced as the monthly service fees are billed to the subscribers.



2.15.5 Postpaid subscription to wireline services and equipment installation services

The Globe Group provides equipment installation services which are bundled with postpaid wireline services. The promise to install the equipment is not considered as a distinct service from the postpaid wireline service since the subscriber may not be able to benefit from the installation services without the availability of the postpaid wireline services. Accordingly, the two services are deemed as one performance obligation.

Service revenues from the equipment installation and postpaid wireline services are recognized over time throughout the period of subscription. Outright payments received from the installation services are initially recognized as contract liabilities and subsequently credited to service revenues over the period of subscription.

2.15.6 Globe Rewards

The Globe Group operates Globe Rewards Program through which subscribers accumulate points upon purchase of certain products and services. The Globe Rewards points may be redeemed in the form of mobile promos, bill rebates, gadgets and gift certificates, or use the earned points as cash at partner stores. The promise to provide free products and rebates to the subscribers give rise to a performance obligation that is distinct and separately identifiable. Accordingly, the Globe Group allocates a portion of the transaction price from its service revenues to Globe Rewards points awarded to subscribers based on its relative stand-alone selling price and the estimated number of points that will be eventually redeemed. The stand-alone selling price per point is estimated based on the discount or free products to be given when the points are redeemed by the subscriber. Amounts allocated to Globe Rewards points are initially recognized as deferred revenues and subsequently credited as service revenues either upon redemption of points or upon expiration.

2.15.7 Other income

2.15.7.1 Interest

Interest income is recognized as it accrues using the effective interest rate method.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or, when appropriate, a shorter period, to the net carrying amount on initial recognition.

2.15.7.2 Lease

Lease income from operating lease is recognized on a straight-line basis over the lease term.

2.15.7.3 Management fees

Management fee is recognized when services are provided.

2.15.8 Deferred contract costs

Costs to obtain contracts with customers that would not have been incurred if the contracts were not obtained are recognized as deferred contract costs. Deferred contract costs are subsequently recognized as expense on a straight-line basis over the contract period.

Costs to obtain contracts with customers that would have been incurred irrespective of whether the contract were obtained are immediately recognized as expense.

Costs incurred to fulfill a contract are capitalized as deferred contract costs if all of the following conditions are met:

- The costs relate directly to a contract or to an anticipated contract that the Globe Group can specifically identify;
- The costs generate or enhance resources of the Globe Group that will be used in satisfying performance obligation in the future; and
- The costs are expected to be recovered.

2.16 Expense recognition

Expenses are recognized in the consolidated profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in the consolidated profit or loss on the basis of: (i) a direct association between the costs incurred and the earning of specific items of income; (ii) systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or (iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the consolidated statements of financial position as an asset.

Expenses in the consolidated statements of comprehensive income are presented using the nature of expense method.

2.17 Staff Costs

2.17.1 Short-term benefits

The Globe Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Globe Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

2.17.2 Post Employee benefits

The Globe Group has a funded non-contributory defined benefit retirement plan. For the defined benefit retirement plan, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statements of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Past service cost is recognized in the consolidated profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expense or income
- Remeasurement

The Globe Group presents service cost and interest in the consolidated profit or loss in the line item pension costs and finance cost, respectively. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statements of financial position represents the present value of the defined benefit obligation as reduced by the fair value of plan assets.

Plan assets are assets held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Globe Group, nor can they be paid directly to the Globe Group. Fair value of plan assets is based on market price information.

2.18 Share-based Payment Transactions

The cost of equity-settled transactions with employees and directors is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, vesting conditions, including performance conditions, other than market conditions (conditions linked to share prices), shall not be taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, vesting conditions are taken into account in estimating the number of equity instruments that will vest.

The cost of equity-settled transactions is recognized in the consolidated profit or loss, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the management of the Globe Group at that date, based on the best available estimate of the number of equity instruments, will ultimately vest. Costs of exercised awards plus the corresponding strike amount are reclassified to the appropriate capital accounts.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (EPS).

2.19 Borrowing Costs

Borrowing costs are capitalized if these are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities for the asset's intended use are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are ready for their intended use. Borrowing costs include interest charges and other related financing charges incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects to the extent that they are regarded as an adjustment to interest costs.

Other borrowing costs are recognized as expense in the period in which these are incurred.

2.20 Leases

2.20.1 Globe Group as Lessee

The Globe Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

Short-term leases and leases of low value assets

For short-term leases and leases of low value assets, the Globe Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

In identifying the lease term, the Globe Group takes into account the non-cancellable period for which it has the right to use the underlying asset, together with all of the following:

- the periods covered by an enforceable option to extend the lease (if the Globe Group is reasonably certain to exercise that option); and
- the periods covered by an enforceable option to terminate the lease (if the Globe Group is reasonably certain not to exercise that option).

The lease terms in arrangements wherein both the lessor and the lessee has the right to terminate the lease without incurring significant amount of penalty are excluded as part of the non-cancellable period of the lease.

Lease Liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Globe Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Globe Group remeasures the lease liability (and makes a corresponding adjustment to the related right of use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

Right of Use Assets

The right of use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right of use assets are presented as a separate line in the consolidated statement of financial position.



The Globe Group applies its accounting policy on impairment of non-financial assets in determining whether a right of use asset is impaired and in accounting for any identified impairment loss.

2.21 Foreign Currency Transactions

Transactions in currencies other than functional currency of the entities included in the Globe Group are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in currencies other than the functional currencies of the entities in the Globe Group are retranslated at the rates prevailing at the end of the reporting period. Gains and losses arising on retranslation are included in the consolidated profit or loss for the year. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated.

2.22 Income Tax

Income tax expense represents the sum of the current tax expense and deferred tax.

2.22.1 Current Income Tax

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

2.22.2 Deferred Income Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.



Current tax and deferred tax for the year are recognized in the consolidated profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.23 EPS

Basic EPS is computed by dividing net income attributable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period.

Diluted EPS is computed by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options and dilutive convertible preferred shares. Outstanding stock options will have a dilutive effect under the treasury stock method only when the average market price of the underlying common share during the period exceeds the exercise price of the option. If the required dividends to be declared on convertible preferred shares divided by the number of equivalent common shares, assuming such shares are converted, would decrease the basic EPS, then such convertible preferred shares would be deemed dilutive. Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

2.24 Fair Value Measurement

Fair value is 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. 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 to the Globe 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 Globe 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 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 the purpose of fair value disclosures, the Globe 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 (see [Note 32.3](#)).

2.25 Operating Segment

The Globe Group's major operating business units are the basis upon which the Globe Group reports its primary segment information. The Globe Group's business segments consist of: (1) mobile communication services and (2) wireline communication services.

All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Globe Group generally accounts for intersegment revenues and expenses at agreed transfer prices.

2.26 Events after the Reporting Period

Any post period-end event up to the date of approval of the BOD of the consolidated financial statements that provides additional information about the Globe Group's position at the end of reporting period (adjusting event) is reflected in the consolidated financial statements. Any post period-end event that is not an adjusting event is disclosed in the consolidated financial statements when material.

3 Adoption of New Standards, Amendments to Standards and Interpretations

The accounting policies adopted in the preparation and presentation of the consolidated financial statements are consistent with prior years, except for the effects of the adoption of new and revised accounting standards set out below.

3.1 Adoption of New and Revised Standards Effective January 1, 2020

In the current year, the Globe Group has applied a number of amendments to PFRS and interpretation issued by IASB that are effective for annual period that begins on January 1, 2020. The adoption has not had any material impact on the disclosures or on the amounts reported in the consolidated financial statements.

3.1.1 Amendments to PFRS 9, PAS 39 and PFRS 7 Interest Benchmark Reform

The amendments provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.



In assessing the hedge effectiveness of the cash flow hedges directly affected by the interest rate benchmark reform, the Globe Group assumed that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

3.1.2 Amendments to PFRS 16 Covid-19-Related Rent Concessions

The amendment provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to PFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification.

A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying PFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if certain conditions provided by the amendments are met.

3.1.3 Amendments to PFRS 3 Definition of a Business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

3.1.4 Amendments to PAS 1 and PAS 8 Definition of Material

The amendments are intended to make the definition of material in PAS 1 easier to understand and are not intended to alter the underlying concept of materiality in PFRS. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in PAS 8 has been replaced by a reference to the definition of material in PAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

3.1.5 Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on March 28, 2018, the IASB has also issued Amendments to References to the Conceptual Framework in PFRS Standards. The document contains amendments to PFRS 2, PFRS 3, PFRS 6, PFRS 14, PAS 1, PAS 8, PAS 34, PAS 37, PAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

3.2 Adoption of PFRS 16, Leases Effective January 1, 2019

The Globe Group adopted PFRS 16, Leases, when it became effective on January 1, 2019.

The adoption of PFRS 16 resulted in the recognition right of use asset and lease liabilities in the consolidated statement of financial position for all lease transactions except for short term leases and leases of low value assets. The lease liabilities were measured using the present value of future lease payments of the non-cancellable periods of the lease, discounted using the Globe Group's incremental borrowing rate at transition date. The right of use assets at transition date were measured at an amount equal to the lease liability, adjusted by the prepaid rentals relating to those leases that remained outstanding in the consolidated statement of financial position immediately before the date of initial application.

In adopting PFRS 16, the Globe Group used the modified retrospective approach wherein the cumulative effect of the initial application of the standards were recognized at January 1, 2019, and the comparative periods were not restated. The following table shows the individual line items affected by the adjustments from the adoption of PFRS 16. Accounts not affected by the new standards are excluded in the presentation.

	December 31, 2018	Effect of PFRS 16	January 1, 2019
ASSETS			
	<i>(In Thousand Pesos)</i>		
Prepayments and other current assets	₱16,254,796	(₱39,915)	₱16,214,881
Right of use – net	-	3,483,205	3,483,205
LIABILITIES AND EQUITY			
Liabilities			
Other long-term liabilities	5,367,209	(481,115)	4,886,094
Deferred income tax liabilities – net	3,918,493	144,146	4,062,639
Lease liabilities	-	3,443,290	3,443,290
Equity			
Retained earnings	27,167,398	336,464	27,503,862
Non-controlling interest	24,172	505	24,677

3.3 Adoption of Standards Effective January 1, 2018

The Globe Group adopted PFRS 9 and 15 when they became effective on January 1, 2018.

The adoption of expected credit loss method of impairment under PFRS 9 resulted in recognition of additional allowance for doubtful debts on subscribers' receivables at transition date.

In adopting PFRS 15, the Globe Group identified all performance obligations from its contracts with subscribers and assessed whether they are separately identifiable and capable of being distinct. For each identified distinct performance obligation, the Globe Group performed re-allocation of contract consideration based on their relative stand-alone selling prices. These resulted in recognition of contract assets and contract liabilities at transition date. The Globe Group also capitalized certain costs that were identified to be incremental in obtaining and fulfilling its contracts with subscribers which resulted in the recognition of deferred contract costs at transition date.

In adopting PFRS 9 and 15, the Globe Group used the modified retrospective approach wherein the cumulative effect of the initial application of the standards were recognized at January 1, 2018, and the comparative periods were not restated.

The following table shows the individual line items affected by the adjustments from the adoption of PFRS 15 and 9. Accounts not affected by the new standards are excluded in the presentation.

	December 31, 2017	Effect of PFRS 9	Effect of PFRS 15	January 1, 2018
ASSETS				
	<i>(In Thousand Pesos)</i>			
Trade receivables – net	₱27,304,288	(₱7,980,751)	(₱640,605)	₱18,682,932
Contract assets and deferred contract costs-net	-	-	8,002,909	8,002,909
Deferred income tax assets – net	2,761,626	390,432	(276,284)	2,875,774
LIABILITIES AND EQUITY				
Liabilities				
Unearned revenues	5,509,773	-	(5,509,773)	-
Contract liabilities and deferred revenues	-	-	5,898,136	5,898,136
Deferred income tax liabilities – net	2,748,826	(2,003,793)	1,815,898	2,560,931
Equity				
Retained earnings	21,708,003	(5,581,683)	4,880,805	21,007,125
Non-controlling interest	42,713	(4,843)	954	38,824

3.4 New and Revised Standards Not Yet Effective

At the date of authorization of these consolidated financial statements, the Globe Group has not applied the following new and revised PFRS that have been issued but are not yet effective. The Globe Group anticipates that the application of these new and revised standards will not have a material impact on the Globe Group's consolidated financial statements in future periods.

3.4.1 Amendments to PAS 1: Classification of Liabilities as Current or Non-current

Amendments to paragraphs 69 to 76 of PAS 1 were issued to specify the requirements for classifying liabilities as current or non-current. The amendments clarify the following:

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



The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively.

3.4.2 Reference to the Conceptual Framework – Amendments to PFRS 3

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of PFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the amendments clarified the existing guidance in PFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

3.4.3 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to PAS 16

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

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

3.4.4 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to PAS 37

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

3.4.5 PFRS 9 Financial Instruments – Fees in 10% Test for Derecognition of Financial Liabilities

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

An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

3.4.6 Amendments to PFRS 9, PAS 39 and PFRS 7 Interest Benchmark Reform (Phase 2)

Further to the effect of the amendment disclosed in [Note 3.1.1](#), Amendments to PFRS 9, PAS 39 and PFRS 7 Interest Benchmark Reform, management is also evaluating the impact of the Phase 2 of such amendment which will be effective beginning January 1, 2021. Phase 2 provides practical expedients to changes in benchmark interest rates for financial instruments, lease liabilities for lessee and further reliefs for hedge accounting to address issues that might affect financial reporting when an existing interest rate benchmark is actually replaced.

4 Management's Significant Accounting Judgments and Use of Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such judgments, estimates and assumptions.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical Accounting Judgments

4.1.1 Contact Assets on Bundled Products

The Globe Group provides wireless communication services to subscribers which are bundled with handset sales. Based on the Globe Group's assessment, the performance obligations from the wireless communication services and the sale of handsets are both capable of being distinct and separately identifiable. Accordingly, the Globe Group allocates the total contract consideration to the two performance obligations based on their corresponding relative SSP. Contract asset is recognized for any unbilled amount allocated to the revenue from handset sales.

4.1.2 Contract Liabilities on Installation Services

The Globe Group provides equipment installation services bundled together with wireline communication services. Based on the Globe Group's assessment, the installation services are not distinct from the wireline communication services and thus, deemed as one performance obligation. Accordingly, revenues from the installation and wireline communication services are recognized over time throughout the period of the subscription contract.

4.1.3 Deferred Contract Costs

The Globe Group incurs certain commissions and installation costs in relation to the service provided to its subscribers. Based on the Globe Group's assessment, these costs are incremental in obtaining and fulfilling its performance obligations. Accordingly, the Globe Group recognizes deferred contracts costs which are amortized as expense throughout the period of the subscription contract.



4.1.4 Determination of SSP in arrangements with multiple performance obligations

In revenue arrangements involving multiple performance obligations, the transaction price is allocated to each separate performance obligation based on the relative SSP of the goods or services being provided to the customer. The best evidence of SSP is the price an entity charges for that good or service when the entity sells it separately in similar circumstances to similar customers. However, goods or services are not always sold separately. In such case, the SSP needs to be estimated or derived by other means.

The Globe Group maximized the use of all available observable inputs and applied the expected cost plus margin or adjusted market approach as the estimation method in determining the SSP of the goods and services in arrangements with multiple performance obligations.

4.1.5 Determination of Whether the Globe Group is Acting as a Principal or an Agent

The Globe Group offers a full range of value-added services (VAS) such as mobile commerce services, and content streaming and downloading, among others wherein another party is involved in providing such services. In such case, the Globe Group assesses each arrangement and determines whether the nature of its promise is to provide the specified services itself or to arrange for those services to be provided by the other party.

If the promise in an arrangement is to provide the services itself, the Globe Group recognizes the service revenue at gross amount of consideration. Otherwise, the Globe Group recognizes service revenues equivalent only to the extent of fees or commission to which it expects to be entitled in exchange for arranging the services.

4.2 Key Estimation Uncertainties

4.2.1 ECL Impairment on Subscribers Receivables and Contract Assets

When measuring ECL the Globe Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

An increase in ECL rates on subscribers receivables and contract assets would increase the loss allowance recognized in the consolidated profit or loss.

Impairment loss recognized using ECL in 2020 and 2019 on subscribers receivable amounted to ₱4,998.56 million and ₱3,147.13 million (see [Notes 6 and 27](#)), and contract assets amounted to ₱500.67 million and ₱256.90 million, respectively (see [Notes 7.1 and 27](#)).

4.2.2 Inventory Obsolescence and Market Decline

The Globe Group, in determining the NRV, considers any adjustment necessary for obsolescence which is generally provided for nonmoving items after a certain period. The Globe Group adjusts the cost of inventory to the recoverable value at a level considered adequate to reflect market decline in the value of the recorded inventories. The Globe Group reviews the classification of the inventories and generally provides adjustments for recoverable values of new, actively sold and slow-moving inventories by reference to prevailing values of the same inventories in the market.

The amount and timing of recorded expenses for any period would differ if different estimates were utilized. An increase in allowance for inventory obsolescence and market decline would decrease the profit for the period, and decrease current assets.

Inventory obsolescence and market decline in 2020, 2019 and 2018 amounted to ₱284.79 million, ₱713.72 million and ₱377.78 million, respectively (see [Notes 9](#) and [27](#)).

Inventories and supplies, net of allowances, amounted to ₱5,988.90 million and ₱4,713.57 million as of December 31, 2020 and 2019, respectively (see [Note 9](#)).

4.2.3 *EUL of Property and Equipment, Intangible Assets and Right of Use Assets*

The useful life of each of the item of property and equipment, intangible assets and right of use assets with finite useful lives is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets and expected asset utilization based on future technological developments and market behavior.

It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the EUL of property and equipment, intangible assets and right of use assets would increase the recorded depreciation and amortization expense and decrease noncurrent assets.

The table below presents the carrying values of the Globe Group's property and equipment, intangible assets and right of use assets with finite useful lives as of December 31, 2020 and 2019:

	Notes	2020	2019
		<i>(In Thousand Pesos)</i>	
Property and equipment - net	11	₱157,593,032	₱157,803,876
Intangible assets - net	12	13,717,995	12,653,778
Right of use assets – net	13	4,300,835	3,566,280
		₱175,611,862	₱174,023,934

4.2.4 *Impairment of Non-financial Assets Other Than Goodwill*

The Globe Group performs an impairment review when certain impairment indicators are present.

Determining the recoverable amounts of non-financial assets requires the Globe Group to make estimates and assumptions on the cash flows expected to be generated from those assets. While the Globe Group believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to impairment charges. Any resulting impairment loss could have a material adverse impact on the financial position and results of operations.



The table below presents the carrying values of the Globe Group's non-financial assets as of December 31, 2020 and 2019:

	Notes	2020	2019
<i>(In Thousand Pesos)</i>			
Property and equipment - net	11	₱190,292,393	₱182,662,528
Investments in associates and joint ventures	15	35,706,460	34,473,865
Intangible assets - net (excluding Goodwill)	12	13,902,229	12,653,778
Right of use assets – net	13	4,300,835	3,566,280
		₱244,201,917	₱233,356,451

Impairment loss recognized on property and equipment amounted to ₱4,149.34 million, ₱59.16 million and ₱61.74 million in 2020, 2019 and 2018, respectively (see [Note 27](#)).

4.2.5 Impairment of Goodwill

The Globe Group's impairment test for goodwill is based on value in use calculations that use a discounted cash flow model. The cash flows of the CGU are derived from the business plan for the next five years and do not include restructuring activities that the Globe Group is not yet committed to or significant future investments that will enhance the asset base of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. As of December 31, 2020 and 2019, the carrying value of goodwill amounted to ₱3,150.68 million and ₱2,899.32 million, respectively (see [Note 12](#)).

In 2018, management determined that the recoverable amounts of goodwill related to the acquisition of TAO and Socialytics are less than their carrying values. Accordingly, the Globe Group recognized impairment loss amounting to ₱140.40 million and ₱2.39 million, respectively (see [Notes 12 and 27](#)). No impairment loss on goodwill was recognized in 2020 and 2019.

4.2.6 Deferred Income Tax Assets

The carrying amounts of deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized.

As of December 31, 2020 and 2019, the combined gross deferred tax assets of the Globe Group amounted to ₱11,392.67 million and ₱10,178.55 million, respectively (see [Note 29](#)).

4.2.7 Pension Benefits

The determination of the retirement obligation cost and retirement benefits is dependent on the selection of certain assumptions used by independent actuaries in calculating such amounts. Those assumptions include among others, discount rates and rates of compensation increase. Actual results that differ from the assumptions are charged to other comprehensive income and therefore, generally affect the equity and recorded obligation. While the Globe Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

The net pension liability as of December 31, 2020 and 2019 amounted to ₱5,647.39 million and ₱3,738.43 million, respectively (see [Note 28.1](#)).

4.2.8 Fair Values of Identifiable Assets and Liabilities in a Business Combination

When a business combination occurs, the fair values of the identifiable assets and liabilities assumed, including intangible assets, are recognized in the consolidated statement of financial position.

The determination of the fair values of acquired assets and liabilities is based, to a considerable extent, on management's judgment and estimates. The Globe Group selects the most appropriate valuation methodologies which may include the net present value techniques, comparison to similar assets for which market observable prices exist and other relevant valuation models. If the purchase consideration exceeds the fair value of the net assets acquired then the difference is recognized as goodwill. If the purchase price consideration is lower than the fair value of the assets acquired then a gain is recognized in the consolidated profit or loss.

The table below presents the carrying amount of goodwill and the fair values of the net assets recognized by the Globe Group on its statements of financial position arising from business combinations:

	Note	Fair value of net assets	Goodwill
<i>(In Thousand Pesos)</i>			
2020			
Third Pillar Group	14.1	₱176,340	₱53,434
Caelum (Provisional)	14.2	1,040	197,931
		₱177,380	₱251,365
2019			
Yondu	14.3	₱462,562	₱540,523
ECPay	14.4	417,470	1,218,548
		₱880,032	₱1,759,071

4.2.9 Provisions and Contingencies

The Globe Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with internal and external counsel handling the Globe Group's defense in these matters and is based upon an analysis of potential results. The Globe Group believes that sufficient provision has been recognized in the consolidated statements of financial position in relation to these proceedings. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the strategies relating to these proceedings.

The Globe Group's provisions as of December 31, 2020 and 2019 amount to ₱2,784.52 million and ₱2,622.32 million, respectively (see [Note 17](#)).

5 Cash and Cash Equivalents

Cash equivalents are short term highly liquid investments with insignificant risk of changes in value. The cash and cash equivalents account consists of the following as of December 31:

	2020	2019
	<i>(In Thousand Pesos)</i>	
Cash on hand and in banks	₱ 8,040,660	₱3,728,294
Short-term money market placements	11,467,454	4,569,798
	₱19,508,114	₱8,298,092

Cash in banks earn interest at respective bank deposit rates.

Interest income from cash and cash equivalents are as follows (see [Note 22](#)):

	2020	2019	2018
	<i>(In Thousand Pesos)</i>		
Short-term money market placements	₱125,597	₱440,402	₱332,525
Cash on hand and in banks	19,408	17,158	12,353
	₱145,005	₱457,560	₱344,878

The ranges of interest rates of the above placements are as follows:

	2020	2019	2018
Placements:			
PHP	0.01% to 3.5%	0.175% to 7.15%	0.375% to 6.00%
USD	0.0010% to 1.75%	0.50% to 3.00%	0.10% to 2.75%

The principal noncash transactions from investing activities are as follows:

	Notes	2020	2019	2018
		<i>(In Thousand Pesos)</i>		
Acquisition of property and equipment		₱14,647,764	₱6,514,835	₱7,800,727
Gain on deemed sale of investment in Mynt	23	(2,042,441)		
Uncollected proceeds from sale of AFPI	15.2	-	(240,000)	-
Unpaid purchase consideration from acquisition of EC Pay	14.4	(26,830)	(76,329)	-
Capitalized ARO	19	(34,875)	(38,997)	(9,831)

Unpaid cash dividends declared related to non-voting preferred stock amounted to ₱260.03 million as at December 31, 2020 and 2019 (see [Note 16](#)).

6 Trade receivables - net

This account consists of receivables from:

	Notes	2020	2019
<i>(In Thousand Pesos)</i>			
Subscribers		P24,385,535	P23,554,867
Traffic settlements - net	32.2, 34.1	1,336,205	1,904,982
Dealers		222,689	1,935,236
Others		4,730,579	3,161,346
		30,675,008	30,556,431
Less allowance for impairment losses:			
Subscribers		9,588,598	8,618,104
Traffic settlements and others		940,926	799,377
		10,529,524	9,417,481
		P20,145,484	P21,138,950

Trade receivables are noninterest-bearing and are generally due within twelve months.

Subscriber receivables arise from wireless and wireline voice, data communications and broadband internet services provided by the Globe Group under postpaid arrangements.

Traffic settlement receivables are presented net of traffic settlement payables from the same carrier (see [Notes 32.2](#) and [34.1](#)).

Others include trade receivables of non-telco subsidiaries and receivables from credit card companies.

The following is a reconciliation of the changes in the allowance for impairment losses for trade receivables as of December 31:

	Consumer	Key Corporate Accounts	Other Corporations and SME	Traffic Settlements and Others	Total
<i>(In Thousand Pesos)</i>					
2020					
December 31, 2019	P4,239,820	P3,530,940	P847,344	P799,377	P9,417,481
Charges for the period (Note 27)	3,661,204	846,862	490,489	68,585	5,067,140
Recoveries and write-offs – net	(1,758,272)	(1,590,204)	(679,585)	72,964	(3,955,097)
December 31, 2020	P6,142,752	P2,787,598	P658,248	P940,926	P10,529,524
2019					
December 31, 2018	P7,292,652	P3,261,130	P1,378,980	P590,125	P12,522,887
Charges for the period (Note 27)	2,332,884	593,716	220,534	193,022	3,340,156
Arising from acquisition of a subsidiary	-	-	-	7,178	7,178
Recoveries and write-offs – net	(5,385,716)	(323,906)	(752,170)	9,052	(6,452,740)
December 31, 2019	P4,239,820	P3,530,940	P847,344	P799,377	P9,417,481

The Globe Group recognized higher amount of impairment loss in 2020 due to the increase in lower quality receivables brought about by the pandemic and quarantine.

7 Contracts with Customers

7.1 Contract Assets and Deferred Contract Costs – net

The following table provides the components of contract assets and deferred contract costs as of December 31:

	2020	2019
	<i>(In Thousand Pesos)</i>	
Contract assets	₱5,397,829	₱7,045,794
Deferred contract costs	1,914,987	1,583,088
	7,312,816	8,628,882
Less current portion	6,956,159	8,339,219
Noncurrent portion of deferred contract costs	₱356,657	₱289,663

7.1.1 Contract Assets

The following table provides information about contract assets with customers:

	Note	2020	2019
		<i>(In Thousand Pesos)</i>	
Contract assets			
Balance at beginning of the year		₱7,961,272	₱8,672,121
Additions during the year		6,380,831	8,717,202
Reductions during the year		(7,528,123)	(8,538,842)
Write-off		(776,438)	(889,209)
Balance at end of year		₱6,037,542	7,961,272
Allowance for impairment loss			
Balance at beginning of the year		(915,478)	(1,547,789)
Impairment loss	27	(500,673)	(256,898)
Write-off		776,438	889,209
Balance at end of year		(639,713)	(915,478)
Contract assets - net		₱5,397,829	₱7,045,794

The Globe Group provides wireless communication services to subscribers which are bundled with sale of handsets and other devices. The Globe Group allocates the revenue based on the SSP of each performance obligation. Contract assets are recognized for the unbilled portion of revenue allocated to the sale of handset and other devices which will be reduced as the monthly service fees are billed to the subscribers.



7.1.2 Deferred Contract Costs

Deferred contract costs pertain to incremental costs incurred in the effort to obtain and fulfill the contract with subscribers. Details are as follows:

	2020	2019
	<i>(In Thousand Pesos)</i>	
Cost to obtain contracts with customers:		
Commissions	₱1,183,944	₱1,039,265
Cost to fulfill contracts with customers		
Installation costs	731,043	543,823
	₱1,914,987	₱1,583,088

Deferred contract costs are capitalized and subsequently amortized on a straight-line basis over the term of the subscription contract. Movements in the deferred contract costs for the period are as follows:

	2020	2019
	<i>(In Thousand Pesos)</i>	
Balance at beginning of the year	₱1,583,088	₱1,662,891
Amounts capitalized during the period	2,456,135	2,051,580
Amounts recognized as expense	(2,124,236)	(2,131,383)
Balance at the end of the year	₱1,914,987	₱1,583,088

7.2 Contract Liabilities and Other Deferred Revenues

The following table provides information about the contract liabilities and other deferred revenues:

	2020	2019
	<i>(In Thousand Pesos)</i>	
Deferred revenue from wireless subscribers under prepaid arrangements	₱4,487,825	₱4,094,957
Advance monthly service fees	2,889,286	2,937,868
Deferred revenue rewards	1,301,155	1,431,103
Contract liability from wireline services	315,631	291,288
Others	267,723	59,456
	9,261,620	8,814,672
Less current portion	9,033,697	8,764,803
Non current portion	₱227,923	₱49,869



The following table shows the roll forward analysis of contract liabilities:

	2020	2019
	<i>(In Thousand Pesos)</i>	
Contract liabilities		
Balance at beginning of the year	₱291,288	₱360,743
Additions during the year	465,179	469,329
Recognized as revenue during the year	(440,836)	(538,784)
Balance at end of year	₱315,631	₱291,288

Deferred revenues from wireless subscribers under prepaid arrangements are recognized as revenues upon actual usage of airtime value, consumption of prepaid subscription fees or upon expiration of the unused load value which is generally within 12 months.

Advance monthly service fees represent advance collections from postpaid subscribers.

Deferred revenue rewards represent unredeemed customer award credit under customer loyalty program.

Contract liability from wireline services represents collected upfront fees for equipment installation for which revenues are recognized over the subscription period.

8 Derivative Financial Instruments

The table below sets out information about the Globe Group's derivative financial instruments and the related fair values as of December 31:

2020

	USD Notional Amount	PHP Notional Amount	Derivative Assets	Derivative Liabilities
	<i>(In Thousands)</i>			
Derivative instruments designated as hedges				
<i>Cash flow hedges</i>				
Cross currency swaps*	\$302,900	₱ -	₱-	₱1,892,708
Principal only swaps**	660,000	-	58,524	945,975
Interest rate swaps	40,000	-	-	53,720
Derivative instruments not designated as hedges				
<i>Freestanding</i>				
Nondeliverable forwards	20,000	-	-	47,380
Net			58,524	₱2,939,783
Less current portion			2,014	1,056,816
Non current portion			56,510	₱1,882,967

*Pay-fixed rate 4.29%-6.68%, received floating rate USD LIBOR+(0.60%-1.12%)

** Pay-fixed rate 1.31%-2.8%

2019

	USD Notional Amount	PHP Notional Amount	Derivative Assets	Derivative Liabilities
<i>(In Thousands)</i>				
Derivative instruments designated as hedges				
<i>Cash flow hedges</i>				
Cross currency swaps*	\$298,450	₱ -	₱205,290	₱679,628
Principal only swaps**	97,700	-	217,622	53,016
Interest rate swaps	77,700	-	2,784	34,714
Derivative instruments not designated as hedges				
<i>Freestanding</i>				
Deliverable forwards	82,000	-	1,259	13,273
Nondeliverable forwards	30,000	-	-	57,685
Net			426,955	838,316
Less current portion			301,624	547,046
Non current portion			₱125,331	₱291,270

*Pay-fixed rate 4.15%-6.68%, received floating rate USD LIBOR+(0.60%-1.00%)

** Pay-fixed rate 1.31%-2.39%

The subsequent sections will discuss the Globe Group's derivative financial instruments according to the type of financial risk being managed and the details of derivative financial instruments that are categorized into those accounted for as hedges and those that are not designated as hedges.

8.1 Derivative Instruments Accounted for as Hedges

The following sections discuss in detail the derivative instruments accounted for as cash flow hedges.

- *Currency Swaps and Cross Currency Swaps*

The Globe Group entered into cross currency swap contracts and principal only swaps contract to hedge the foreign exchange and interest rate risk on dollar loans. The cross currency swaps have a notional amount of USD302.90 million and USD298.45 million as of December 31, 2020 and 2019, respectively. Principal only swaps have a notional amount of USD660.00 million and USD97.70 million as of December 31, 2020 and 2019, respectively. The fair values of the currency swaps as of December 31, 2020 and 2019 amounted to net liability of ₱2,780.16 million and ₱309.73 million, respectively, of which ₱952.52 million and ₱242.09 million (net of tax), respectively is included in "Other reserves" in the equity section of the consolidated statements of financial position (see Note 21.6).

- *Interest Rate Swaps*

As of December 31, 2020 and 2019, the Globe Group has USD40.00 million and USD77.70 million in notional amount of USD interest rate swap that have been designated as cash flow hedge of interest rate risk from USD loans. The interest rate swap effectively fixed the benchmark rate of the hedged USD loan at 2% over the duration of the agreement, which involves quarterly payment intervals up to April 2022 and October 2022.

As of December 31, 2020 and 2019, the fair value of the outstanding swap amounted to a net liability of ₱53.72 million and ₱31.93 million, respectively, of which ₱37.60 million and ₱22.35 million (net of tax), respectively, is included in "Other reserves" in the equity section of the consolidated statements of financial position (see Note 21.6).

Swap costs arising from both cross currency and interest rate swaps recognized as financing cost amounted to ₱742.06 million, ₱366.95 million, and ₱220.06 million in 2020, 2019 and 2018, respectively (see [Note 26](#))

8.2 Freestanding Derivatives

Freestanding derivatives that are not designated as hedges consist of currency forwards entered into by the Globe Group. Fair value changes on these instruments are accounted for directly in consolidated profit or loss.

As of December 31, 2020 and 2019, the Globe Group has USD20.00 million and USD112.00 million deliverable and non-deliverable currency forward contracts not designated as hedges, respectively.

8.3 Hedge Effectiveness Results

As of December 31, 2020 and 2019, the effective fair value changes on the Globe Group's cash flow hedges that were deferred in equity amounted to loss of ₱990.12 million and ₱264.44 million, net of tax, respectively ([Note 21.6](#)). Derivatives designated as cash flow hedges for the years ended December 31, 2020, 2019 and 2018 are fully effective with hedge ratio of 1:1. Accordingly, no hedge ineffectiveness was recognized in the consolidated profit or loss.

The distinction of the results of hedge accounting into "Effective" or "Ineffective" represent designations based on PFRS 9 and are not necessarily reflective of the economic effectiveness of the instruments.

8.4 Fair Value Changes on Derivatives

The net movements in fair value changes of all derivative instruments are as follows:

	2020	2019
	<i>(In Thousand Pesos)</i>	
At beginning of year	(₱411,361)	₱2,051,712
Net changes in fair value of derivatives:		
Designated as cash flow hedges (Note 21.6)	(3,234,275)	(2,835,986)
Not designated as cash flow hedges	(124,221)	(73,870)
	(3,769,857)	(858,144)
Fair value of settled instruments	888,599	446,783
At end of period	(₱2,881,258)	(₱411,361)

Details of amounts reclassified from cash flow hedge reserve to profit or loss in relation to hedge accounting transactions are shown below.

	Notes	2020	2019
		<i>(In Thousand Pesos)</i>	
Loss on derivative instruments – net		(₱1,455,525)	(₱735,670)
Swap costs	26	(742,059)	(366,952)
	21.6	(₱2,197,584)	(₱1,102,622)

9 Inventories and Supplies - net

This account consists of:

	2020	2019
	<i>(In Thousand Pesos)</i>	
Handsets, devices and accessories	₱2,033,064	₱2,761,286
Broadband device	1,478,618	498,380
Modem and accessories	1,267,286	844,518
Supplies	967,839	420,142
SIM cards and SIM packs	161,909	133,530
Call cards and others	80,183	55,716
	₱5,988,899	₱4,713,572

Breakdown of cost of inventories recognized as expense are as follows:

	Note	2020	2019	2018
		<i>(In Thousand Pesos)</i>		
Cost of inventories sold		₱16,406,196	₱18,554,814	₱18,645,314
Inventory obsolescence	27	284,788	713,717	377,775
		₱16,690,984	₱19,268,531	₱19,023,089

Cost of inventories sold consists of:

	2020	2019	2018
	<i>(In Thousand Pesos)</i>		
Handsets, devices and accessories	₱11,271,066	₱16,212,378	₱16,132,844
Broadband device	4,129,544	1,458,295	1,686,459
SIM cards and SIM packs	393,342	529,248	651,342
Modems and accessories	200,382	116,026	20,637
Supplies	3,120	14,269	6,765
Call cards and others	408,742	224,598	147,267
	₱16,406,196	₱18,554,814	₱18,645,314

10 Prepayment and Other Assets

This account consists of:

	Notes	2020	2019
		<i>(In Thousand Pesos)</i>	
Advance payments to suppliers and contractors	34.2	₱21,447,121	₱10,449,595
Prepayments		3,341,508	2,740,940
Input VAT – net		3,292,287	2,077,338
Investments in debt and equity securities		2,541,271	2,137,781
Non-trade receivables – net		1,564,304	1,455,747
Security deposits		1,347,216	1,261,620
Creditable withholding tax		1,140,735	976,295
Loans receivable from related parties	20	478,000	836,620
Others		1,704,898	1,025,989
		36,857,340	22,961,925
Less current portion		11,497,195	18,948,015
Non current portion		₱25,360,145	₱4,013,910

The “Prepayments” account includes prepaid insurance, rent, maintenance, and licenses fees among others.

Others include investment properties with carrying amount of ₱14.36 million and ₱19.92 million as of December 31, 2020 and 2019, respectively. Investment properties consist of building and improvements which are held to earn rentals. Depreciation and amortization of investment properties amounted to ₱5.56 million, ₱5.60 million and ₱10.02 million in 2020, 2019 and 2018, respectively. (see [Note 25](#)).

Fair value gain (loss) from investment in equity securities recognized in consolidated OCI amounted to (₱56.69 million), ₱188.49 million and ₱170.65 million in 2020, 2019 and 2018, respectively. (see [Note 21.6](#)).

Non-trade receivables – net consists of:

	Note	2020	2019
		<i>(In Thousand Pesos)</i>	
Due from related parties	20	₱395,984	₱451,490
Advances to employees		168,116	192,219
Others		1,090,219	900,931
		1,654,319	1,544,640
Allowance for impairment loss		(90,015)	(88,893)
		₱1,564,304	₱1,455,747

Impairment loss related to non-trade receivable amounted to ₱1.12 million in 2020 and nil in 2019 and 2018 (see [Note 27](#)).

11 Property and Equipment – net

The rollforward analysis of this account follows:

2020

	Telecommunication Equipment	Buildings, Land and Leasehold Improvement	Cable System	Office Equipment	Transportation Equipment	Assets Under Construction	Total
<i>(In Thousand Pesos)</i>							
Cost							
At January 1	₱303,175,287	₱65,145,442	₱26,662,138	₱16,741,736	₱3,184,871	₱25,417,091	₱440,326,565
Additions	756,561	15,325	-	250,364	397,047	45,516,714	46,936,011
Acquired on acquisition of a subsidiary (Note 14)	-	3,138	-	3,835	-	-	6,973
Retirements/disposals	(447,346)	(4,702)	(958)	(1,243,776)	(353,596)	(35,686)	(2,086,064)
Reclassifications (Note 12)	25,763,236	3,838,396	25,481	1,044,177	81,061	(37,622,460)	(6,870,109)
ARO Remeasurements	(58,201)	-	-	-	-	-	(58,201)
At December 31	329,189,537	68,997,599	26,686,661	16,796,336	3,309,383	33,275,659	478,255,175
Accumulated Depreciation and Amortization							
At January 1	191,534,721	30,361,677	17,289,445	14,546,211	2,139,220	-	255,871,274
Acquired on acquisition of a subsidiary (Note 14)	-	1,752	-	2,183	-	-	3,935
Depreciation and amortization (Note 25)	22,500,907	3,060,720	989,548	1,236,935	407,045	-	28,195,155
Retirements/disposals	(418,851)	(4,043)	(958)	(1,225,505)	(344,490)	-	(1,993,847)
Reclassification	(488,589)	204,963	108,487	125,676	49,463	-	-
ARO Remeasurements	(22,451)	-	-	-	-	-	(22,451)
At December 31	213,105,737	33,625,069	18,386,522	14,685,500	2,251,238	-	282,054,066
Impairment Losses							
At January 1	1,219,011	15,313	-	-	-	558,439	1,792,763
Additions (Note 27)	4,088,106	9,860	-	128	-	51,243	4,149,337
Write-off/adjustments	-	-	-	-	-	(33,384)	(33,384)
At December 31	5,307,117	25,173	-	128	-	576,298	5,908,716
Carrying amount at December 31	₱110,776,683	₱35,347,357	₱8,300,139	₱2,110,708	₱1,058,145	₱32,699,361	₱190,292,393

2019

	Telecommunication Equipment	Buildings, Land and Leasehold Improvement	Cable System	Office Equipment	Transportation Equipment	Assets Under Construction	Total
<i>(In Thousand Pesos)</i>							
Cost							
At January 1	₱271,677,263	₱59,699,937	₱26,682,217	₱15,780,704	₱2,975,487	₱23,987,705	₱400,803,313
Additions	739,310	22,367	-	58,048	448,380	44,482,801	45,750,906
Acquired on acquisition of a subsidiary (Note 14)	27,873	50,443	-	137,027	3,371	-	218,714
Retirements/disposals	(748,425)	(12,325)	(13,403)	(82,592)	(242,367)	(19,869)	(1,118,981)
Reclassifications (Note 12)	31,454,170	5,385,020	(6,676)	848,549	-	(43,033,546)	(5,352,483)
ARO Remeasurements	25,096	-	-	-	-	-	25,096
At December 31	303,175,287	65,145,442	26,662,138	16,741,736	3,184,871	25,417,091	₱440,326,565
Accumulated Depreciation and Amortization							
At January 1	170,812,209	27,467,103	16,283,949	13,028,408	1,975,468	-	229,567,137
Acquired on acquisition of a subsidiary (Note 14)	17,631	30,602	-	59,712	2,067	-	110,012
Depreciation and amortization (Note 25)	21,383,867	2,871,545	1,009,119	1,531,348	387,422	-	27,183,301
Retirements/disposals	(661,258)	(7,573)	(3,623)	(73,257)	(225,737)	-	(971,448)
ARO Remeasurements	(17,728)	-	-	-	-	-	(17,728)
At December 31	191,534,721	30,361,677	17,289,445	14,546,211	2,139,220	-	255,871,274
Impairment Losses							
At January 1	1,219,011	25,173	-	-	9,860	588,364	1,842,408
Additions (Note 27)	-	-	-	-	-	59,157	59,157
Write-off/adjustments	-	(9,860)	-	-	(9,860)	(89,082)	(108,802)
At December 31	1,219,011	15,313	-	-	-	558,439	1,792,763
Carrying amount at December 31	₱110,421,555	₱34,768,452	₱9,372,693	₱2,195,525	₱1,045,651	₱24,858,652	₱182,662,528

Assets under construction include intangible components of a network system which are reclassified to depreciable intangible assets only when assets become available for use (see [Note 12](#)).

Investments in cable systems include the cost of the Globe Group's ownership share in the capacity of certain cable systems under a joint venture or a consortium or private cable set-up and indefeasible rights of use (IRUs) of circuits in various cable systems. It also includes the cost of cable landing station and transmission facilities where the Globe Group is the landing party.

The Globe Group uses its borrowed funds to finance the acquisition of self-constructed property and equipment. Borrowing costs incurred relating to these acquisitions were included in the cost of property and equipment using 4.36% and 5.20% capitalization rates in 2020 and 2019, respectively. The Globe Group's total capitalized borrowing costs amounted to ₱1,279.97 million and ₱1,251.52 million in 2020 and 2019, respectively (see [Note 18](#)).

In 2020, the Globe Group recognized full impairment loss on telecommunications equipment amounting to ₱4,088.11 million in relation to the modernization of network facilities. The network modernization includes the replacement of existing fixed line broadband facilities with fiber technology and change out of 3G equipment to give way for 5G deployment and 4G/LTE capacity expansion (see [Note 27](#)).

Pursuant to the Amended Rehabilitation Plan (ARP) and Master Restructuring Agreement (MRA), the remaining outstanding restructured debt of BTI to creditors other than Globe Telecom amounting to USD1.27 million ([Note 18.1](#)) will be secured by a real estate mortgage on identified real property assets. The processing of the real properties to be mortgaged is still ongoing as of December 31, 2020.

12 Intangible Assets and Goodwill - net

The rollforward analysis of this account follows:

2020

	Application Software and Licenses	Goodwill	Other Intangible Assets	Total Intangible Assets and Goodwill
<i>(In Thousand Pesos)</i>				
Cost				
At January 1	₱40,991,234	₱2,899,319	₱2,627,365	₱46,517,918
Additions	32,586	-	-	32,586
Acquired on acquisition of a subsidiary (Note 14)	-	251,365	196,441	447,806
Retirements/disposals	(25,434)	-	-	(25,434)
Reclassifications (Note 11)	6,417,069	-	453,040	6,870,109
At December 31	47,415,455	3,150,684	3,276,846	53,842,985
Accumulated Amortization				
At January 1	29,739,945	-	1,224,876	30,964,821
Amortization (Note 25)	5,622,586	-	227,026	5,849,612
Retirement/disposal	(24,361)	-	-	(24,361)
At December 31	35,338,170	-	1,451,902	36,790,072
Carrying Amount at December 31	₱12,077,285	₱3,150,684	₱1,824,944	₱17,052,913

2019

	Application Software and Licenses	Goodwill	Other Intangible Assets	Total Intangible Assets and Goodwill
<i>(In Thousand Pesos)</i>				
Cost				
At January 1	₱35,541,741	₱1,140,248	₱2,174,325	₱38,856,314
Additions	48,532	-	-	48,532
Acquired on acquisition of a subsidiary (Note 14)	48,478	1,759,071	453,040	2,260,589
Reclassifications (Note 11)	5,352,483	-	-	5,352,483
At December 31	40,991,234	2,899,319	2,627,365	46,517,918
Accumulated Amortization				
At January 1	24,174,859	-	983,186	25,158,045
Amortization (Note 25)	5,549,460	-	241,690	5,791,150
Acquired on acquisition of a subsidiary (Note 14)	15,626	-	-	15,626
At December 31	29,739,945	-	1,224,876	30,964,821
Carrying Amount at December 31	₱11,251,289	₱2,899,319	₱1,402,489	₱15,553,097

Application software licenses and other intangible assets

Other intangible assets consist of customer contracts, franchise, spectrum and merchant networks. As of December 31, 2020 and 2019, there was no indication that the application software licenses and other intangible assets are impaired.

Goodwill

The Globe Group's goodwill were recognized from acquisition of subsidiaries. Details of the Globe Group's goodwill are as follows:

	2020	2019	2018
<i>(In Thousand Pesos)</i>			
BTI	₱1,140,248	₱1,140,248	₱1,140,248
EC Pay	1,218,548	1,218,548	-
Yondu	540,523	540,523	-
Caelum	197,931	-	-
Third Pillar Group	53,434	-	-
	₱3,150,684	₱2,899,319	₱1,140,248

The Globe Group conducts its annual impairment test of goodwill in the third fiscal quarter of each year. The Globe Group considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment.

BTI, EC Pay and Yondu

For impairment testing purposes, the Globe Group allocated the carrying amount of goodwill arising from the acquisition of BTI, EC Pay and Yondu to CGU of mobile communications services. The recoverable amount of the CGU is determined based on value in use calculations using cash flow projections from business plans covering a five-year period. Based on the Goodwill impairment testing performed in the third fiscal quarter of 2020, the recoverable amount of mobile communications services CGU was substantially in excess of its carrying amount.

The Globe Group has determined that the recoverable amount calculations are most sensitive to changes in assumptions on cash flow projections, discount rate, and growth rate. The pre-tax discount rate applied to cash flow projections was 8% and cash flows beyond the five-year period were extrapolated using the average terminal growth rate for telecommunication industry of 2.50%.

The Globe Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount of the CGU. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount of the CGU is based would not result in impairment loss.

Third Pillar Group and Caelum

Allocation of goodwill arising from GTI's acquisition of Third Pillar Group and Caelum's acquisition of Cascadeo to specific CGU are still being finalized and expected to be completed in 2021.

Tao and Socialytics

In 2018, management determined that the recoverable amount of goodwill related to the acquisition of TAO and Socialytics are less than its carrying value. Accordingly, the Globe Group recognized impairment loss amounting to ₱140.40 million and ₱2.39 million, respectively (see [Note 27](#)).

13 Lease Commitments

13.1 Right of use assets – net

The rollforward analysis of this account follows:

2020

	Network Sites	Transportation Equipment	Corporate Office	Stores	Leased lines	Total
Cost	<i>(In Thousand Pesos)</i>					
At January 1	₱2,889,165	₱936,483	₱671,067	₱226,082	₱2,666	₱4,725,463
Additions	1,912,744	160,135	-	36,015	-	2,108,894
Pre-terminations	(1,112)	(17,429)	-	(587)	-	(19,128)
At December 31	4,800,797	1,079,189	671,067	261,510	2,666	6,815,229
Accumulated Depreciation						
At January 1	543,048	339,566	196,849	78,273	1,447	1,159,183
Depreciation (Note 25)	662,618	377,131	218,251	102,681	1,035	1,361,716
Pre-terminations	(200)	(6,090)	-	(215)	-	(6,505)
At December 31	1,205,466	710,607	415,100	180,739	2,482	2,514,394
Carrying Amount at December 31	₱3,595,331	₱368,582	₱255,967	₱80,771	₱184	₱4,300,835

2019

	Network Sites	Transportation Equipment	Corporate Office	Stores	Leased lines	Total
Cost	<i>(In Thousand Pesos)</i>					
Transition adjustment (Note 3.2)	₱2,261,738	₱584,297	₱552,803	₱81,701	₱2,666	₱3,483,205
Additions	631,497	371,640	118,264	144,381	-	1,265,782
Pre-terminations	(4,070)	(19,454)	-	-	-	(23,524)
At December 31	2,889,165	936,483	671,067	226,082	2,666	4,725,463
Accumulated Depreciation						
Depreciation (Note 25)	544,228	342,694	196,849	78,273	1,447	1,163,491
Pre-terminations	(1,180)	(3,128)	-	-	-	(4,308)
At December 31	543,048	339,566	196,849	78,273	1,447	1,159,183
Carrying Amount at December 31	₱2,346,117	₱596,917	₱474,218	₱147,809	₱1,219	₱3,566,280

13.2 Lease liabilities

The following table provides the lease liabilities in relation to leased assets:

	2020	2019
	<i>(In Thousand Pesos)</i>	
Network sites	₱3,780,215	₱2,408,958
Transportation Equipment	381,968	610,316
Corporate Office	274,396	489,194
Stores	87,855	153,843
Leased lines	238	1,306
	4,524,672	3,663,617
Less current portion	999,200	981,817
Non current portion	₱3,525,472	₱2,681,800

The rollforward analysis of this account follows:

2020

	Network Sites	Transportation Equipment	Corporate Office	Stores	Leased lines	Total
	<i>(In Thousand Pesos)</i>					
At January 1	₱2,408,958	₱610,316	₱489,194	₱153,843	₱1,306	₱3,663,617
Additions	1,912,744	160,135	-	36,015	-	2,108,894
Interests (Note 26)	231,145	36,652	26,191	7,915	49	301,952
Settlements	(771,681)	(413,525)	(240,989)	(109,541)	(1,117)	(1,536,853)
Pre-terminations	(951)	(11,610)	-	(377)	-	(12,938)
Carrying Amount at December 31	₱3,780,215	₱381,968	₱274,396	₱87,855	₱238	₱4,524,672

2019

	Network Sites	Transportation Equipment	Corporate Office	Stores	Leased lines	Total
<i>(In Thousand Pesos)</i>						
Transition adjustment (Note 3.2)	₱2,222,516	₱584,252	₱552,524	₱81,332	₱2,666	₱3,443,290
Additions	631,497	371,640	118,264	144,381	-	1,265,782
Interests (Note 26)	176,724	50,330	35,065	9,925	127	272,171
Settlements	(619,030)	(379,370)	(216,659)	(81,795)	(1,487)	(1,298,341)
Pre-terminations	(2,749)	(16,536)	-	-	-	(19,285)
Carrying Amount at December 31	₱2,408,958	₱610,316	₱489,194	₱153,843	₱1,306	₱3,663,617

The table below presents the maturity profile of the Globe Group's lease liabilities using undiscounted cash flows of future lease payments.

2020

	1 year	More than 1 year but not more than 5 years	More than 5 years	Total
<i>(In Thousand Pesos)</i>				
Network Sites	₱726,556	₱2,494,751	₱1,518,394	₱4,739,701
Transportation equipment	277,897	121,870	-	399,767
Corporate office	195,829	96,041	375	292,245
Stores	53,682	35,573	9,268	98,523
Leased lines	211	-	-	211
	₱1,254,175	₱2,748,235	₱1,528,037	₱5,530,447

2019

	1 year	More than 1 year but not more than 5 years	More than 5 years	Total
<i>(In Thousand Pesos)</i>				
Network Sites	₱597,545	₱1,795,895	₱747,639	₱3,141,079
Transportation equipment	357,698	297,738	-	655,436
Corporate office	240,989	289,157	3,088	533,234
Stores	96,761	67,924	10,397	175,082
Leased lines	1,122	211	-	1,333
	₱1,294,115	₱2,450,925	₱761,124	₱4,506,164

13.3 Short-term Leases and Leases of Low Value Assets

Short-term leases and leases of low-value assets charged as operating expenses in the consolidated profit or loss amounted to ₱6,208.75 million and ₱5,793.30 as of December 31, 2020 and 2019, respectively. (see Note 24)

14 Business Combinations

14.1 Investment in Third Pillar Business Applications Inc. and a Subsidiary (Third Pillar Group)

On August 17, 2020, Globe Telecom through GTI Business Holdings, Inc. acquired 67% of equity interest in Third Pillar Business Applications Inc. for a total amount of ₱171.58 million. Third Pillar is the Philippines's largest Gold Partner of Salesforce, a CRM solutions provider. Third Pillar has been instrumental in the growth of Salesforce in the Philippines, with a client roster which includes the country's largest companies. It is also the exclusive local partner and reseller of Syniti (formerly BackOffice Associates), a US-based company that has been solving the world's most complex data challenges for over 20 years. TPBAI previously owns 11% of TPGDC, a domestic corporation engaged in software implementation and maintenance services and the outsourcing arm of TPBAI. GTI's acquisition of TPBAI also mandated TPBAI's acquisition of the remaining 89% ownership interest of TPGDC making TPBAI a sole owner TPGDC.

Globe's acquisition of Third Pillar Group forms part of Globe's strategy to be the trusted advisor of enterprise customers in the Information and Communications Technology space by way of introduction and implementation of efficient, reliable and leading-edge technologies.

Details of the fair values upon acquisition of Third Pillar Group in 2020 as follows:

	Amount recognized on acquisition
	<i>(In Thousand Pesos)</i>
ASSETS	
Current assets	₱103,790
Property and equipment (Note 11)	3,038
Other noncurrent assets	9,364
	<hr/> 116,192
LIABILITIES	
Current Liabilities	73,521
Noncurrent Liabilities	3,840
	<hr/> 77,361
Total net assets at fair value	<hr/> ₱38,831
Intangible assets arising on acquisition (Note 12)	
Supplier relationship	₱184,234
Customer relationship	12,207
	<hr/> 196,441
Deferred tax liabilities (Note 29)	<hr/> (58,932)
Net assets acquired and liabilities assumed	<hr/> ₱176,340
Purchase consideration transferred	₱171,582
Net assets acquired and liabilities assumed	(176,340)
Non-controlling interest measured at fair value	58,192
	<hr/> Goodwill arising on acquisition (Note 12) ₱53,434



Net cash outflow from the acquisition is as follows (in thousand pesos):

Total purchase consideration	(₱171,582)
Cash and cash equivalents acquired from Third Pillar	12,200
Net cash outflow on acquisition	(₱159,382)

14.2 Investment in Cascadeo

On April 16, 2020, Globe Telecom, through GTI Business Holdings, Inc., entered into an agreement to acquire substantially all of the assets of US-based Cloud Consulting Companies, Cascadeo Corporation and Cascadeo Partners, and Philippine subsidiary Cascadeo, Inc. (collectively referred to as Cascadeo) for \$4M. Globe shall incorporate new entities through which the acquisition will be made. As part of the transaction, Globe, along with Cascadeo, will make follow up investments into the entities for growth capital to fund the company's expansion strategies.

Cascadeo is a Premier Partner of Amazon Web Services and Google Cloud and is also an expert in Microsoft Azure, with Cloud Centers of Excellence in both the US and the Philippines. With the completion of the investment, Globe—one of the largest cloud users in the country—now has the highest level of professional and managed service capabilities for multi-cloud operations. This guarantees businesses that Globe holds extensive experience and knowledge in designing, architecting, building, migrating, and managing workloads and applications on the Cloud.

On November 4, 2020, all the definitive agreements relating to the transaction have been signed and executed, and all closing conditions have been met.

The initial accounting for the asset acquisition of Cascadeo has only been provisionally determined pending the finalization of necessary market valuations and determined based on management's best estimate of the likely values. As allowed under the relevant standard, the Globe Group will recognize any adjustment to those provisional values as an adjustment to goodwill upon determining the final fair values of identifiable assets and liabilities within 12 months from the acquisition date.

	Amount recognized on acquisition
	<i>(In Thousand Pesos)</i>
Purchase consideration transferred	₱198,971
Assets acquired	(1,040)
Goodwill arising on acquisition (Note 12)	₱197,931

The goodwill comprises the fair value of expected synergies arising from the acquisition and presented under Goodwill and other intangible assets in the statements of the financial position, as disclosed in Note 8. None of the goodwill recognized is expected to be deductible for income tax purposes.

Net cash outflow from the acquisition is as follows (in thousand pesos):

Total purchase consideration	(₱198,971)
Cash and cash equivalents acquired from Caleum Pacific	-
Net cash outflow on acquisition	(₱198,971)

14.3 Investment in Yondu

On September 11, 2019, Globe Telecom reacquired 51% of the outstanding shares of Yondu, which increased its controlling interest to 100%, for a total amount of ₱501.25 million. Globe Telecom remeasured its previously held interest in Yondu based on its acquisition-date fair value which resulted to a remeasurement loss of ₱470.65 million (see [Note 27](#)). The transaction was accounted for as an acquisition of a subsidiary. Globe Telecom's acquisition of Yondu is in line with its strategy to expand its business operations in the mobile business industry.

Prior to the reacquisition, investment in Yondu was accounted for as an associate (see [Note 15.1](#)).

Details of the fair values upon acquisition of Yondu in 2019 follows:

	Amounts recognized on acquisition
	<i>(In Thousand Pesos)</i>
ASSETS	
Current assets	₱681,644
Property and equipment (Note 11)	90,681
Application software and licenses (Note 12)	244
Other noncurrent assets	36,898
	<hr/> 809,467
LIABILITIES	
Current Liabilities	346,905
	<hr/>
Net assets acquired and liabilities assumed	₱462,562
	<hr/>
Purchase consideration transferred	₱501,252
Acquisition-date fair value of previously held interest	501,833
Net assets acquired and liabilities assumed	(462,562)
	<hr/>
Goodwill arising on acquisition (Note 12)	₱540,523
	<hr/>

Net cash outflow from the acquisition is as follows (in thousand pesos):

Total cash paid on acquisition	(₱501,252)
Cash and cash equivalents acquired from Yondu	114,494
	<hr/>
Net cash outflow on acquisition	(₱386,758)
	<hr/>

14.4 Investment in EC Pay

On October 25, 2019, Globe Telecom acquired 77% of equity interest in EC Pay for a total amount of ₱1,540.00 million. EC Pay is a company engaged in the provision of information technology and electronic commerce related solutions, and operates a multi-tiered platform that offers secure electronic solutions for various transactions such as load purchases. The transaction was accounted for as an acquisition of a subsidiary. The Globe Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's net assets acquired and liabilities assumed.



Globe's acquisition of EC Pay will add value to Globe's distribution channels, enabling them to offer a suite of mobile communication products and services via a single platform bringing the company a step closer to its vision of a digitally-enabled Philippines. The platform would enable small business owners to offer more mobile communication products and services which in turn would stimulate the e-commerce industry and the digital economy.

Details of the fair values upon acquisition of EC Pay in 2019 follows:

	Amount recognized on acquisition	
	<i>(In Thousand Pesos)</i>	
ASSETS		
Current assets		₱1,180,885
Property and equipment (Note 11)		18,021
Application and software (Note 12)		603
Other noncurrent assets		4,155
		<u>1,203,664</u>
LIABILITIES		
Current Liabilities		1,125,725
		<u>₱77,939</u>
Total net assets at fair value		₱77,939
Intangible assets arising on acquisition (Note 12)		
Contractual merchant network	₱176,190	
Non-contractual merchant network	276,850	
Platform	32,005	485,045
		<u>(145,514)</u>
Deferred tax liabilities		(145,514)
Net assets acquired and liabilities assumed		₱417,470
		<u>₱1,540,000</u>
Purchase consideration transferred		₱1,540,000
Net assets acquired and liabilities assumed		(417,470)
Non-controlling interest measured at proportionate share of its interest		96,018
		<u>₱1,218,548</u>
Goodwill arising on acquisition (Note 12)		₱1,218,548

Net cash outflow from the acquisition is as follows (in thousand pesos):

Total purchase consideration	(₱1,540,000)
Unpaid purchase consideration (Note 5)	76,329
Cash and cash equivalents acquired from ECPay	286,780
	<u>(₱1,176,891)</u>

The goodwill comprises the fair value of expected synergies arising from the acquisition and presented under Goodwill and other intangible assets in the statements of the financial position (see Note 12). None of the goodwill recognized is expected to be deductible for income tax purposes.

The fair value of the identifiable intangible assets is based on valuations performed by an independent appraiser using acceptable valuation techniques within the industry.

Portion of the unpaid balance from acquisition in 2019 amounting to ₱26.83 million was subsequently paid on February 21, 2020.

15 Investments in associates and joint ventures

This account consists of the following as of December 31:

	2020	2019
	<i>(In Thousand Pesos)</i>	
Investments in joint ventures:		
Vega	₱32,809,813	₱32,755,463
Mynt	2,678,250	1,563,980
TechGlobal	150,612	90,893
Bridge Mobile Pte. Ltd (BMPL)	46,823	51,926
Konsulta	10,962	11,603
Telecommunications Connectivity, Inc. (TCI)	10,000	-
	₱35,706,460	₱34,473,865

Details of the Globe Group's investments in joint venture and the related percentages of ownership as of December 31, 2020 and 2019 are shown below:

	Country of Incorporation	Principal Activities	2020	2019
Joint Ventures				
VTI	Philippines	Telecommunications	50%	50%
BAHC	Philippines	Holding company	50%	50%
BHC	Philippines	Holding company	50%	50%
Konsulta	Philippines	Health hotline facility	50%	50%
TechGlobal	Philippines	Installation and management of data centers	49%	49%
Mynt	Philippines	Holding company	40%	46%
BMPL	Singapore	Mobile technology infrastructure and common service	10%	10%
TCI	Philippines	Telecommunications	33%	-

Equity share in net (loss) income from investment in associates and joint ventures are as follows:

	2020	2019	2018
	<i>(In Thousand Pesos)</i>		
Investments in associates:			
AFPI	₱-	₱-	(₱115,745)
Yondu	-	32,250	38,258
Investments in joint ventures:			
Mynt	(2,450,671)	(2,590,650)	(1,179,871)
TechGlobal	59,719	1,191	(3,478)
Vega	26,315	2,105	18,760
BMPL	(2,162)	3,540	2,056
Konsulta	(641)	(3,218)	(9,583)
TCI	-	-	-
	(₱2,367,440)	(₱2,554,782)	(₱1,249,603)

Investment in associates and joint ventures share in other comprehensive income are as follows:

	Note	2020	2019	2018
<i>(In Thousand Pesos)</i>				
Investments in joint ventures:				
Vega		₱28,035	₱271,411	₱-
BMPL		(2,941)	(2,054)	2,089
	21.6	₱25,094	₱269,357	₱2,089

The movement in investments in joint ventures and associates are as follows:

	Notes	2020	2019
<i>(In Thousand Pesos)</i>			
Costs			
At January 1		₱39,381,115	₱37,608,176
Additional capital contributions during the year			
Investment in Mynt	15.4	1,522,500	3,292,500
Investment in TCI	15.8	10,000	-
Investment in Konsulta	15.7	-	12,500
Disposal		-	(1,532,061)
Gain on deemed sale of investment in Mynt	15.4	2,042,441	-
At December 31		42,956,056	39,381,115
Accumulated Equity in Net Losses			
At January 1		(5,204,041)	(2,921,697)
Equity share in net losses		(2,367,440)	(2,554,782)
Disposal		-	272,438
At December 31		(7,571,481)	(5,204,041)
Other Comprehensive Income			
At January 1		296,791	26,333
Equity share in currency translation adjustment	21.6	(2,941)	(2,054)
Equity share in investment in equity securities	21.6	41,042	275,325
Equity share in retirement obligation	21.6	(13,007)	(3,914)
Disposal	21.6	-	1,101
At December 31		321,885	296,791
Impairment Losses			
At January 1		-	(286,036)
Disposal		-	286,036
At December 31		-	-
Carrying Value at December 31		₱35,706,460	₱34,473,865

The table below presents the summarized financial information lifted from the unaudited statutory financial statements of the Globe Group's investments in associate and joint ventures:

2020

	Vega	Mynt	TechGlobal	BMPL	Konsulta
<i>(In Thousand Pesos)</i>					
Statements of Financial Position:					
Current assets	₱5,973,853	₱22,407,757	₱314,711	₱584,056	₱58,243
Noncurrent assets	42,988,975	1,275,011	202,598	17,432	1,732
Current liabilities	2,089,615	19,748,313	146,566	124,326	38,053
Noncurrent liabilities	13,522,392	29,760	63,369	8,932	-
Equity attributable to Parent Company	30,142,290	3,904,695	307,374	468,230	21,922
Statements of Comprehensive Income:					
Revenue	3,412,533	21,572,627	200,829	228,868	58,717
Costs and expenses	(2,142,282)	(27,153,829)	(58,779)	(250,488)	(60,001)
Income before tax	1,270,251	(5,581,202)	142,050	(21,620)	(1,284)
Income tax	(439,886)	(3,439)	(20,172)	-	-
Profit (Loss) for the period	830,365	(5,584,641)	121,878	(21,620)	(1,284)
Other comprehensive income (loss)	56,072	-	-	(29,410)	-
Total comprehensive income	₱886,437	(₱5,584,641)	₱121,878	(₱51,030)	(₱1,284)

2019

	Yondu	AFPI	Vega	Mynt	TechGlobal	BMPL	Konsulta
<i>(In Thousand Pesos)</i>							
2019							
Statements of Financial Position:							
Current assets	₱681,643	₱644,964	₱3,622,452	₱5,823,136	₱96,739	₱614,083	₱53,321
Noncurrent assets	127,823	918,555	43,766,193	1,285,411	197,704	12,294	1,531
Current liabilities	346,904	418,396	2,245,872	6,161,631	80,136	106,914	31,342
Noncurrent liabilities	-	267,873	11,924,101	61,241	28,811	203	304
Equity attributable to Parent Company	462,562	877,250	30,033,589	885,675	185,496	519,260	23,206
Statements of Comprehensive Income:							
Revenue	89,200	65,129	3,338,561	5,341,656	58,836	297,243	77,770
Costs and expenses	(18,027)	(797,468)	(2,011,962)	(10,909,848)	(55,260)	(261,843)	(83,939)
Income before tax	71,173	(732,339)	1,326,599	(5,568,192)	3,576	35,400	(6,169)
Income tax	(5,356)	-	(460,328)	(54,747)	(1,146)	-	(267)
Profit (Loss) for the period	65,817	(732,339)	866,271	(5,622,939)	2,430	35,400	(6,436)
Other comprehensive income (loss)	-	-	542,824	-	-	(20,540)	-
Total comprehensive income	₱65,817	(₱732,339)	₱1,409,095	(₱5,622,939)	₱2,430	₱14,860	(₱6,436)

Investment in Associates

15.1 Investment in Yondu

Yondu was an associate of Globe Telecom and is engaged in the development and creation of wireless products and services accessible through mobile devices or other forms of communication devices. It also provides internet and mobile value added services, information technology and technical services including software development and related services. Yondu is registered with the Department of Transportation and Communication (DOTC) as a content provider.



On September 11, 2019, Globe Telecom reacquired 51% of the outstanding shares of Yondu, which increased its controlling interest to 100% (see [Note 14.3](#)).

15.2 Investment in AFPI (formerly Automated Fare Collection Service Inc. (AFCS))

On January 30, 2014, following a competitive bidding process, the Department of Transportation and Communication awarded to AF Consortium, composed of AC Infrastructure Holdings Corp., BPI Card Finance Corp., Globe Telecom, Inc., Meralco Financial Services, Inc., Metro Pacific Investments Corp., and Smart Communications, Inc. the rights to design, build and operate the ₱1.72 billion automated fare collection system. This is a public-private partnership project intended to upgrade and consolidate the fare collection systems of the three urban rail transit systems which presently serve Metro Manila.

On February 10, 2014, AF Consortium incorporated AFCS, a special purpose company, which will assume the rights and obligations of the concessionaire. These rights and obligations include the construction and establishment of systems, infrastructure including implementation, test, acceptance and maintenance plans, and operate the urban transit system for a period of 10 years.

On March 11, 2015, AFCS amended its corporate name to AFPI.

On July 22, 2019, Globe Telecom sold its interest in AFPI to Globe Fintech Innovations (GFI) for a total consideration of ₱240.00 million which remained outstanding to date (see [Note 5](#)). Accordingly, gain on sale from investment was recognized as other income (see [Note 23](#)). The Globe Group's share in other comprehensive income previously accumulated in other reserves account amounting to ₱1.1 million was also reclassified to retained earnings (see [Note 21.6](#)).

The Globe Group has no share in any contingent liabilities of any associates as of December 31, 2020 and 2019.

Investment in Joint Ventures

15.3 Investment in Vega

On May 30, 2016, Globe Telecom's BOD, through its Executive Committee, approved the signing of a Sale and Purchase Agreement (SPA) and other related definitive agreements for acquisition of 50% equity interest in the telecommunications business of San Miguel Corporation (SMC), Schutzengel Telecom, Inc. and Grace Patricia W. Vilchez-Custodio (the "Sellers"; SMC being the major seller) through their respective subsidiaries namely, VTI, BAHC and BHC, respectively (the Acquirees). The remaining 50% equity stake in VTI, BAHC and BHC was acquired by Philippine Long Distance Telephone Company (PLDT) under similar definitive agreements.

VTI owns an equity stake in Liberty Telecom Holdings, Inc. (LIB), a publicly-listed company in the Philippine Stock Exchange. It also owns, directly and indirectly, equity stakes in various enfranchised companies, including Bell Telecommunication Philippines, Inc. (Bell Tel), Eastern Telecom Philippines, Inc. (Eastern Telecom), Cobaltpoint Telecommunication, Inc (formerly Express Telecom, Inc.), and Tori Spectrum Telecom, Inc., among others.

The acquisition provided Globe Telecom an access to certain frequencies assigned to Bell Tel in the 700 Mhz, 900 Mhz, 1800 Mhz, 2300 Mhz and 2500 Mhz bands through a co-use arrangement approved by the NTC on May 27, 2016.

The memorandum of agreement between Globe and PLDT provides for both parties to pool resources and share in the profits and losses of the companies on a 50%-50% basis with a view to being financially self-sufficient and able to operate or borrow funds without recourse to the parties.

Notional goodwill recognized as part of investment in Vega amounted to ₱17.8 billion as of December 31, 2020 and 2019.

The table below presents the additional financial information of Vega:

	2020	2019
	<i>(In Thousand Pesos)</i>	
Items in the Statements of Financial Position		
Cash and cash equivalents	₱3,073,723	₱2,590,339
Current financial liabilities, excluding trade and other payables and provisions	-	-
Non-current financial liabilities, excluding trade and other payables and provisions	-	-
Items in the Statements of Comprehensive Income		
Depreciation and amortization	₱631,010	₱522,528
Interest income	24,858	63,503
Interest expense	-	-

15.4 Investment in Mynt

Mynt is engaged in purchasing, subscribing, owning, holding and assigning real and personal property, shares of stock and other securities. Mynt holds 100% ownership interest on Fuse Lending Inc. (Fuse) and G-Xchange, Inc. (GXl). Fuse operates as a lending company. GXl is registered with Bangko Sentral ng Pilipinas (BSP) as a remittance agent and electric money issuer. GXl handles the mobile payment and remittance service using the Globe Group's network as platform under GCash brand.

The Globe Group made an additional investment to Mynt amounting to ₱1,522.50 million and ₱3,292.50 million in 2020 and 2019, respectively.

In 2020, Mynt has attracted fresh capital investment from ASP Philippines LP, a limited partnership fund managed by investment firm Bow Wave Capital Management ("Bow Wave"), to further spur the growth of financial inclusion and the digitization of payments and financial services in the Philippines. Mynt raised over \$175 million in fresh capital from Bow Wave and its existing shareholders in multiple tranches, with post-money valuation of the final tranches at close to \$1 billion.

Bow Wave's capital infusion resulted in dilution of Globe Group's ownership in Mynt from 46% to 40%. Accordingly, gain on deemed sale amounting to ₱2,042.44 million was recognized in profit or loss (see [Note 23](#))

Notional goodwill recognized as part of investment in Mynt amounted to ₱1,110.23 million and ₱1,153.49 million, as of December 31, 2020 and 2019, respectively.

The table below presents the additional financial information of Mynt:

	2020	2019
	<i>(In Thousand Pesos)</i>	
Items in the Statements of Financial Position		
Cash and cash equivalents	₱15,518,164	₱3,316,403
Current financial liabilities, excluding trade and other payables and provisions	13,562,111	2,774,045
Non-current financial liabilities, excluding trade and other payables and provisions	-	-
Items in the Statements of Comprehensive Income		
Depreciation and amortization	₱242,622	₱158,988
Interest income	32,622	28,850
Interest expense	58,080	12,481

15.5 Investment in TechGlobal

On November 2, 2015, Innove and Techzone Philippines incorporated TechGlobal, a Joint Venture Company, formed to install, own, operate, maintain and manage all kinds of data centers and to provide information technology-enabled services and computer-enabled support services. Innove and Techzone hold ownership interest of 49% and 51%, respectively. TechGlobal started commercial operations in August 2017.

15.6 Investment in BMPL

Globe Telecom and other leading Asia Pacific mobile operators (JV partners) signed an Agreement in 2004 (JV Agreement) to form a regional mobile alliance, which will operate through a Singapore-incorporated company, BMPL. The JV company is a commercial vehicle for the JV partners to build and establish a regional mobile infrastructure and common service platform and deliver different regional mobile services to their subscribers.

15.7 Investment in Konsulta

On October 23, 2014, Yondu and Salud Interactiva (SI) signed a shareholder's agreement to enter into a joint venture through a Philippine corporation. The Joint Venture (JV) Company was registered with the Securities and Exchange Commission on June 3, 2015 under the name GTHI as a stock corporation with 50% foreign equity formed to establish, operate, manage and provide a health hotline facility, including ancillary Information Technology services with intent to operate as a domestic market enterprise. GTHI started commercial operations in July 2015.

The Globe Group infused ₱12.5 million of additional capital in 2019.

15.8 Investment in TCI

On January 17, 2020, Globe Telecom, Dito Telecommunity and Smart Communications incorporated a joint venture company, Telecommunications Connectivity, Inc. (TCI) in line with the new mobile number portability initiative of the government under RA 11202 also known as the "Mobile Number Portability Act" ("the MNP Act") TCI is expected to bring in the technical infrastructure to fulfill its primary function as a clearing house for the three mobile operators to ensure the smooth implementation of number porting services. The Globe Group invested ₱10.00 million for 33.33% ownership TCI.

16 Trade Payables and Accrued Expenses

This account consists of:

	Notes	2020	2019
<i>(In Thousand Pesos)</i>			
Accrued expenses		₱25,323,132	₱25,477,531
Trade payable		12,738,170	9,863,681
Accrued project costs	34.2	8,482,151	12,558,734
Taxes payable		5,781,765	4,315,397
Traffic settlements - net	32.2, 34.1	330,867	993,030
Dividends payable	21.3	260,030	260,030
Other creditors		3,461,071	3,510,912
		₱56,377,186	₱56,979,315

Traffic settlements payable are presented net of traffic settlements receivable from the same carrier (see [Note 32.2](#)).

Accrued expenses consists of the following:

	2020	2019
<i>(In Thousand Pesos)</i>		
Services	₱5,387,265	₱5,795,411
Repairs and maintenance	4,697,460	4,165,209
Manpower	2,802,372	3,907,900
General, selling and administrative	3,649,351	3,687,094
Lease	3,149,327	2,899,002
Advertising	3,378,673	3,022,973
Utilities	1,383,141	1,274,691
Interest	875,543	725,251
	₱25,323,132	₱25,477,531

General, selling and administrative accrued expenses include travel, professional fees, supplies, commissions and miscellaneous, which are individually immaterial.

17 Provisions

The rollforward analysis of this account follows:

	Notes	2020	2019
<i>(In Thousand Pesos)</i>			
At beginning of year		₱2,622,318	₱2,549,387
Provisions for claims	27	410,898	438,724
Assumed provision from a business combination		-	1,688
Payments and reversals for claims	27	(248,695)	(367,481)
At end of year		₱2,784,521	₱2,622,318

Provisions pertain to assumed liabilities related to various pending unresolved claims over the Globe Group's businesses such as provision for taxes, employee benefits, onerous contracts and various labor cases.

The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the outcome of these on-going claims and assessments. As of December 31, 2020, the remaining claims are still being resolved.

18 Loans Payable

The Globe Group's loans payable consists of the following:

	2020	2019
<i>(In Thousand Pesos)</i>		
Term Loans:		
Peso	₱114,188,487	₱106,697,990
Dollar	19,301,661	22,200,060
	133,490,148	128,898,050
Retail bonds:		
Peso	2,973,203	6,964,685
Dollar	28,328,799	-
	31,302,002	6,964,685
	164,792,150	135,862,735
Less current portion	8,521,424	12,919,898
Net of current portion	₱156,270,726	₱122,942,837

The rollforward analysis of this account follows:

	Note	2020	2019
<i>(In Thousand Pesos)</i>			
At beginning of year		₱135,862,735	₱148,281,897
Cash items			
Proceeds from long term borrowings		43,998,820	5,000,000
Proceeds from short term borrowings		18,440,000	-
Repayments of long term borrowings		(12,928,496)	(16,745,816)
Repayments of short borrowings		(17,740,000)	(300,000)
		31,770,324	(12,045,816)
Non-cash items			
Debt issuance cost		(674,703)	(36,353)
Amortization of debt issue cost		132,639	148,458
Acquired from acquisition of a subsidiary		21,077	300,000
Gain on debt renegotiation	23	(343,122)	-
Foreign exchange gain		(1,976,800)	(785,451)
		(2,840,909)	(373,346)
At end of year		₱164,792,150	₱135,862,735

The maturities of loans payable at nominal values as of December 31, 2020 follow (in thousands):

Due in:	
2021	₱8,553,345
2022	14,714,121
2023	17,835,974
2024	16,746,924
2025 and thereafter	108,341,483
	₱166,191,847

The interest rates and maturities of the above debts are as follows:

	Maturities	Interest Rates
Term Loans:		
Peso	2021-2031	1.66% to 7.91% in 2020
	2019-2031	3.71% to 7.91% in 2019
Dollar	2021-2027	0.83% to 6.00% in 2020
	2019-2027	2.72% to 6.00% in 2019
Retail bonds		
	2023	5.28% in 2020
	2020-2023	4.89% to 6.00% in 2019
	2030-2035	3.13% to 3.75% in 2020



Total interest expense recognized in the consolidated profit or loss related to long-term debt amounted to ₱5,751.08 million, ₱5,937.70 million and ₱5,748.85 million in 2020, 2019 and 2018, respectively (see [Note 26](#)).

Total interest expenses capitalized as part of property and equipment amounted to ₱1,279.97 million and ₱1,251.52 million in 2020 and 2019, respectively (see [Note 11](#)).

[18.1 Term Loans and Corporate Notes](#)

Globe Telecom has unsecured term loans which consists of dollar and peso-denominated term loans subject to fixed and floating interest rates.

The Globe Group also has a secured debt amounting to USD1.27 million as of December 31, 2020 arising from its acquisition of BTI (see [Note 11](#)).

In 2020, the terms and condition of certain loans with local banks were modified to reduce the interest rates. Gain amounting to ₱343.12 million on debt renegotiation were recognized in the consolidated profit or loss in 2020 ([Note 23](#)).

[18.2 Retail Bonds](#)

On June 1, 2012, Globe Telecom issued ₱10,000.00 million fixed rate bonds. The amount comprises ₱4,500.00 million and ₱5,500.00 million fixed rate bonds due in 2017 and 2019, with interest rate of 5.75% and 6.00%, respectively. The net proceeds of the issue were used to partially finance Globe Telecom's capital expenditure requirements in 2012.

The five-year and seven-year retail bonds may be redeemed in whole, but not in part only, starting two years before maturity date and on the anniversary thereafter at a price equal to 101.00% and 100.50%, respectively, of the principal amount of the bonds and all accrued interest to the date of the redemption. In 2017, Globe Telecom fully redeemed its ₱4,500.00 million retail bonds. In June 2019, Globe Telecom fully redeemed its ₱5,500 million retail bonds.

On July 17, 2013, Globe Telecom issued ₱7,000.00 million fixed rate bond. The amount comprises ₱4,000.00 million and ₱3,000.00 million bonds due in 2020 and 2023, with interest rate of 4.8875% and 5.2792%, respectively. The net proceeds of the issue were used to partially finance Globe Telecom's capital expenditure requirements in 2013.

The seven-year and ten-year retail bonds may be redeemed in whole, but not in part only, starting two years for the seven-year bonds and three years for the ten-year bonds before the maturity date and on the anniversary thereafter at a price ranging from 101.0% to 100.5% and 102.0% to 100.5%, respectively, of the principal amount of the bonds and all accrued interest depending on the year of redemption. In July 2020, Globe Telecom fully redeemed its ₱4,000.00 million retail bonds.

[18.3 Unsecured Fixed Rate Notes](#)

On July 23, 2020, Globe Telecom issued a USD 300 million 10-year and USD 300 million 15-year US dollar denominated senior notes with a coupon rate of 2.5% and 3.0%, respectively. The notes are unrated and have been listed on the Singapore Exchange Securities Trading Limited on July 24, 2020. The net proceeds from the issue of the notes will be used to finance Globe's capital expenditures, refinance maturing and/or existing obligations, and for general corporate requirements.

[18.4 Loan Covenants](#)

The loan agreements with banks and other financial institutions provide for certain restrictions and requirements with respect to, among others, maintenance of financial ratios and percentage of ownership of specific shareholders, incurrence of additional long-term indebtedness or guarantees and creation of property encumbrances.

The financial tests under Globe Group's loan agreements include compliance with the following ratios:

- Total debt* to equity not exceeding 3.0:1,
- Total debt* to EBITDA not exceeding 3.5:1;
- Debt service coverage exceeding 1.3 times; and
- Secured debt ratio not exceeding 0.2 times.

*Composed of loans payable and net derivative liabilities.

As of December 31, 2020 and 2019, the Globe Group is not in breach of any loan covenants.

19 Other Long-term Liabilities

This account consists of:

	2020	2019
	<i>(In Thousand Pesos)</i>	
Asset retirement obligation (ARO)	₱2,852,256	₱2,742,633
Others	1,237,258	962,079
	₱4,089,514	₱3,704,712

ARO represents Globe Group's obligation to restore leased properties to their original condition and estimated dismantling cost of property and equipment. The rollforward analysis of the Globe Group's ARO follows:

	Notes	2020	2019
		<i>(In Thousand Pesos)</i>	
At beginning of year		₱2,742,633	₱2,523,939
Accretion expense during the year	26	151,460	155,674
Capitalized to property and equipment during the year	5	34,875	38,997
Settlements and reversals		(65,237)	(17,205)
Remeasurements		(11,475)	41,228
At end of year		₱2,852,256	₱2,742,633

Gain on settlement and remeasurement of ARO recognized in consolidated profit or loss amounted to ₱34.85 million, ₱5.77 million and ₱27.89 million in 2020, 2019 and 2018, respectively (see [Note 23](#)).

20 Related Party Transactions

Parties are considered to be related to the Globe Group if they have the ability, directly or indirectly, to control the Globe Group or exercise significant influence over the Globe Group in making financial and operating decisions, or vice versa, or where the Globe Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or entities and include entities which are under the significant influence of related parties of the Globe Group where those parties are individuals, and post-employment benefit plan which are for the benefit of employees of the Globe Group or of any entity that is a related party of the Globe Group.

The Globe Group, in their regular conduct of business, enter into transactions with their major stockholders, AC and Singtel, associates, joint ventures and certain related parties.



The summary of balances arising from related party transactions for the relevant financial year follows (in thousand pesos):

2020

	Note	Amount of transaction			Outstanding Balance			Terms	Conditions
		Revenue and Other Income	Costs and Expenses charged to Profit or Loss	Cost and Expenses capitalized as Asset	Cash and Cash Equivalents	Amounts Owed by Related Parties	Amounts Owed to Related Parties		
Entities with joint control over the Company									
Singtel	20.1	P463,331	P269,204	P-	P-	P56,273	P99,189	Interest-free, settlement in cash	Unsecured, no impairment
AC	20.1	13,925	54,442	-	-	6,948	50	Interest-free, settlement in cash	Unsecured, no impairment
Jointly controlled entities									
BMPL	20.2	-	21,818	-	-	-	1,327	Interest-free, settlement in cash	Unsecured, no impairment
Mynt	20.2	51,786	1,184,850	-	-	408,556	676,700	Interest-free, settlement in cash	Unsecured, no impairment
Other related parties									
GRP	20.3	25,645	-	-	-	478,000	-	3 years, 4.25%, settlement in cash	Unsecured, no impairment
BHI	20.3	4,794	-	-	-	-	-	3 years, 5.75%, settlement in cash	
BEAM	20.3	-	220,167	-	-	-	-		
Altimax	20.3	-	3,891	-	-	-	-		
Key management personnel	20.4	-	509,475	-	-	-	-		
Others	20.3	734,759	307,684	61,934	695,994	225,042	14,926	Interest-free excluding cash and cash equivalents, settlement in cash	Unsecured, no impairment
		P1,294,240	P2,571,531	P61,934	P695,994	P1,174,819	P792,192		

2019

	Note	Amount of transaction			Outstanding Balance			Terms	Conditions
		Revenue and Other Income	Costs and Expenses charged to Profit or Loss	Cost and Expenses capitalized as Asset	Cash and Cash Equivalents	Amounts Owed by Related Parties	Amounts Owed to Related Parties		
Entities with joint control over the Company									
Singtel	20.1	₱466,404	₱333,714	₱-	₱-	₱117,433	₱55,876	Interest-free, settlement in cash	Unsecured, no impairment
AC	20.1	14,413	64,367	-	-	1,175	2,754	Interest-free, settlement in cash	Unsecured, no impairment
Jointly controlled entities									
BMPL	20.2	-	21,459	-	-	-	1,384	Interest-free, settlement in cash	Unsecured, no impairment
Mynt	20.2	51,786	322,045	-	-	550,141	53,346	Interest-free, settlement in cash	Unsecured, no impairment
Other related parties									
GRP	20.3	31,093	-	-	-	548,000	-	3 years, 5.5%, settlement in cash	Unsecured, no impairment
BHI	20.3	6,473	-	-	-	108,620	-	3 years, 5.75%, settlement in cash	The ₱250.00 million is covered by a pledge agreement while the ₱45.00 million is fully secured by chattel mortgage agreement.
BEAM	20.3	-	175,604	-	-	-	-	-	-
Altimax	20.3	-	11,765	-	-	-	-	-	-
Key management personnel	20.4	-	470,000	-	-	-	-	-	-
Others	20.3	458,457	357,164	56,898	3,714,646	225,042	38,604	Interest-free excluding cash and cash equivalents, settlement in cash	Unsecured, no impairment
		₱1,028,626	₱1,756,118	₱56,898	₱3,714,646	₱1,550,411	₱151,964		

Amounts owed by related parties are presented in the statement of financial position as follows:

	Notes	2020	2019
		<i>(In Thousand Pesos)</i>	
Trade receivables – net		₱300,835	₱262,301
Due from related parties	10	395,984	451,490
Loans to related parties	10	478,000	836,620
		₱1,174,819	₱1,550,411

As of December 31, 2020 and 2019, total related party trade and other receivables with and among subsidiaries that were eliminated at consolidation against related party trade and other payables amounted to ₱43,039 million and ₱26,647 million, respectively.

20.1 Entities with Joint Control over Globe Group - AC and Singtel

Singtel

Globe Telecom has interconnection agreements with Singtel. Interconnection revenues and costs recognized from the agreements with Singtel are as follows:

	2020	2019	2018
	<i>(In Thousand Pesos)</i>		
Service revenues	₱463,331	₱466,404	₱639,399
Interconnection costs	61,970	42,184	61,423

Globe Telecom and Singtel have a technical assistance agreement whereby Singtel will provide consultancy and advisory services, including those with respect to the construction and operation of Globe Telecom's networks and communication services, equipment procurement and personnel services. In addition, Globe Telecom has software development, supply, license and support arrangements, and maintenance cost transactions with Singtel.

The details of fees incurred under these agreements are as follows:

	2020	2019	2018
	<i>(In Thousand Pesos)</i>		
Technical assistance fee	₱138,411	₱132,576	₱158,117
Maintenance costs	55,405	119,336	83,497
Software development, supply, license and support	13,418	39,618	45,799
	₱207,234	₱291,530	₱287,413

AC

Globe Telecom, Innove and BTI earn subscriber revenues from AC. Service revenues recognized from AC amounted to ₱13.93 million, ₱14.41 million and ₱31.36 million in 2020, 2019 and 2018, respectively.



Globe Telecom reimburses AC for certain operating expenses. Total expense recognized by the Globe Group from the transaction amounted to ₱54.44 million, ₱64.37 million and ₱86.60 million in 2020, 2019 and 2018, respectively.

20.2 Joint Ventures in which the Globe Group is a venturer

BMPL

Globe Telecom has preferred roaming service contract with BMPL. Under this contract, Globe Telecom will pay BMPL for services rendered by the latter which include, among others, coordination and facilitation of preferred roaming arrangement among JV partners, and procurement and maintenance of telecommunications equipment necessary for delivery of seamless roaming experience to customers. Globe Telecom also incurs commission from BMPL for regional top-up service provided by the JV partners. The net outstanding liabilities to BMPL related to these transactions amounted to ₱1.33 million and ₱1.38 million as of December 31, 2020 and 2019, respectively. Total expenses recognized related to these transactions amounted to ₱21.82 million, ₱21.46 million and ₱20.70 million in 2020, 2019, and 2018, respectively.

Mynt

The Globe Group renders certain management support services to GXI. The management services also include the use of the Globe Group's network and facilities to conduct GXI's operations. Management fee income amounted to ₱51.79 million in 2020 and 2019 (see [Note 23](#)).

The Globe Group also has a VAS sharing agreement with GXI. Under the agreement, GXI shall perform the following services and shall be entitled to a certain percentage of data revenues arising from GCash transactions:

- (1) provide an e-commerce system (the application that drives the service) through which mobile wallets get updated for each cash-in and cash-out transaction;
- (2) provide cash-in and cash-out distribution channels for the remittance business through its partners (which may include Globe Stores); and
- (3) provide customer support.

GXI is also entitled to a certain percentage share for the airtime load purchased by the Globe Group's subscribers and Application Processing Interface (API) fees for the usage of GCash system in continuing service of the various products and services of the Globe Group.

Total amount charged to consolidated profit and loss amounted to ₱1,184.85 million and ₱322.05 million in 2020 and 2019, respectively.

20.3 Transactions with the other related parties

Globe Retirement Plan (GRP)

The Globe Group granted various loans to the GRP at an interest rate of 5.50%, which matured on September 11, 2020. Upon maturity, the loan was extended until September 11, 2023 with the interest rate reduced to 4.25% per annum. Interest income amounted to ₱25.65 million, ₱31.09 million and ₱36.37 million in 2020, 2019 and 2018, respectively (see [Note 22](#)). As of December 31, 2020 and 2019, the outstanding balance of loan receivable from GGRP amounted to ₱478.00 million and ₱548.00 million, respectively (see [Note 10](#)).

The retirement plan utilized the loan to fund its investments in BHI, a domestic corporation organized to invest in media ventures. BHI has controlling interest in Altimax Broadcasting Co., Inc. (Altimax) and Broadcast Enterprises and Affiliated Media Inc. (BEAM), respectively.

BHI

The Globe Group granted loans amounting to ₱250.00 million and ₱45.00 million to BHI at 5% interest which matured on August 14, 2017. The ₱250.00 million loan is covered by a pledge agreement whereby in the event of default, the Globe Group shall be entitled to offset whatever amount is due to BHI from any unpaid fees to BEAM from the Globe Group. The ₱45.00 million loan is fully secured by a chattel mortgage agreement dated December 21, 2009 between Globe Group and BEAM. Upon maturity, the loan was extended until August 14, 2020 with the interest rate increased to 5.75% per annum. The loan was prepaid in full on October 16, 2020.

As of December 31, 2020 and 2019, the outstanding balance of loan receivable from BHI amounted to nil and ₱108.62 million, respectively. (Note 10). Interest income amounted to ₱4.79 million, ₱6.47 million and ₱7.50 million in 2020, 2019, and 2018, respectively (see Note 22).

BEAM

On February 1, 2009, the Globe Group entered into a memorandum of agreement (MOA) with BEAM for the latter to render mobile television broadcast service to Globe subscribers using the mobile TV service. The Globe Group recognized expense amounting to ₱220.17 million, ₱175.60 million and ₱190.00 million in 2020, 2019 and 2018, respectively..

Altimax

On October 1, 2009, the Globe Group entered into a MOA with Altimax for the Globe Group's co-use of specific frequencies of Altimax's for the rollout of broadband wireless access to the Globe Group's subscribers. The Globe Group recognized expense amounting to ₱3.89 million, ₱11.77 million and ₱55.00 million in 2020, 2019 and 2018, respectively.

Others

The Globe Group earns service revenues, maintains money market placements and cash in bank balances, acquires transportation equipment and incurs general, selling and administrative expenses such as rentals, utilities and customer contract services, from entities which are either controlled, jointly controlled or significantly influenced by AC.

20.4 Transactions with key management personnel of the Globe Group

The Globe Group's compensation of key management personnel by benefit type are as follows:

	Notes	2020	2019
		<i>(In Thousand Pesos)</i>	
Short-term employee benefits	28	₱294,900	₱275,400
Share-based payments	28	198,400	181,600
Post-employment benefits	28	16,175	13,000
		₱509,475	₱470,000

There are no agreements between the Globe Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Globe Group's retirement plans.

21 Equity and Other Comprehensive Income

Globe Telecom's authorized capital stock as of December 31, 2020 and 2019 consists of (amounts in thousand pesos and number of shares):

	Shares	Amount
Voting preferred stock - ₱5 per share	160,000	₱800,000
Non-voting preferred stock - ₱50 per share	40,000	2,000,000
Common stock - ₱50 per share	148,934	7,446,719

Globe Telecom's issued, subscribed and fully paid capital stock consists of:

	2020		2019	
	Shares	Amount	Shares	Amount
<i>(In Thousand Pesos and Number of Shares)</i>				
Voting preferred stock	158,515	₱792,575	158,515	₱792,575
Non-voting preferred stock	20,000	1,000,000	20,000	1,000,000
Common stock	133,432	6,671,636	133,208	6,660,420
Total capital stock		₱8,464,211		₱8,452,995

Below is the summary of the Globe Telecom's track record of registration of securities:

	Number of shares registered	Issue/offer price	Date of approval
<i>(In Thousands, Except for Issue/Offer price)</i>			
Voting preferred stock	158,515	₱5.00	June 2001
Non-voting preferred stock	20,000	500.00	August 11, 2014
Common stock*	30,000	0.50	August 11, 1975

**Initial number of registered shares only*

21.1 Preferred Stock

Non-Voting Preferred Stock

On February 10, 2014, Globe Telecom's BOD approved the amendment of Articles of Incorporation (AOI) to reclassify 31 million of unissued common shares with par value of ₱50 per share and 90 million of unissued voting preferred shares with par value of ₱5 per share into a new class of 40 million non-voting preferred shares with par value of ₱50 per share.

On April 8, 2014, the stockholders approved the issuance, offer and listing of up to 20 million non-voting preferred shares, with an issue volume of up to ₱10 billion. The preferred shares shall be redeemable, non-convertible, non-voting, cumulative and may be issued in series.

On June 5, 2014, the SEC approved the amendment of AOI to implement the foregoing reclassification of shares.



On August 8, 2014, the SEC approved the offer of non-voting preferred perpetual shares and on August 15, 2014, the 20 million non-voting preferred shares were fully subscribed and issued. Subsequently, the shares were listed at the Philippines Stock Exchange (PSE) on August 22, 2014.

Non-voting preferred stock has the following features:

- Issued at ₱50 par;
- Dividend rate to be determined by the BOD at the time of issue;
- Redemption - at Globe Telecom's option at such times and price(s) as may be determined by the BOD at the time of issue, which price may not be less than the par value thereof plus accrued dividends;
- Eligibility of investors - Any person, partnership, association or corporation regardless of nationality wherein at least 60% of the outstanding capital stock shall be owned by Filipino;
- No voting rights;
- Cumulative and non-participating;
- No pre-emptive rights over any sale or issuance of any share in Globe Telecom's capital stock; and
- Stocks shall rank ahead of the common shares and equally with the voting preferred stocks in the event of liquidation.

Voting Preferred Stock

Voting preferred stock has the following features:

- Issued at ₱5 par;
- Dividend rate to be determined by the BOD at the time of issue;
- One preferred share is convertible to one common share starting at the end of the 10th year of the issue date at a price to be determined by Globe Telecom's BOD at the time of issue which shall not be less than the market price of the common share less the par value of the preferred share;
- Call option - Exercisable any time by Globe Telecom starting at the end of the 5th year from issue date at a price to be determined by the BOD at the time of issue;
- Eligibility of investors - Only Filipino citizens or corporations or partnerships wherein 60% of the voting stock or voting power is owned by Filipino;
- With voting rights;
- Cumulative and non-participating;
- Preference as to dividends and in the event of liquidation; and
- No pre-emptive right to any share issue of Globe Telecom, and subject to yield protection in case of change in tax laws.

The dividends for preferred stocks are declared upon the sole discretion of Globe Telecom's BOD.

21.2 Common Stock

The rollforward of outstanding common shares follows:

	2020		2019	
	Shares	Amount	Shares	Amount
	<i>(In Thousand Pesos and Number of Shares)</i>			
At beginning of year	133,208	₱6,660,420	133,053	₱6,652,663
Exercise of stock options	-	-	10	499
Issuance of shares under share-based compensation plan and exercise of stock options	224	11,216	145	7,258
At end of year	133,432	₱6,671,636	133,208	₱6,660,420

Holders of fully paid common stock are entitled to voting and dividends rights.

21.3 Cash Dividends

Information on the Globe Telecom's BOD declaration of cash dividends follows:

	Per Share	Amount	Date	
			Record	Payment
	<i>(In Thousand Pesos, Except Per Share Figures)</i>			
Dividends on Voting Preferred stock:				
November 5, 2018	0.26	41,752	November 19, 2018	December 5, 2018
December 10, 2019	0.32	50,027	December 26, 2019	December 27, 2019
November 3, 2020	0.32	50,027	November 17, 2020	December 3, 2020
Dividends on Non-voting Preferred stock:				
May 4, 2018	13.00	260,030	August 10, 2018	August 22, 2018
December 6, 2018	13.00	260,030	January 28, 2019	February 22, 2019
May 3, 2019	13.00	260,030	July 26, 2019	August 22, 2019
December 10, 2019	13.00	260,030	January 29, 2020	February 24, 2020
May 5, 2020	13.00	260,030	July 28, 2020	August 24, 2020
December 11, 2020	13.00	260,030	January 27, 2021	February 22, 2021
Dividends on Common stock:				
February 5, 2018	22.75	3,023,852	February 20, 2018	March 5, 2018
May 7, 2018	22.75	3,026,804	May 21, 2018	June 1, 2018
August 7, 2018	22.75	3,026,962	August 24, 2018	September 6, 2018
November 5, 2018	22.75	3,026,961	November 19, 2018	December 5, 2018
February 11, 2019	22.75	3,026,961	February 26, 2019	March 13, 2019
May 3, 2019	22.75	3,030,303	May 20, 2019	May 31, 2019
August 2, 2019	22.75	3,030,316	August 19, 2019	August 30, 2019
November 6, 2019	22.75	3,030,491	November 20, 2019	December 6, 2019
February 3, 2020	27.00	3,596,626	February 17, 2020	March 4, 2020
May 5, 2020	24.83	3,313,135	May 18, 2020	June 3, 2020
August 3, 2020	24.83	3,313,135	August 17, 2020	September 2, 2020
November 3, 2020	31.33	4,180,447	November 17, 2020	December 3, 2020

Unpaid cash dividends declared related to non-voting preferred stock amounted to ₱260.03 million as of December 31, 2020 and 2019 (see [Note 16](#)).

21.4 Common Stock Dividend

The dividend policy of Globe Telecom as approved by the BOD is to declare cash dividends to its common stockholders on a regular basis as may be determined by the BOD. On November 8, 2011, the BOD approved the current dividend policy of Globe Telecom to distribute cash dividends at the rate of 75% to 90% of prior year's core net income. On August 6, 2013, the BOD further approved the change in distribution from semi-annual dividend payments to quarterly dividend distributions.

On November 5, 2018, the BOD approved the change in the dividend policy from 75% to 90% of prior year's core net income to 60% to 75% of prior year's core net income, to be applied to the 2019 dividend declaration.

The dividend distribution policy is reviewed annually and subsequently each quarter of the year, taking into account Globe Telecom's operating results, cash flows, debt covenants, capital expenditure levels and liquidity.

21.5 Retained Earnings Available for Dividend Declaration

The total unrestricted retained earnings available for dividend declaration amounted to ₱17,193.84 million as of December 31, 2020. This amount excludes the undistributed net earnings of consolidated subsidiaries, accumulated equity in net earnings of joint ventures accounted for under the equity method, and unrealized gains recognized on asset and liability, currency translations and unrealized gains on fair value adjustments. The Globe Group is also subject to loan covenants that restrict its ability to pay dividends (see [Note 18](#)).

21.6 Other Comprehensive Income

Other Reserves

2020

	Cash flow hedges	Investment in equity securities	Currency translation adjustment	Remeasurement on defined benefit plan (Note 28)	Total
<i>(In Thousand Pesos)</i>					
As of January 1	(₱264,436)	₱660,311	(₱62,623)	(₱2,099,862)	(₱1,766,610)
Other comprehensive income for the year:					
Fair value changes	(3,234,275)	(56,686)	-	-	(3,290,961)
Remeasurement loss on defined benefit plan	-	-	-	(2,575,897)	(2,575,897)
Transferred to profit or loss	2,197,584	-	-	-	2,197,584
Exchange differences	-	-	(635)	-	(635)
Share in OCI from investment in associate (Note 15)	-	41,042	(2,941)	(13,007)	25,094
Income tax effect	311,007	17,006	191	771,630	1,099,834
	(725,684)	1,362	(3,385)	(1,817,274)	(2,544,981)
Reclassification of fair value gain on investment in equity securities at FVOCI	-	92,001	-	-	92,001
As of December 31	(₱990,120)	₱753,674	(₱66,008)	(₱3,917,136)	(₱4,219,590)

2019

	Cash flow hedges	Investment in equity securities	Currency translation adjustment	Remeasurement on defined benefit plan (Note 28)	Total
<i>(In Thousand Pesos)</i>					
As of January 1	₱948,919	₱293,848	₱44,365	(₱726,029)	₱561,103
Other comprehensive income for the year:					
Fair value changes	(2,835,986)	188,486	-	-	(2,647,500)
Remeasurement loss on defined benefit plan	-	-	-	(1,956,549)	(1,956,549)
Transferred to profit or loss	1,102,622	-	-	-	1,102,622
Exchange differences	-	-	(105,292)	-	(105,292)
Share in OCI from investment in associate (Note 15)	-	275,325	(2,054)	(3,914)	269,357
Income tax effect	520,009	(23,462)	358	587,420	1,084,325
	(1,213,355)	440,349	(106,988)	(1,373,043)	(2,253,037)
Reclassification of accumulated share in an associate's OCI	-	1,891	-	(790)	1,101
Reclassification of fair value gain on investment in equity securities at FVOCI	-	(75,777)	-	-	(75,777)
As of December 31	(₱264,436)	₱660,311	(₱62,623)	(₱2,099,862)	(₱1,766,610)

2018

	Cash flow hedges	Investment in equity securities	Currency translation adjustment	Remeasurement on defined benefit plan (Note 28)	Total
<i>(In Thousand Pesos)</i>					
As of January 1	₱85,204	₱141,874	₱15,841	(₱595,294)	(₱352,375)
Other comprehensive income for the year:					
Fair value changes	1,178,226	170,645	-	-	1,348,871
Remeasurement gain on defined benefit plan	-	-	-	71,013	71,013
Transferred to profit or loss	55,653	-	-	-	55,653
Exchange differences	-	-	38,061	-	38,061
Share in OCI from investment in associate (Note 15)	-	-	2,089	-	2,089
Income tax effect	(370,164)	(18,671)	(11,626)	(21,304)	(421,765)
	863,715	151,974	28,524	49,709	1,093,922
Reclassification of remeasurement losses on defined benefit plans	-	-	-	(180,444)	(180,444)
As of December 31	₱948,919	₱293,848	₱44,365	(₱726,029)	₱561,103

22 Interest Income

Interest income is earned from the following sources:

	Notes	2020	2019	2018
<i>(In Thousand Pesos)</i>				
Short-term placements	5	₱125,597	₱440,402	₱332,525
Loans receivable:				
GRP	20.3	25,645	31,093	36,366
BHI	20.3	4,794	6,473	7,498
Cash in banks	5	19,408	17,158	12,353
Others		19,494	5,311	2,288
		₱194,938	₱500,437	₱391,030

23 Other Income - net

This account consists of:

	Notes	2020	2019	2018
<i>(In Thousand Pesos)</i>				
Gain on deemed sale of investment in Mynt	15	₱2,042,441	₱-	₱-
Gain (loss) on derivatives instruments – net		(1,579,746)	(809,540)	1,004,171
Foreign exchange gain (loss) - net		1,690,842	848,394	(900,430)
Gain on debt renegotiation	18.1	343,122	-	-
Management fees	20.2	51,786	51,786	51,786
Lease		45,503	23,604	65,302
Gain on settlement and remeasurement of ARO	19	34,845	5,769	27,894
Gain on sale of Investment in associate	15.2	-	240,000	-
Others		1,188,418	686,994	446,682
		₱3,817,211	₱1,047,007	₱695,405

24 General, Selling and Administrative Expenses

This account consists of:

	Notes	2020	2019	2018
<i>(In Thousand Pesos)</i>				
Staff costs	28	₱15,957,403	₱15,479,606	₱13,271,175
Professional and other contracted services		11,770,784	13,127,917	11,028,251
Repairs and maintenance		9,587,216	8,493,916	7,944,057
Selling, advertising and promotions		6,398,713	6,448,214	5,620,077
Utilities, supplies and other administrative expenses		6,296,354	6,576,249	5,957,642
Lease	13	6,208,748	5,793,299	6,535,147
Taxes and licenses		3,575,873	3,844,761	3,106,915
Insurance and security services		1,871,360	1,764,324	1,607,072
Courier and delivery		500,017	531,653	516,314
Others		2,746,887	2,411,470	2,155,481
		₱64,913,355	₱64,471,409	₱57,742,131

25 Depreciation and amortization

The account consists of:

	Notes	2020	2019	2018
<i>(In Thousand Pesos)</i>				
Property and equipment	11	₱28,195,155	₱27,183,301	₱24,895,449
Intangible assets	12	5,849,612	5,791,150	5,516,254
Right of use assets	13	1,361,716	1,163,491	-
Investment properties	10	5,555	5,599	10,018
		₱35,412,038	₱34,143,541	₱30,421,721

26 Financing Costs

This account consists of:

	Notes	2020	2019	2018
<i>(In Thousand Pesos)</i>				
Loans payable*	18	₱5,751,079	₱5,937,695	₱5,748,853
Swap costs	8.1	742,059	366,952	220,061
Lease liabilities	13.2	301,952	272,171	-
ARO accretion expense	19	151,460	155,674	140,457
Pension cost	28.1.1	142,096	66,690	84,837
Others		22,764	3,679	1,017
		₱7,111,410	₱6,802,861	₱6,195,225

*This account is net of the amount capitalized borrowing costs (see [Notes 11 and 18](#)).

27 Impairment and other losses

This account consists of:

	Notes	2020	2019	2018
<i>(In Thousand Pesos)</i>				
Impairment loss on				
Trade receivables	6	₱5,067,140	₱3,340,156	₱2,972,345
Property and equipment	11	4,149,337	59,157	61,739
Contract assets	7.1.1	500,673	256,898	457,657
Non-trade receivables	10	1,121	-	-
Remeasurement of investment in associate	14.3	-	470,653	-
Other assets		42,337	1,313	116,362
Goodwill	12	-	-	142,794
Provisions for (reversal of):				
Inventory obsolescence	9	284,788	713,717	377,775
Other probable losses - net	17	162,203	71,243	658,972
		₱10,207,599	₱4,913,137	₱4,787,644

28 Staff Cost

This account consist of:

	Recognized in profit or loss (Note 24)	Recognized in OCI (Note 21.6)
<i>(In Thousand Pesos)</i>		
2020	₱14,664,134	₱-
Short-term benefits	898,536	2,575,897
Pension benefits	394,733	-
Share based compensation	₱15,957,403	₱2,575,897
2019	₱14,032,793	₱-
Short-term benefits	1,121,653	1,956,549
Pension benefits	325,160	-
Share based compensation	₱15,479,606	₱1,956,549
2018	₱12,439,828	₱-
Short-term benefits	594,633	(71,013)
Pension benefits	236,714	-
Share based compensation	₱13,271,175	(₱71,013)

28.1 Pension Benefits

The details of pension liability recognized in the consolidated statements of financial position are as follows:

	2020	2019
	<i>(In Thousand Pesos)</i>	
Globe Retirement Plan (GRP)	₱5,602,670	₱3,721,403
Other pension benefits	44,717	17,027
	₱5,647,387	₱3,738,430

The details of pension expense recognized in the consolidated statements of comprehensive income are as follows:

	Recognized in profit or loss	Recognized in OCI
	<i>(In Thousand Pesos)</i>	
2020		
GRP	₱873,433	₱2,575,352
Others	25,103	545
	₱898,536	₱2,575,897
2019		
GRP	₱1,122,558	₱1,956,549
Others	(905)	-
	₱1,121,653	1,956,549
2018		
GRP	₱590,510	(₱71,013)
Others	4,123	-
	₱594,633	(₱71,013)

28.1.1 Globe Retirement Plan

The Globe Group sponsors Globe Retirement Plan (GRP), a noncontributory defined benefit plan for qualifying employees of Globe Telecom and Innove. GRP is administered by a separate fund that is legally separated from the entity. The Board of Trustees (BOT) of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the plan. The BOT members are unanimously appointed by Globe Telecom acting through its BOD.

The BOT are authorized to appoint one or more fund managers to hold, invest and reinvest the assets of the Plan and execute an Investment Agreement with the said fund managers. The BOT sets the investment policies and limits of the Plan, and appoints fund managers to assist in the investment management of the Plan. The objective of the portfolio is capital preservation by earning higher than regular deposit rates over a long period given a small degree of risk on principal interest.

Asset - liability matching strategies

The investment policy in managing liquidity is to have sufficient liquidity at all times to meet the Plan's maturing liabilities, including benefit payments to qualified employees who are expected to avail of their retirement benefits when due, without incurring unnecessary funding costs. The investment policy is also geared towards maintaining highly saleable government securities as a significant part of the plan investment portfolio even as other private securities and unquoted securities provided higher yields.



The Plan's liquidity risk is managed on a daily basis by the Plan's investment managers in accordance with the policies and procedures duly approved by the BOT. The Plan's overall liquidity position for the year is monitored on a regular basis by the BOT.

Funding policy

The plan should have at least 100% solvency all levels at all times. If a solvency deficiency exists, the deficit must be immediately funded.

Risks associated with the Plan

The retirement plan typically expose the participants to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan asset is below this rate, it will create a plan deficit.

Interest rate risk

A decrease in the government bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out at December 31, 2020 by an Independent Actuary. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The components of pension expense (included in staff costs under "General, selling and administrative expenses" account) in the consolidated statements of comprehensive income are as follows:

	2020	2019	2018
	<i>(In Thousand Pesos)</i>		
Current service cost	₱922,795	₱524,762	₱590,510
Past service cost	-	638,061	-
	922,795	1,162,823	590,510
Less: components capitalized as property and equipment	(49,362)	(40,265)	-
Amount recognized in profit or loss	873,433	1,122,558	590,510
Net interest expense (Note 26)	142,096	66,690	84,837
Components of defined benefit costs recognized in profit or loss	1,015,529	1,189,248	675,347
Remeasurement on the net defined benefit liability:			
Return on plan assets (excluding amounts included in net interest expense)	549,767	(312,149)	515,908
Actuarial gains and losses:			
from changes in assumptions	1,911,762	1,796,723	(892,818)
from experience adjustments	113,823	471,975	305,897
Components of defined benefit costs recognized in other comprehensive income	2,575,352	1,956,549	(71,013)
	₱3,590,881	₱3,145,797	604,334

The breakdown of pension liability is as follows:

	2020	2019
	<i>(In Thousand Pesos)</i>	
Present value of benefit obligation	₱13,316,312	₱10,291,704
Less: fair value of plan assets	7,713,642	6,570,301
Pension liability	₱5,602,670	₱3,721,403

The following tables present the changes in the present value of defined benefit obligation and fair value of plan assets:

Present value of defined benefit obligation

	2020	2019
	<i>(In Thousand Pesos)</i>	
Balance at beginning of year	₱10,291,704	₱6,689,557
Current service cost	922,795	524,762
Interest cost	504,637	489,592
Benefits paid	(421,774)	(318,966)
Transfer of employees	(6,635)	-
Remeasurements in other comprehensive income:		
Actuarial gains and losses arising from changes in assumptions	1,911,762	1,796,723
Actuarial gains and losses arising from experience adjustments	113,823	471,975
Plan changes/ amendments	-	638,061
Balance at end of year	₱13,316,312	₱10,291,704

Fair value of plan assets

	2020	2019
	<i>(In Thousand Pesos)</i>	
Balance at beginning of year	₱6,570,301	₱5,234,216
Remeasurement (gains)/losses:		
Return on plan assets (excluding amounts included in net interest expense)	(549,767)	312,149
Contributions from the employer	1,758,976	920,000
Interest income	362,541	422,902
Benefits paid	(421,774)	(318,966)
Transfer payments	(6,635)	-
Balance at end of year	₱7,713,642	₱6,570,301
Actual return on plan assets	(₱187,227)	₱735,051

The recommended contribution for the Globe Group retirement fund for the year 2021 amounted to ₱1,909.36 million. This amount is based on the Globe Group's actuarial valuation report as of December 31, 2020.

The allocation of the fair value of the plan assets of the Globe Group as of December 31 is as follows:

	2020	2019
	<i>(In Thousand Pesos)</i>	
Cash and cash equivalents	₱132,675	₱279,237
Investment in debt securities	2,732,172	2,507,227
Investment quoted in equity shares	3,849,107	2,783,837
Investment in unquoted in equity shares	999,688	1,000,000
	₱7,713,642	₱6,570,301

The assumptions used to determine pension benefits for the Globe Group are as follows:

	2020	2019
Discount rate	3.75%	5.00%
Salary rate increase	4.50%	4.50%

The assumptions regarding future mortality rates which are based on the 2017 Philippine Intercompany Mortality Table which is based on a recent study by the Actuarial Society of the Philippines.

In 2020 and 2019, the Globe Group applied a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2020 and 2019, assuming all other assumptions were held constant (in thousand pesos):

December 31, 2020

	Increase (decrease) in basis points	Increase (decrease) on defined benefit obligation
Discount rates	+0.50%	(632,058)
	-0.50%	693,831
Future salary increases	+0.50%	685,596
	-0.50%	(631,029)
Mortality	+10.00%	2,047
	-10.00%	(2,047)

December 31, 2019

	Increase (decrease) in basis points	Increase (decrease) on defined benefit obligation
Discount rates	+0.50%	(₱458,311)
	-0.50%	585,889
Future salary increases	+0.50%	585,889
	-0.50%	(462,432)
Mortality	+10.00%	1,030
	-10.00%	(1,026)

There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

The objective of the plan's portfolio is capital preservation by earning higher than regular deposit rates over a long period given a small degree of risk on principal and interest. Asset purchases and sales are determined by the plan's investment managers, who have been given discretionary authority to manage the distribution of assets to achieve the plan's investment objectives. The compliance with target asset allocations and composition of the investment portfolio is monitored by the BOT on a regular basis.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the Projected Unit Credit Method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statement of financial position.

The plan contributions are based on the actuarial present value of accumulated plan benefits and fair value of plan assets are determined using an independent actuarial valuation.

The average duration of the defined benefit obligation at the end of the reporting period is 12.64 years and 12.14 years in 2020 and 2019, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31:

	2020	2019
	<i>(In Thousand Pesos)</i>	
Within 1 year	₱486,797	₱397,936
More than 1 year to 5 years	2,821,452	2,355,474
5 years to 10 years	4,975,818	4,689,956
	₱8,284,067	₱7,443,366

28.1.2 Other Pension Benefits

Other pension benefits pertain to the pension liabilities recognized by the Globe Group's subsidiaries who do not participate in the GRP. Other pension benefits are primarily recognized for the minimum retirement benefits provided by the Philippine Retirement Law under Republic Act 7641.

28.2 Share-based Compensations

The Globe Telecom has stock plans for its employees. The number of shares allocated under these plans shall not exceed the aggregate equivalent of 6% of the authorized capital stock.

28.2.1 Executive Stock Option Plan

The following are the stock option grants to key executives and senior management personnel of the Globe Group under the ESOP from 2006 to 2009:

Date of Grant	Number of Options or Grants	Exercise Price	Exercise Dates	Fair Value of Each Option or Grants	Fair Value Measurement
August 1, 2008	635,750	1,064.00 per share	50% of the options become exercisable from August 1, 2010 to July 31, 2018, the remaining 50% become exercisable from August 1, 2011 to July 31, 2018	305.03	Trinomial option pricing model
October 1, 2009	298,950	993.75 per share	50% of the options become exercisable from October 1, 2011 to September 30, 2019, the remaining 50% become exercisable from October 1, 2012 to September 30, 2019	346.79	Trinomial option pricing model

There are no more outstanding stock option of December 31, 2020 and 2019.

28.1.2 Long-Term Incentive Plan

In November 2014, the Globe Group obtained approval from the BOD to implement a Long-Term Incentive Plan (LTIP) also called a Performance Share Plan (PSP) covering key executives and senior management. Under the PSP, the grantees are awarded a specific number of shares at the start of the performance period which vest over a specified performance period and contingent upon the achievement of specified long-term goals.

The following are the stock grants to key executives and senior management personnel of the Globe Group under the LTIP:

Date of Grant	Number of Grants at Grant Date	Settlement Dates	Fair Value of Each Grants	Fair Value Measurement
January 1, 2015	114,392	100% after 3 years subject to attainment of plan targets and subject to stock ownership requirements	1,738.30	Market price
January 1, 2016	107,365	100% after 3 years subject to attainment of plan targets and subject to stock ownership requirements	1,904.95	Market price
January 1, 2017	158,687	100% after 3 years subject to attainment of plan targets and subject to stock ownership requirements	1,428.85	Market price
January 1, 2018	146,040	100% after 3 years subject to attainment of plan targets and subject to stock ownership requirements	1,782.80	Market price
July 31, 2019	289,650	100% after 3 years subject to attainment of plan targets and subject to stock ownership requirements	1,997.35	Market price
January 1, 2020	230,360	100% after 3 years subject to attainment of plan targets and subject to stock ownership requirements	1,970.2	Market price

The fair value is based on the average quoted market price for the last 20 trading days preceding the approval date of the stock option grant.

Cost of share-based payments in 2020, 2019 and 2018 amounted to ₱394.73 million, ₱325.16 million and ₱236.71 million, respectively.

29 Income Tax

Income Tax Expense

Income tax expense includes the following:

	2020	2019	2018
	<i>(In Thousand Pesos)</i>		
Current	₱8,139,602	₱8,488,595	₱7,259,985
Deferred	377,016	2,055,024	1,727,388
	₱8,516,618	₱10,543,619	₱8,987,373

The reconciliation of the provision for income tax at statutory tax rate and the actual current and deferred provision for income tax follows:

	2020	2019	2018
	<i>(In Thousand Pesos)</i>		
Income before income tax	₱27,139,663	₱32,827,376	₱27,613,316
Multiplied by statutory income tax rate	30%	30%	30%
Provision at statutory income tax rate	8,141,898	9,848,213	8,283,995
Add (deduct) tax effects of:			
Equity in net losses of associates and joint ventures	710,232	766,435	374,881
Impairment loss on goodwill	-	-	42,838
Income subjected to lower tax rates	(292,551)	(128,585)	(71,985)
Others	(42,961)	57,556	357,644
Actual provision for income tax	₱8,516,618	₱10,543,619	₱8,987,373

The current provision for income tax includes the following:

	2020	2019	2018
	<i>(In Thousand Pesos)</i>		
RCIT or MCIT, whichever is higher	₱8,051,157	₱8,335,287	₱7,151,614
Final tax	88,445	153,308	108,371
	₱8,139,602	₱8,488,595	₱7,259,985

Deferred Income Tax Assets and Liabilities

Net deferred tax assets and liabilities presented in the consolidated statements of financial position on a net basis by entity are as follows:

	2020	2019
	<i>(In Thousand Pesos)</i>	
Net deferred income tax assets*	₱2,556,059	₱1,866,591
Net deferred income tax liabilities (Globe, GCVH, GTI and KVI)	(5,056,340)	(5,057,641)
Net deferred income tax (liabilities) assets	(₱2,500,281)	(₱3,191,050)

*2020 consist of Innove, GTI, Asticom, BTI, GCVH, Tao, Yondu, GTowers and ECPay

*2019 consist of Innove, BTI, GCVH, Yondu and GTowers

The significant components of the deferred income tax assets and liabilities of the Globe Group represent the deferred income tax effects of the following (In Thousand Pesos):

	2020					2020
	2019	Movements			Other Comprehensive Income	
Acquired from a business combination		Profit or Loss				
Deferred tax assets						
Allowance for impairment losses on receivables	₱2,851,993	₱-	₱125,714	₱-	₱-	₱2,977,707
Unearned revenues and advances already subjected to income tax	2,042,421	-	144,666	-	-	2,187,087
Accrued manpower cost	1,302,374	-	(379,395)	-	-	922,979
Accrued pension	1,547,001	-	13,546	771,630	-	2,332,177
Unrealized foreign exchange losses	502,150	-	(985,228)	-	-	(483,078)
ARO	767,673	-	41,381	-	-	809,054
Provision for claims and assessment	492,738	-	70,715	-	-	563,453
Cost of share-based payments	188,278	-	98,954	-	-	287,232
Accumulated impairment losses on property and equipment	150,465	-	1,229,823	-	-	1,380,288
Inventory obsolescence and market decline	159,070	-	11,862	-	-	170,932
Contract liabilities	87,388	-	7,301	-	-	94,689
Lease liabilities net of ROU	29,200	-	39,123	-	-	68,323
MCIT	798	-	35,372	-	-	36,170
NOLCO	93	-	39,618	-	-	39,711
Others	56,905	-	(72,618)	-	21,654	5,941
	10,178,547	-	420,834	771,630	21,654	11,392,665
Deferred tax liabilities						
Excess of accumulated depreciation and amortization of Globe Telecom equipment for (a) tax reporting over (b) financial reporting	(9,514,936)	(58,932)	(2,100,945)	-	-	(11,674,813)
Undepreciated capitalized borrowing costs already claimed as deduction for tax reporting	(1,175,211)	-	1,175,211	-	-	-
Contract asset	(2,297,560)	-	103,715	-	-	(2,193,845)
Unrealized gain on derivative transaction	123,408	-	429,962	311,007	-	864,377
Unrealized foreign exchange gain	(28,570)	-	313	-	-	(28,257)
Unamortized discount on noninterest bearing liability	(11,308)	-	10,008	-	-	(1,300)
Loan remeasurement	-	-	(97,230)	-	-	(97,230)
Others	(465,420)	5,229	(318,884)	17,197	-	(761,878)
	(13,369,597)	(53,703)	(797,850)	328,204	-	(13,892,946)
Net deferred income tax assets (liabilities)	(₱3,191,050)	(₱53,703)	(₱377,016)	₱1,099,834	₱21,654	(₱2,500,281)

	2019					2019
	2018	Movements				
		Acquired from a business combination	Profit or Loss	Comprehensive Income	Other equity item	
Deferred tax assets						
Allowance for impairment losses on receivables	₱3,711,267	₱5,591	(₱864,865)	₱-	₱-	₱2,851,993
Unearned revenues and advances already subjected to income tax	1,967,076	-	75,345	-	-	2,042,421
Accrued manpower cost	1,123,845	-	178,529	-	-	1,302,374
Accrued pension	814,264	(2,158)	147,475	587,420	-	1,547,001
Unrealized foreign exchange losses	810,409	7	(308,266)	-	-	502,150
ARO	701,327	-	66,346	-	-	767,673
Provision for claims and assessment	505,719	-	(12,981)	-	-	492,738
Cost of share-based payments	174,360	-	18,154	-	(4,236)	188,278
Accumulated impairment losses on property and equipment	159,442	-	(8,977)	-	-	150,465
Inventory obsolescence and market decline	158,722	-	348	-	-	₱159,070
Contract liabilities	108,223	-	(20,835)	-	-	87,388
Lease liabilities net of ROU	-	-	173,345	-	(144,145)	29,200
MCIT	21,258	-	(20,460)	-	-	798
NOLCO	556	-	(463)	-	-	93
Others	180,725	(83,843)	(39,977)	-	-	56,905
	10,437,193	(80,403)	(617,282)	587,420	(148,381)	10,178,547
Deferred tax liabilities						
Excess of accumulated depreciation and amortization of Globe Telecom equipment for (a) tax reporting over (b) financial reporting	(7,921,353)	(145,514)	(1,448,069)	-	-	(9,514,936)
Undepreciated capitalized borrowing costs already claimed as deduction for tax reporting	(1,076,544)	-	(98,667)	-	-	(1,175,211)
Contract asset	(2,330,482)	-	32,922	-	-	(2,297,560)
Unrealized gain on derivative transaction	(615,513)	-	218,912	520,009	-	123,408
Unrealized foreign exchange gain	(12,207)	(1,759)	(14,604)	-	-	(28,570)
Unamortized discount on noninterest bearing liability	(11,113)	-	(195)	-	-	(11,308)
Others	(313,408)	(866)	(128,042)	(23,104)	-	(465,420)
	(12,280,620)	(148,139)	(1,437,743)	496,905	-	(13,369,597)
Net deferred income tax assets (liabilities)	(₱1,843,427)	(₱228,542)	(₱2,055,025)	₱1,084,325	(₱148,381)	(₱3,191,050)

Deferred tax assets of BTI on the following deductible temporary differences were not recognized since Management believes that it will not be utilized for future taxable income:

	2020	2019
	<i>(In Thousand Pesos)</i>	
Deferred tax assets on:		
Allowance for impairment of assets	₱605,282	₱605,282
Provision for probable loss	197,380	251,668
	₱802,662	₱856,950

30 Earnings Per Share

The Globe Group's earnings per share amounts were computed as follows:

	2020	2019	2018
	<i>(In Thousand Pesos and Number of Shares Except per Share Figures)</i>		
Net income attributable to common shareholders	₱18,578,322	₱22,269,340	₱18,640,740
Less dividends on preferred shares:			
Non-voting preferred shares	520,060	520,060	520,060
Convertible voting preferred shares	50,027	50,027	41,752
Net income attributable to common shareholders for basic earnings per share (a)	18,008,235	21,699,253	18,078,928
Add dividends on convertible voting preferred shares	50,027	50,027	41,752
Net income attributable to common shareholders for diluted earnings per share (b)	18,058,262	21,749,280	18,120,680
Common shares outstanding, beginning	133,208	133,053	132,917
Add Weighted average number of issued shares under share-based compensation	149	-	-
Weighted average number of exercised shares for stock options	-	101	101
Weighted average number of shares for basic earnings per share (c)	133,357	133,154	133,018
Add Dilutive shares arising from:			
Convertible preferred shares	390	399	431
Share based compensation plans	611	535	371
Stock options	-	-	15
Adjusted weighted average number of common shares for diluted earnings per share (d)	134,358	134,088	133,835
Basic earnings per share (a/c)	₱135.04	₱162.96	₱135.91
Diluted earnings per share (b/d)	₱134.40	₱162.20	₱135.40

31 Capital and Financial Risk Management and Financial Instruments

The Globe Group adopts an expanded corporate governance approach in managing its business risks. An Enterprise Risk Management Policy was developed to systematically view the risks and to provide a better understanding of the different risks that could threaten the achievement of the Globe Group's mission, vision, strategies, and goals, and to provide emphasis on how management and employees play a vital role in achieving the Globe Group's mission of transforming and enriching lives through communications.

The policies are not intended to eliminate risk but to manage it in such a way that opportunities to create value for the stakeholders are achieved. The Globe Group risk management takes place in the context of the normal business processes such as strategic planning, business planning, operational and support processes.

The application of these policies is the responsibility of the BOD through the Chief Executive Officer. The Chief Finance Officer and concurrent Chief Risk Officer champion oversees the entire risk management function. Risk owners have been identified for each risk and they are responsible for coordinating and continuously improving risk strategies, processes and measures on an enterprise-wide basis in accordance with established business objectives.

The risks are managed through the delegation of management and financial authority and individual accountability as documented in employment contracts, consultancy contracts, letters of authority, letters of appointment, performance planning and evaluation forms, key result areas, terms of reference and other policies that provide guidelines for managing specific risks arising from the Globe Group's business operations and environment.

The Globe Group continues to monitor and manage its financial risk exposures according to its BOD approved policies.

The succeeding discussion focuses on Globe Group's capital and financial risk management.

31.1 Capital Risk Management Objectives and Policies

Capital represents equity attributable to equity holders of the Parent Company.

The primary objective of the Globe 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 Globe Group monitors its use of capital using leverage ratios, such as debt to total capitalization and makes adjustments to it in light of changes in economic conditions and its financial position. The ratio of debt to total capitalization for the years ended December 31, 2020 and 2019 was at 67% and 63%, respectively.

The Globe Group's loan agreements include compliance with certain ratios (see [Note 18](#)).

31.2 Financial Risk Management Objectives and Policies

The Globe Group's main risks arising from the use of financial instruments are market risk, credit risk and liquidity risk. Globe Telecom's BOD is ultimately responsible for reviewing and approving the policies for managing each of these risks. The Globe Group's risk management policies are summarized below:

31.2.1 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Globe Group is mainly exposed to two types of market risk: interest rate risk and currency risk.

The Globe Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge these risk exposures. The Globe Group uses a combination of natural hedges and derivative hedging to manage its foreign exchange exposure as discussed in [Note 8](#). It uses interest rate derivatives to reduce earnings volatility related to interest rate movements, and principal only swaps to hedge the foreign exchange risk exposure to principal repayments on USD debt.

It is the Globe Group's policy to ensure that capabilities exist for active but conservative management of its foreign exchange and interest rate risks. The Globe Group does not engage in any speculative derivative transactions. Authorized derivative instruments include currency forward contracts, currency swap contracts, interest rate swap contracts and currency option contracts.

The sensitivity analyses in the following sections relate to the position as of December 31, 2020 and 2019. The analyses exclude the impact of movements in market variables on the carrying value of pension, provisions and on the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held as of December 31, 2020 and 2019 including the effect of hedge accounting.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges for the effects of the assumed changes in the underlying.
- The assumed changes in market rates applied in the sensitivity analyses were based on historical information and may not necessarily reflect the actual movements that may occur in the future periods.

31.2.1.1 Interest Rate Risk

The Globe Group's exposure to market risk from changes in interest rates relates primarily to the Globe Group's long-term debt obligations.

Globe Group's policy is to manage its interest cost using a mix of fixed and variable rate debt, targeting a ratio of between 31%-62% fixed rate USD debt to total USD debt, and between 44%-88% fixed rate PHP debt to total PHP debt. To manage this mix in a cost-efficient manner, the Globe Group enters into interest rate swaps, in which Globe Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount.

After taking into account the effect of interest rate swaps, the ratio of loans with fixed interest rates to total loans are as follows:

	2020	2019
USD fixed rate loans	91%	57%
PHP fixed rate loans	85%	85%

In 2020, the Globe Group's USD fixed rate loans ratio increased to 91% as a result of the issuance of the USD 600 million fixed rate notes (See [Note 18.3](#)).

The loans receivable from related parties are subject to fixed interest rates and therefore not exposed to market interest rate risk.

Due to the short term maturities of cash and cash equivalents, its exposure to interest rate risk is not considered to be significant.

The following tables demonstrate the sensitivity of income before tax to and equity a reasonably possible change in interest rates after the impact of hedge accounting, with all other variables held constant.

	Increase/ Decrease in basis Points	Effect on income before income tax Increase (Decrease)	Effect on equity Increase (Decrease)
<i>(In Thousand Pesos except changes in bps)</i>			
2020			
USD	+50bps	₱8,058	₱9,490
	-50bps	(8,058)	(9,494)
PHP	+200bps	169,316	49,461
	-200bps	(169,316)	(49,532)
2019			
USD	+50bps	₱6,547	₱372
	-50bps	(6,547)	(372)
PHP	+120bps	87,957	7,438
	-120bps	(87,957)	(7,443)

31.2.1.2 Foreign Exchange Risk

The Globe Group's foreign exchange risk results primarily from movements of the PHP against the USD with respect to USD-denominated financial assets, USD-denominated financial liabilities and certain USD-denominated revenues. Majority of revenues are generated in PHP, while substantially all of capital expenditures are in USD. In addition, 29% and 16.33% of debt as of December 31, 2020 and 2019, respectively, are denominated in USD before taking into account any swap and hedges.

Information on the Globe Group's foreign currency-denominated monetary assets and liabilities and their PHP equivalents are as follows:

	2020		2019	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
<i>(In Thousand)</i>				
Assets				
Cash and cash equivalents	\$115,666	₱5,554,401	\$68,305	₱3,470,052
Trade Receivables	89,146	4,280,876	83,492	4,241,541
	204,812	9,835,277	151,797	7,711,593
Liabilities				
Trade payable and accrued expenses	472,929	22,710,522	463,249	23,533,959
Loans payable	1,003,448	48,186,567	437,734	22,237,758
	1,476,377	70,897,089	900,983	45,771,717
Net foreign currency - denominated liabilities	\$1,271,565	₱61,061,812	\$749,186	₱38,060,124

The following table demonstrates the sensitivity to a reasonably possible change in the PHP to USD exchange rate, with all other variables held constant, of the Globe Group's income before tax (due to changes in the fair value of foreign currency-denominated assets and liabilities).

	Increase/Decrease in Peso to US Dollar exchange rate	Effect on income before income tax Increase (Decrease)	Effect on equity Increase (Decrease)
<i>(In Thousand Pesos except change in bps)</i>			
2020	+.90	(P1,145,296)	(P856,014)
	-.90	1,145,296	856,014
2019	+.60	(P401,161)	(P241,255)
	-.60	401,161	241,255

The movement in equity arises from changes in the fair values of derivative financial instruments designated as cash flow hedges.

The Globe Group's foreign exchange risk management policy is to maintain a hedged financial position, after taking into account expected USD flows from operations and financing transactions. The Globe Group enters into short-term foreign currency forwards and long-term foreign currency swap contracts in order to achieve this target.

31.2.2 Credit Risk

Credit Risk Exposure

The table below details the Globe Group's exposure to credit risk:

	Notes	2020	2019
<i>(In Thousand Pesos)</i>			
Cash and cash equivalents	5	P19,508,114	P8,298,092
Trade receivables – net	6	20,145,484	21,138,950
Contract assets – net	7	5,397,829	7,045,794
Derivative assets	8	58,524	426,955
Loans receivable from related parties	10	478,000	836,620
Non-trade receivables	10	1,564,304	1,455,747
		P47,152,255	P39,202,158

The Globe Group has not executed any credit guarantees in favor of other parties.

Credit Risk Management

Credit exposures from subscribers are managed closely by the Credit, Billing and Risk Management of the Globe Group. Applications for postpaid service are subjected to standard credit evaluation and verification procedures. The Credit, Billing and Risk Management of the Globe Group continuously reviews credit policies and processes and implements various credit actions, depending on assessed risks, to minimize credit exposure. Receivable balances of postpaid subscribers are being monitored on a regular basis and appropriate credit treatments are applied at various stages of delinquency. Likewise, net receivable balances from carriers of traffic are also being monitored and subjected to appropriate actions to manage credit risk.

The Globe Group analyzes its subscribers' receivables and contract assets based on internal credit risk rating. The table below shows the analysis of the Globe Group's subscribers' receivables and contract assets as of December 31, 2020 and 2019.

	High Quality	Medium Quality	Low Quality	Terminated Accounts	Total
<i>(In Thousand Pesos)</i>					
2020					
Wireless subscribers receivables:					
Consumer	₱4,125,333	₱924,266	₱1,003,872	₱1,718,474	₱7,771,945
Key corporate accounts	838,058	93,430	74,429	851,640	1,857,557
Other corporations and SMEs	446,687	137,653	4,720	307,574	896,634
	5,410,078	1,155,349	1,083,021	2,877,688	10,526,136
Wireline subscribers receivables:					
Consumer	437,572	654,239	558,209	4,396,714	6,046,734
Key corporate accounts	2,999,241	1,029,156	751,606	1,895,813	6,675,816
Other corporations and SMEs	93,891	170,437	167,937	704,584	1,136,849
	3,530,704	1,853,832	1,477,752	6,997,111	13,859,399
Total subscribers' receivables	8,940,782	3,009,181	2,560,773	9,874,799	24,385,535
Wireless contract assets					
Consumer	3,913,216	872,972	203,289	21,982	5,011,459
Key corporate accounts	581,480	16,888	7,043	3,981	609,392
Other corporations and SMEs	367,011	42,725	2,447	4,508	416,691
	4,861,707	932,585	212,779	30,471	6,037,542
Total subscribers' receivables and contracts assets	₱13,802,489	₱3,941,766	₱2,773,552	₱9,905,270	₱30,423,077

	High Quality	Medium Quality	Low Quality	Terminated Accounts	Total
<i>(In Thousand Pesos)</i>					
2019					
Wireless subscribers receivables:					
Consumer	₱4,308,644	₱1,337,781	₱771,013	₱2,255,493	₱8,672,931
Key corporate accounts	418,062	80,521	54,425	1,162,158	1,715,166
Other corporations and SMEs	495,137	73,159	3,143	151,044	722,483
	5,221,843	1,491,461	828,581	3,568,695	11,110,580
Wireline subscribers receivables:					
Consumer	687,389	539,126	287,567	2,359,190	3,873,272
Key corporate accounts	3,919,246	849,667	518,313	2,185,751	7,472,977
Other corporations and SMEs	150,774	164,219	48,307	734,738	1,098,038
	4,757,409	1,553,012	854,187	5,279,679	12,444,287
Total subscribers' receivables	9,979,252	3,044,473	1,682,768	8,848,374	23,554,867
Wireless contract assets					
Consumer	4,907,241	1,342,050	273,103	97,684	6,620,078
Key corporate accounts	460,551	75,944	2,926	13,958	553,379
Other corporations and SMEs	697,806	58,551	18,069	13,389	787,815
	6,065,598	1,476,545	294,098	125,031	7,961,272
Total subscribers' receivables and contracts assets	₱16,044,850	₱4,521,018	₱1,976,866	₱8,973,405	₱31,516,139

The Globe Group's credit risk rating comprises the following categories:

- High quality accounts are accounts considered to be of good quality, have consistently exhibited good paying habits, and are unlikely to miss payments. High quality accounts primarily include strong corporate and consumer accounts with whom the Globe Group has excellent payment experience.
- Medium quality accounts are accounts that exhibited good paying habits but may require minimal monitoring with the objective of moving accounts to high quality rating. Medium quality accounts primarily include subscribers whose creditworthiness can be moderately affected by adverse changes in economic and financial conditions, but will not necessarily, reduce the ability of the subscriber to fulfill its obligations. It includes customers with whom the Globe Group has limited experience and therefore, creditworthiness needs to be further established over time.
- Low quality accounts are accounts which exhibit characteristics that are identified to have increased likelihood to miss payments. Low quality accounts are subject to closer monitoring and scrutiny with the objective of managing risk and moving accounts to improved rating category. It primarily includes mass consumer, corporate and SME customers whose creditworthiness are easily affected by adverse changes in economic and financial conditions.
- Terminated accounts are accounts in cancelled status. Although there is a possibility that terminated accounts may still be collected by exhausting collection efforts, the probability of recovery has significantly deteriorated.

For traffic settlements and other trade receivables, the Globe Group uses delinquency and past due information to analyze the credit risk. The tables below show the aging analysis of the Globe Group's traffic settlements and other trade receivables as of December 31, 2020 and 2019.

2020

	Current	Less than 30 days past due	31 to 60 days past due	61 to 90 days past due	Over 90 days past due	Total
<i>(In Thousand Pesos)</i>						
Traffic receivables:						
Foreign	₱195,638	₱-	₱65,633	₱13,173	₱538,122	₱812,566
Local	304,964	478	922	234	217,041	523,639
	500,602	478	66,555	13,407	755,163	1,336,205
Other trade receivables	2,674,951	665,466	491,956	212,550	908,345	4,953,268
Total	₱3,175,553	₱665,944	₱558,511	₱225,957	₱1,663,508	₱6,289,473

2019

	Current	Less than 30 days past due	31 to 60 days past due	61 to 90 days past due	Over 90 days past due	Total
<i>(In Thousand Pesos)</i>						
Traffic receivables:						
Foreign	₱765,314	₱-	₱193,377	₱166,732	₱502,133	₱1,627,556
Local	50,017	7,622	5,675	5,389	208,723	277,426
	₱815,331	7,622	199,052	172,121	710,856	₱1,904,982
Other trade receivables	3,379,480	530,089	311,039	121,312	754,662	5,096,582
Total	₱4,194,811	₱537,711	₱510,091	₱293,433	₱1,465,518	₱7,001,564

With respect to receivables from related parties, the exposure to credit risk is managed on a group basis.

For investments with banks and other counterparties, the Globe Group has a risk management policy which allocates investment limits based on counterparty credit rating and credit risk profile. The Globe Group makes a quarterly assessment of the credit standing of its investment counterparties, and allocates investment limits based on size, liquidity, profitability, and asset quality. The usage of limits is regularly monitored.

For its derivative counterparties, the Globe Group deals only with counterparty banks with investment grade ratings and large local banks. Credit ratings of derivative counterparties are reviewed quarterly.

Following are the Globe Group exposures with its investment counterparties for time deposits as of December 31:

	2020	2019	2018
Local bank deposits	99.99%	100%	59%
Onshore foreign bank	0.01%	-	31%
Offshore bank deposit	-	-	10%

31.2.3 Liquidity Risk

The Globe Group seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Globe Group intends to use internally generated funds and available long-term and short-term credit facilities.



The following table shows the Globe Group's available credit facilities (in millions):

	2020	2019
Long-term committed	₱3,500	₱-
Short term		
Committed	₱3,000	₱3,000
Uncommitted		
USD	\$83.90	\$93.9
PHP	₱16,223.70	₱16,350

As part of its liquidity risk management, the Globe Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans, export credit agency facilities, and capital market issues.

The following tables show comparative information about the Globe Group's financial instruments as of December 31 that are exposed to liquidity risk and interest rate risk and presented by maturity profile including forecasted interest payments for the next five years from December 31 figures.

Loans Payable

2020

	Less than 1 year	1 to 3 years	Over 3 years
	<i>(In Thousands)</i>		
Loans Payable			
Fixed Rate			
USD notes	\$504	\$762	\$600,000
Philippine peso	₱7,745,299	₱20,417,211	₱69,747,500
Floating rate			
USD notes	\$11,950	\$217,550	\$173,000
Philippine peso	₱210,000	₱18,396,250	₱1,473,750
Interest payable*			
PHP debt	₱5,342,733	₱13,460,718	₱10,991,150
USD debt	\$25,972	\$72,397	\$184,740

*Used month-end USD LIBOR and Philippine Dealing and Exchange Corporation (PDEX) rates.

2019

	Less than 1 year	1 to 3 years	Over 3 years
	<i>(In Thousands)</i>		
Loans Payable			
Fixed Rate			
USD notes	\$454	\$1,266	\$-
Philippine peso	₱6,157,500	₱26,005,000	₱63,187,500
Floating rate			
USD notes	\$129,150	\$150,250	\$157,250
Philippine peso	₱210,000	₱6,860,000	₱11,720,000
Interest payable*			
PHP debt	₱6,014,003	₱15,105,917	₱13,598,501
USD debt	\$11,147	\$21,454	\$8,900

*Used month-end USD LIBOR and Philippine Dealing and Exchange Corporation (PDEX) rates.



The following tables present the maturity profile of the Globe Group's other liabilities and derivative instruments (undiscounted cash flows including swap costs payments/receipts except for other long-term liabilities) as of December 31, 2020 and 2019 (in thousand pesos).

2020

Other Financial Liabilities

	Less than 1 year	1 to 5 years	Over 5 years	Total
Trade payables and accrued expenses*	₱50,595,421	₱-	₱-	₱50,595,421
Other long-term liabilities	-	-	1,237,258	1,237,258
	₱50,595,421	₱-	₱1,237,258	₱51,832,679

*Excludes taxes payable which is not a financial instrument.

Derivative Instrument

	Less than 1 year		1 to 3 years		Over 3 years	
	Receive	Pay	Receive	Pay	Receive	Pay
Projected Swap Coupons:						
Interest Rate Swaps-USD	₱4,539	₱46,583	₱2,279	₱23,724	₱-	₱-
Cross Currency Swaps	₱175,331	₱764,597	₱467,580	₱2,037,416	₱230,020	₱965,519
Principal Only Swaps	₱-	₱599,958	₱-	₱2,109,507	₱-	₱2,055,486

	Less than 1 year		1 to 3 years		Over 3 years	
	Receive	Pay	Receive	Pay	Receive	Pay
Projected Principal Exchanges:						
Forward Purchase of USD	\$20,000	₱1,007,800	\$-	₱-	\$-	₱-
Cross Currency Swaps- PHP	₱-	₱184,221	₱-	₱6,534,663	₱-	₱8,834,976
Cross Currency Swaps- USD	\$3,550	\$-	\$126,350	\$-	\$173,000	\$-
Principal Only Swaps- PHP	₱-	₱353,067	₱-	₱2,633,442	₱-	₱29,118,475
Principal Only Swaps- USD	\$7,500	\$-	\$52,500	\$-	\$600,000	\$-

2019

Other Financial Liabilities

	Less than 1 year	1 to 5 years	Over 5 years	Total
Trade payables and accrued expenses*	₱52,663,918	₱-	₱-	₱52,663,918
Other long-term liabilities	-	-	962,079	962,079
	₱52,663,918	₱-	₱962,079	₱53,625,997

*Excludes taxes payable which is not a financial instrument.

Derivative Instrument

	Less than 1 year		1 to 3 years		Over 3 years	
	Receive	Pay	Receive	Pay	Receive	Pay
Projected Swap Coupons:						
Interest Rate Swaps-USD	₱63,489	₱67,811	₱46,945	₱74,596	₱-	₱-
Cross Currency Swaps	₱355,228	₱657,151	₱719,408	₱1,585,458	₱446,786	₱805,836
Principal Only Swaps	₱583,719	₱76,245	₱1,167,439	₱80,912	₱-	₱-

	Less than 1 year		1 to 3 years		Over 3 years	
	Receive	Pay	Receive	Pay	Receive	Pay
Projected Principal Exchanges:						
FX Swap, Buys USD Forward	\$112,000	₱5,766,580	\$-	₱-	\$-	₱-
Cross Currency Swaps- PHP	₱-	₱4,589,271	₱-	₱2,666,662	₱-	₱8,050,948
Cross Currency Swaps- USD	\$90,550	\$-	\$50,650	\$-	\$157,250	\$-
Principal Only Swaps- PHP	₱-	₱1,795,721	₱-	₱2,986,508	₱-	₱-
Principal Only Swaps- USD	\$37,700	\$-	\$60,000	\$-	\$-	\$-

32 Financial Assets and Liabilities

32.1 Categories of Financial Assets and Financial Liabilities

The table below presents the carrying value of Globe Group's financial instruments by category as of December 31 based on the classification requirements of PFRS 9:

	2020	2019
	<i>(In Thousand Pesos)</i>	
Financial Assets		
Derivative assets:		
Derivative assets designated as cash flow hedges (FVOCI)	₱58,524	₱425,696
Derivative assets not designated as hedges (FVPL)	-	1,259
Financial assets at FVOCI:		
Investment in equity securities	2,457,616	1,762,825
Financial assets at FVPL:		
Investment in debt securities	83,655	374,956
Financial assets at amortized cost		
Cash and cash equivalents	19,508,114	8,298,092
Trade receivables – net	20,145,484	21,138,950
Contract assets – net	5,397,829	7,045,794
Non-trade receivables	1,564,304	1,455,747
Loans receivable from related parties	478,000	836,620
	₱49,693,526	₱41,339,939
Financial Liabilities:		
Derivative liabilities		
Derivative liabilities designated as cash flow hedges (FVOCI)	₱2,892,403	₱767,358
Derivative liabilities not designated as hedges (FVPL)	47,380	70,958
Financial liabilities at amortized cost		
Trade payables and accrued expenses*	50,595,421	52,663,918
Loans payable	164,792,150	135,862,735
Other long term liabilities**	1,237,258	962,079
	₱219,564,612	₱190,327,048

*Trade payables and accrued expenses do not include taxes payables which are not considered financial liabilities.

**Other long term liabilities do not include ARO which is not considered financial liabilities.

32.2 Offsetting Financial Assets and Financial Liabilities

The Globe Group has financial instruments that have offsetting arrangements as follows:

	Gross amounts	Amounts offset under PAS 32	Reported amounts in the consolidated statements of financial position	Amounts offset under master netting arrangements or other similar contracts	Net exposure
<i>(In Thousand Pesos)</i>					
December 31, 2020					
Derivative assets	₱58,524	₱-	₱58,524	(₱52,149)	₱6,375
Derivative liabilities	2,939,783	-	2,939,783	(52,149)	2,887,634
Traffic settlements receivable (Note 6)	1,868,744	(532,539)	1,336,205	-	1,336,205
Traffic settlements payable (Note 16)	863,406	(532,539)	330,867	-	330,867
December 31, 2019					
Derivative assets	₱426,955	₱-	₱426,955	(₱168,291)	₱258,664
Derivative liabilities	838,316	-	838,316	(168,291)	670,025
Traffic settlements receivable (Note 6)	2,948,547	(1,043,565)	1,904,982	-	1,904,982
Traffic settlements payable (Note 16)	2,036,595	(1,043,565)	993,030	-	993,030

The Globe Group makes use of master netting agreements with counterparties with whom a significant volume of transactions are undertaken. Such arrangements provide for single net settlement of all financial instruments covered by the agreements in the event of default on any one contract. Master netting arrangements do not normally result in an offset of balance sheet assets and liabilities unless certain conditions for offsetting under PAS 32 apply.

Although master netting arrangements may significantly reduce credit risk, it should be noted that:

- Credit risk is eliminated only to the extent that amounts due to the same counterparty will be settled after the assets are realized; and
- The extent to which overall credit risk is reduced may change substantially within a short period because the exposure is affected by each transaction subject to the arrangement and fluctuations in market factors.

32.3 Fair Values of Financial Assets and Financial Liabilities

The table below presents a comparison of carrying amounts and estimated fair values of all the Globe Group's financial instruments as of December 31:

	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>(In Thousand Pesos)</i>				
Financial Assets				
Derivative assets ¹	₱58,524	₱58,524	₱426,955	₱426,955
Investment in debt and equity securities ¹	2,541,271	2,541,271	2,137,781	2,137,781
	₱2,599,795	₱2,599,795	₱2,564,736	₱2,564,736
Financial Liabilities				
Derivative liabilities ¹	₱2,939,783	₱2,939,783	₱838,316	₱838,316
Loans payables ²	164,792,150	184,236,544	135,862,735	145,473,115
	₱167,731,933	₱187,176,327	₱136,701,051	₱146,311,431

¹ Measured at fair value on a recurring basis

² Fair value is disclosed only in the Notes to Financial Statements

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

32.3.1 Non-Derivative Financial Instrument

The fair values of cash and cash equivalents, trade receivables, contract assets, non-trade receivables, trade payables and accrued expenses are approximately equal to their carrying amounts considering the short-term maturities of these financial instruments.

The fair value of loans receivable from related parties was estimated based on the present value of all future cash flows discounted using the prevailing market rate of interest for a similar instrument. The resulting fair value of loans receivable from related parties approximates the carrying amount.

The fair value of investments in debt and equity securities are based on quoted prices of similar instruments (Level 1) and recent funding round prices of identical or similar instruments (Level 2). Certain investments in equity securities with no recent funding round were valued using sales enterprise value multiple of comparable companies ranging from 1.9x to 22.9x. These investments were transferred to Level 3 of the fair value hierarchy.

For variable rate loans payable that reprice every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates. For variable rate loans payable that reprice every six months, the fair value is determined by discounting the principal amount plus the next interest payment using the prevailing market rate for the period up to the next repricing date. The discount rate used is 1.9302% for USD floating loans.

For noninterest bearing and fixed rate loans payable, the fair value was estimated as the present value of all future cash flows discounted using the prevailing market rate of interest for a similar instrument.

32.3.2 Derivative Instrument

The fair value of freestanding and embedded forward exchange contracts is calculated by using the interest rate parity concept.

The fair values of interest rate swaps and cross currency swap transactions are determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions and reflect appropriate risk adjustments that market participants would make for credit and liquidity risks existing at the end each of reporting period. The fair value of interest rate swap transactions is the net present value of the estimated future cash flows. The fair values of currency and cross currency swap transactions are determined based on changes in the term structure of interest rates of each currency and the spot rate.

The fair values were tested to determine the impact of credit valuation adjustments. However, the impact is immaterial given that the Globe Group deals its derivatives with large foreign and local banks with very minimal risk of default.

32.3.3 Fair Value Hierarchy

The following tables provide the fair value measurement hierarchy of the Globe Group's assets and liabilities:

	Fair value measurement using			Total
	Level 1	Level 2	Level 3	
2020	<i>(In Thousand Pesos)</i>			
Financial Assets				
Derivative assets	P-	P58,524	P-	P58,524
Investment in debt and equity securities	452,591	971,159	1,117,521	2,541,271
Financial Liabilities				
Derivative liabilities	-	2,939,783	-	2,939,783
Loans payable	-	184,236,544	-	184,236,544
2019				
Financial Assets				
Derivative assets	P-	P426,955	P-	P426,955
Investment in debt and equity securities	402,200	1,735,581	-	2,137,781
Financial Liabilities				
Derivative liabilities	-	838,316	-	838,316
Loans payable	-	145,473,115	-	145,473,115

There were no transfers from Level 1 and Level 2 fair value measurements for the years ended December 31, 2020 and 2019.



33 Operating Segment Information

The Globe Group's reportable segments consist of: (1) mobile communications services; and (2) wireline communication services; which the Globe Group operates and manages as strategic business units and organize by products and services. The Globe Group presents its various operating segments based on segment net income.

Intersegment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

Most of the Globe Group's revenues are derived from operations within the Philippines, hence, the Globe Group does not present geographical information required by PFRS 8, *Operating Segments*. The Globe Group does not have a single customer that will meet the 10% reporting criteria.

The Globe Group also presents the different product types that are included in the report that is regularly reviewed by the chief operating decision maker in assessing the operating segments performance.

Segment assets and liabilities are not measures used by the chief operating decision maker since the assets and liabilities are managed on a group basis.

The Globe Group's segment information is as follows:

	2020			Consolidated
	Mobile Communications Services	Wireline Communications Services	Others	
<i>(In Thousand Pesos)</i>				
REVENUES:				
Service revenues:				
External customers:				
Data	₱71,953,848	₱12,539,234	-	₱84,493,082
Voice	20,129,875	2,620,106	-	22,749,981
SMS	11,029,640	-	-	11,029,640
Broadband	-	26,798,310	-	26,798,310
Others	-	-	1,317,121	1,317,121
	103,113,363	41,957,650	1,317,121	146,388,134
Nonservice revenues:				
External customers	11,968,825	2,071,964	90,619	14,131,408
Segment revenues	115,082,188	44,029,614	1,407,740	160,519,542
Adjusted EBITDA	60,240,700	12,656,740	614,915	73,512,355
Depreciation and amortization	(23,025,483)	(12,291,232)	(95,323)	(35,412,038)
EBIT	37,215,217	365,508	519,592	38,100,317
NET INCOME BEFORE TAX	28,325,800	(1,493,984)	307,847	27,139,663
Provision for income tax	(8,888,710)	468,697	(96,605)	(8,516,618)
NET INCOME (LOSS)	₱19,437,090	(₱1,025,287)	₱211,242	₱18,623,045
Core net income after tax				₱19,523,157
Intersegment revenues	(₱1,518,596)	(₱1,348,759)	(₱4,238,354)	(₱7,105,709)
Interest income	161,927	21,922	11,089	194,938
Finance cost	(7,076,628)	(12,631)	(22,151)	(7,111,410)
Equity in net losses of associates and joint ventures	(2,427,159)	59,719	-	(2,367,440)
Impairment and other losses	5,397,218	4,863,483	(53,102)	10,207,599
Total additions to property and equipment and intangible assets	37,059,532	9,730,107	178,958	46,968,597
Cost of inventories sold	(11,926,754)	(4,151,777)	(327,665)	(16,406,196)
Gain on deemed sale of investment in Mynt	2,042,441	-	-	2,042,441
Gain on debt renegotiation	343,122	-	-	343,122
Operating expenses	(42,914,734)	(27,221,097)	(465,161)	(70,600,992)
Cash Flows				
Net cash from (used in):				
Operating activities	₱51,452,379	₱13,723,327	(₱15,708)	₱65,159,998
Investing activities	(48,376,208)	(13,196,777)	(1,194)	(61,574,179)
Financing activities	8,910,234	(419,865)	(1,206)	8,489,163

	2019			
	Mobile Communications Services	Wireline Communications Services	Others	Consolidated
<i>(In Thousand Pesos)</i>				
REVENUES:				
Service revenues:				
External customers:				
Data	₱71,431,987	₱12,968,682	₱-	₱84,400,669
Voice	24,002,225	2,667,751	-	26,669,976
SMS	15,530,520	-	-	15,530,520
Broadband	-	21,746,532	-	21,746,532
Others	-	-	662,266	662,266
	110,964,732	37,382,965	662,266	149,009,963
Nonservice revenues:				
External customers	17,254,403	393,503	2468	17,650,374
Segment revenues	128,219,135	37,776,468	664,734	166,660,337
Adjustment EBITDA	63,774,629	12,261,344	(4,540)	76,031,433
Depreciation and amortization	(21,257,411)	(12,843,276)	(42,854)	(34,143,541)
EBIT	42,517,218	(581,932)	(47,394)	41,887,892
NET INCOME BEFORE TAX	33,373,586	(516,836)	(29,374)	32,827,376
Provision for income tax	(10,719,052)	165,999	9,434	(10,543,619)
NET INCOME (LOSS)	₱22,654,534	(₱350,837)	(₱19,940)	₱22,283,757
Core net income after tax				₱22,450,847
Intersegment revenues	(₱1,725,386)	(₱1,541,929)	(₱2,633,927)	(₱5,901,242)
Interest income	257,297	239,199	3,941	500,437
Finance cost	(6,699,056)	(99,981)	(3,824)	(6,802,861)
Equity in net losses of associates and joint ventures	(2,554,782)	-	-	(2,554,782)
Impairment and other losses	3,016,058	1,802,004	95,075	4,913,137
Total additions to property and equipment and intangible assets	36,566,209	9,195,494	37,735	45,799,438
Cost of inventories sold	(18,063,607)	(432,208)	(58,999)	(18,554,814)
Operating expenses	(46,380,949)	(25,082,916)	(610,276)	(72,074,141)
Cash Flows				
Net cash from (used in):				
Operating activities	₱65,697,153	₱9,213,244	(₱868,178)	₱74,042,219
Investing activities	(46,157,890)	(8,996,037)	123,148	(55,030,779)
Financing activities	(32,817,190)	(440,163)	-	(33,257,353)

	2018			
	Mobile Communications Services	Wireline Communications Services	Others	Consolidated
	<i>(In Thousand Pesos)</i>			
REVENUES:				
Service revenues:				
External customers:				
Data	₱28,210,415	₱2,977,017	₱-	₱31,187,432
Voice	19,993,637	-	-	19,993,637
SMS	51,042,385	11,835,151	-	62,877,536
Broadband	-	18,605,636	-	18,605,636
Others	-	-	211,069	211,069
	99,246,437	33,417,804	211,069	132,875,310
Nonservice revenues:				
External customers	17,810,983	391,951	94,562	18,297,496
Segment revenues	117,057,420	33,809,755	305,631	151,172,806
Adjusted EBITDA	54,670,619	10,400,882	55,614	65,127,115
Depreciation and amortization	(18,106,260)	(11,945,141)	(370,320)	(30,421,721)
EBIT	36,564,359	(1,544,259)	(314,706)	34,705,394
NET INCOME BEFORE TAX	28,621,149	(667,081)	(340,752)	27,613,316
Provision for income tax	(9,315,395)	217,117	110,905	(8,987,373)
NET INCOME (LOSS)	₱19,305,754	(₱449,964)	(₱229,847)	₱18,625,943
Core net income after tax				₱18,734,587
Intersegment revenues	(₱1,766,230)	(₱1,697,538)	(₱2,335,717)	(₱5,799,485)
Interest income	264,574	125,324	1,132	391,030
Finance cost	(6,177,590)	(16,298)	(1,337)	(6,195,225)
Equity in net losses of associates and joint ventures	(1,249,603)	-	-	(1,249,603)
Impairment and other losses	3,126,016	1,660,935	693	4,787,644
Total additions to property and equipment and intangible assets	26,572,572	9,713,380	28,835	36,314,787
Cost of inventories sold	(18,045,081)	(502,497)	(97,736)	(18,645,314)
Operating expenses	(44,341,724)	(22,906,377)	(152,282)	(67,400,383)
Cash Flows				
Net cash from (used in):				
Operating activities	₱45,568,742	₱12,458,938	(₱177,151)	₱57,850,529
Investing activities	(33,090,435)	(9,542,862)	(18,456)	(42,651,753)
Financing activities	(8,388,356)	4,953,310	-	(3,435,046)

The reconciliation of the Adjusted EBITDA to income before income tax presented in the consolidated statements of comprehensive income is shown below:

	Notes	2020	2019	2018
<i>(In Thousand Pesos)</i>				
Adjusted EBITDA		₱73,512,355	₱76,031,433	₱65,127,115
Depreciation and amortization	25	(35,412,038)	(34,143,541)	(30,421,721)
Financing costs	26	(7,111,410)	(6,802,861)	(6,195,225)
Impairment of property and equipment		(4,149,337)	(59,157)	(61,739)
Equity in net losses of associates and joint ventures	15	(2,367,440)	(2,554,782)	(1,249,603)
Gain on deemed sale of investment in Mynt	15, 23	2,042,441		
Foreign exchange gain (loss) - net	23	1,690,842	848,394	(900,430)
Gain (loss) on derivative instruments	23	(1,579,746)	(809,540)	1,004,171
Gain on debt renegotiation	23	343,122	-	-
Interest income	22	194,938	500,437	391,030
Gain on disposal of property and equipment - net		33,244	43,012	73,088
Remeasurement loss on investment in associate	27	-	(470,653)	-
Gain on sale of Investment in associate	23	-	240,000	-
Impairment of goodwill	27	-	-	(142,794)
Other items		(57,308)	4,634	(10,576)
Income before income tax		₱27,139,663	₱32,827,376	₱27,613,316

The reconciliation of core net income after tax (core NIAT) to NIAT is shown below:

	2020	2019	2018
<i>(In Thousand Pesos)</i>			
Core NIAT	₱19,523,157	₱22,450,847	₱18,734,587
Impairment of property and equipment	(2,904,536)	(41,410)	(43,217)
Gain on deemed sale of investment in Mynt	1,736,075	-	-
Foreign exchange gains (losses)	(1,183,589)	593,876	(630,301)
Gain (loss) on derivatives instruments	1,105,822	(566,678)	702,919
Gain on debt renegotiation	240,185	-	-
Remeasurement loss on investment in associate	-	(432,975)	-
Gain on sale of Investment in associate	-	240,000	-
Impairment of goodwill	-	-	(142,794)
Others	105,931	40,097	4,749
NIAT	₱18,623,045	₱22,283,757	₱18,625,943

33.1 Mobile Communications Services

This reporting segment is made up of digital cellular telecommunications services which includes mobile voice, mobile SMS and mobile data.

Globe Telecom offers its mobile communications services to consumers, corporate and small and medium enterprise (SME) clients through the following three (3) brands: Globe Postpaid, Globe Prepaid and Touch Mobile.



33.1.1 Mobile Voice

Mobile voice include local, national and international long-distance call services. In addition to its standard, pay-per-use rates, subscribers can choose from bulk and unlimited voice offerings for all-day, and in several denominations.

33.1.2 Mobile SMS

Mobile SMS consist of local and international revenues from inbound and outbound SMS.

33.1.3 Mobile Data

Mobile Data services allow subscribers to access the internet using their internet-capable mobile devices or laptops with USB modems. Mobile data also includes local and international revenues from value-added services such as content downloading, mobile commerce services, and other add-on VAS.

33.2 Wireline Communications Services

This reporting segment is made up of fixed line voice, corporate data and home broad band services.

Globe offers a full range of fixed line communications services, wired and wireless Broadband access, and end-to-end connectivity solutions customized for consumers, SMEs (Small & Medium Enterprises), large corporations and businesses.

33.2.1 Fixed Line Voice

Globe's fixed line voice services include local, national and international long-distance calling services in postpaid and prepaid packages through its Globelines brand. For corporate and enterprise customers, Globe offers voice solutions that include regular and premium conferencing, enhanced voice mail, IP-PBX solutions and domestic or international toll-free services.

33.2.2 Corporate Data

Corporate data services include end-to-end data solutions customized according to the needs of businesses. Globe's product offerings include international and domestic leased line services, wholesale and corporate internet access, data center services and other connectivity solutions tailored to the needs of specific industries. Among the products and solutions are as follows:

- Connectivity - Globe connectivity services provides an up to speed with a fast and resilient connection powered by dedicated and reliable technologies. This service includes domestic data, international data, and other internet services.
- Cloud computing– Globe's range of cloud computing services provides improved efficiency and agility in the face of evolving business environments while keeping costs low
- Data Centers - Globe Data Center offers outsourced data center hosting and management for a superior experience that goes beyond technology.
- Cybersecurity –Globe cybersecurity provides enterprises the access to the best-in-class tool sets, hardware, software, and even niche technology experts to handle security threats and IT infrastructure in a cost-effective manner.

- Business Continuity - Globe business continuity services provides the right digital solutions for uninterrupted business operations. The product offers seamless connectivity through Prepaid Mobile WiFi or Corporate Managed Broadband, empowered remote workforce using collaboration tools, and security for their business operations with Backup-as-a-Service (BaaS) and Disaster-Recovery-as-a-Service (DRaaS), among others.
- Business Applications – Globe offers a diverse range of business applications solutions to streamline and enhance the business' operations, and raise efficiency, productivity, and customer satisfaction.

33.2.3 Home Broadband

Globe offers wired and fixed wireless Broadband services, across various technologies and connectivity speeds for its residential and business customers. Globe Home Broadband consists of wired or DSL Broadband packages bundled with voice, or Broadband data-only services.

34 Significant Agreements

34.1 Agreements and Commitments with Other Carriers

Globe Telecom, Innove and BTI have existing international telecommunications service agreements with various foreign administrations and interconnection agreements with local telecommunications companies for their various services. Globe Telecom also has international roaming agreements with other foreign operators, which allow its subscribers access to foreign networks. The agreements provide for sharing of toll revenues derived from the mutual use of telecommunication networks.

The interconnect costs for the period 2020, 2019 and 2018 amounted to ₱1,007.23 million, ₱3,982.87 million and ₱5,677.38 million, respectively.

Net traffic settlement receivables amounted to ₱1,336.21 million and ₱1,904.98 million while net traffic settlement payables amounted to ₱330.87 million and ₱993.03 million as of December 31, 2020 and 2019, respectively (see [Notes 6 and 16](#)).

34.2 Arrangements and Commitments with Suppliers

The Globe Group has entered into agreements with various suppliers for the development or construction, delivery and installation of property and equipment. Under the terms of these agreements, advance payments and down payments are made to suppliers upon submission of required documentation. While the development or construction is in progress, project costs are accrued based on the project status. Billings are based on the progress of the development or construction and advance payments are being applied proportionately to the milestone billings. When development or construction and installation are completed and the property and equipment is ready for service, the value of unbilled but delivered goods or services from the related purchase orders is accrued.

The accrued project costs as of December 31, 2020 and 2019 included in the "Trade payables and accrued expenses" account in the consolidated statements of financial position amounted to ₱8,482.15 million and ₱12,558.73 million, respectively (see [Note 16](#)). The settlement of these liabilities is dependent on the payment terms and project milestones agreed with the suppliers and contractors. As of December 31, 2020 and 2019, the unapplied advances made to suppliers and contractors relating to purchase orders issued amounted to ₱21,447.12 million and ₱10,449.60 million, respectively (see [Note 10](#)).

35 Contingencies

The Globe Group is contingently liable for various claims arising in the ordinary conduct of business and certain tax assessments which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. In the opinion of management and legal counsel, the possibility of outflow of economic resources to settle the contingent liability is remote.

Interconnection Charge for Short Messaging Service

On October 10, 2011, the NTC issued Memorandum Circular (MC) No. 02-10-2011 titled Interconnection Charge for Short Messaging Service requiring all public telecommunication entities to reduce their interconnection charge to each other from ₱0.35 to ₱0.15 per text, which Globe Telecom complied as early as November 2011. On December 11, 2011, the NTC One Stop Public Assistance Center (OSPAC) filed a complaint against Globe Telecom, Smart and Digital alleging violation of the said MC No. 02-10-2011 and asking for the reduction of SMS off-net retail price from P1.00 to P0.80 per text. Globe Telecom filed its response maintaining the position that the reduction of the SMS interconnection charges does not automatically translate to a reduction in the SMS retail charge per text.

On November 20, 2012, the NTC rendered a decision directing Globe Telecom to:

- Reduce its regular SMS retail rate from P1.00 to not more than ₱0.80;
- Refund/reimburse its subscribers the excess charge of ₱0.20; and
- Pay a fine of ₱200.00 per day from December 1, 2011 until date of compliance.

On May 7, 2014, NTC denied the Motion for Reconsideration (MR) filed by Globe Telecom last December 5, 2012 in relation to the November 20, 2012 decision. Globe Telecom's assessment is that Globe Telecom is in compliance with the NTC Memorandum Circular No. 02-10-2011. On June 9, 2014, Globe Telecom filed petition for review of the NTC decision and resolution with the Court of Appeals (CA).

The CA granted the petition in a resolution dated September 3, 2014 by issuing a 60-day temporary restraining order on the implementation of Memorandum Circular 02-10-2011 by the NTC. On October 15, 2014, Globe Telecom posted a surety bond to compensate for possible damages as directed by the CA.

On June 27, 2016, the CA rendered a decision reversing the NTC's abovementioned decision and resolution requiring telecommunications companies to cut their SMS rates and return the excess amount paid by subscribers. The CA said that the NTC order was baseless as there is no showing that the reduction in the SMS rate is mandated under MC No. 02-10-2011; there is no showing, either that the present P1.00 per text rate is unreasonable and unjust, as this was not mandated under the memorandum. Moreover, under the NTC's own MC No. 02-05-2008, SMS is a value added service (VAS) whose rates are deregulated. The respective motions for reconsideration filed by NTC and that of intervenor Bayan Muna Party List (Bayan Muna) Representatives Neri Javier Colmenares and Carlos Isagani Zarate were both denied.

The NTC thus elevated the CA's ruling to the Supreme Court (SC) via a Petition for Review on Certiorari dated September 15, 2017.

For its part, Bayan Muna filed its own Petition for Review on Certiorari of the CA's Decision. On January 4, 2018, Globe received a copy of the SC's Resolution dated November 6, 2017, requiring it to comment on said petition of Bayan Muna. Subsequently, on February 21, 2018, Globe received a copy of the SC's Resolution dated December 13, 2017 consolidating the Petitions for Review filed by Bayan Muna and NTC, and requiring Globe to file its comment on the petition for review filed by NTC. Thus, on April 2, 2018, Globe filed its Consolidated Comment on both Bayan Muna and the NTC's petitions for review. On September 18, 2018, Globe received a copy of Bayan Muna's Consolidated Reply to Globe's Consolidated Comment and Digital and Smart's Comment.



Globe Telecom believes that it did not violate NTC MC No. 02-10-2011 when it did not reduce its SMS retail rate from Php 1.00 to Php 0.80 per text, and hence, would not be obligated to refund its subscribers. However, if it is ultimately decided by the Supreme Court (in case an appeal is taken thereto by the NTC from the adverse resolution of the CA) that Globe Telecom is not compliant with said circular, Globe may be contingently liable to refund to its subscribers the ₱0.20 difference (between ₱1.00 and ₱0.80 per text) reckoned from November 20, 2012 until said decision by the SC becomes final and executory. Management does not have an estimate of the potential claims currently.

Guidelines on Unit of Billing of Mobile Voice Service

On July 23, 2009, the NTC issued NTC MC No. 05-07-2009 (Guidelines on Unit of Billing of Mobile Voice Service). The MC provides that the maximum unit of billing for the Cellular Mobile Telephone System (CMTS) whether postpaid or prepaid shall be six (6) seconds per pulse. The rate for the first two (2) pulses, or equivalent if lower period per pulse is used, may be higher than the succeeding pulses to recover the cost of the call set-up. Subscribers may still opt to be billed on a one (1) minute per pulse basis or to subscribe to unlimited service offerings or any service offerings if they actively and knowingly enroll in the scheme.

On December 28, 2010, the Court of Appeals (CA) rendered its decision declaring null and void and reversing the decisions of the NTC in the rates applications cases for having been issued in violation of Globe Telecom and the other carriers' constitutional and statutory right to due process. However, while the decision is in Globe Telecom's favor, there is a provision in the decision that NTC did not violate the right of petitioners to due process when it declared via circular that the per pulse billing scheme shall be the default.

On January 21, 2011, Globe Telecom and two other telecom carriers, filed their respective Motions for Partial Reconsideration (MPR) on the pronouncement that "the Per Pulse Billing Scheme shall be the default". The petitioners and the NTC filed their respective Motion for Reconsideration, which were all denied by the CA on January 19, 2012.

On March 12, 2012, Globe and Innove elevated to the SC the questioned portions of the Decision and Resolution of the CA dated December 28, 2010 and its Resolution dated January 19, 2012. The other service providers, as well as the NTC, filed their own petitions for review. The adverse parties have filed their comments on each other's petitions, as well as their replies to each other's comments. Parties were required to file their respective Memoranda and Globe filed its Memorandum on May 25, 2018. The case is now submitted for resolution.

Right of Innove to Render Services and Build Telecommunications Infrastructure in BGC

- PLDT and its affiliate, Bonifacio Communications Corporation (BCC) and Innove and Globe Telecom are in litigation over the right of Innove to render services and build telecommunications infrastructure in the Bonifacio Global City (BGC). In the case filed by Innove before the NTC against BCC, PLDT and the Fort Bonifacio Development Corporation (FBDC), the NTC has issued a Cease and Desist Order preventing BCC from performing further acts to interfere with Innove's installations in the BGC.

On January 21, 2011, BCC and PLDT filed with the CA a Petition for Certiorari and Prohibition against the NTC, et al. seeking to annul the Order of the NTC dated October 28, 2008 directing BCC, PLDT and FBDC to comply with the provisions of NTC MC 05-05-02 and to cease and desist from performing further acts that will prevent Innove from implementing and providing telecommunications services in the Fort Bonifacio Global City pursuant to the authorization granted by the NTC. On April 25, 2011, Innove Communications, filed its comment on the Petition.

On August 16, 2011, the CA ruled that the petition against Innove and the NTC lacked merit, holding that neither BCC nor PLDT could claim the exclusive right to install telecommunications infrastructure and providing telecommunications services within the BGC. Thus, the CA denied the petition and dismissed the case. PLDT and BCC filed their motions for reconsideration thereto, which the CA denied.

On July 6, 2012, PLDT and BCC assailed the CA's rulings via a petition for review on certiorari with the Supreme Court. Innove and Globe filed their comment on said petition on January 14, 2013, to which said petitioners filed their reply on May 21, 2013. The case remains pending with the SC.

Meanwhile, a complaint filed by PLDT against the NTC, with Innove as intervenor, to annul NTC M.C. No. 05-05-2002 on the ground of unconstitutionality awaits pre-trial proceedings in the RTC in Quezon City.

- In a case filed by BCC against FBDC, Globe Telecom, and Innove before the RTC of Pasig, which case sought to enjoin Innove from making any further installations in the BGC and claimed damages from all the parties for the breach of the exclusivity of BCC in the area, the court did not issue a TRO and has instead scheduled several hearings on the case. The defendants filed their respective motions to dismiss the complaint on the grounds of forum shopping and lack of jurisdiction, among others. On March 30, 2012, the RTC of Pasig, as prayed for, dismissed the complaint on the aforesaid grounds. The motion for reconsideration filed by BCC on July 20, 2012 remains pending with the trial court.

Acquisition by Globe Telecom and PLDT of the Entire Issued and Outstanding Shares of VTI

In a letter dated June 7, 2016 issued by Philippine Competition Commission (PCC) to Globe Telecom, PLDT, SMC and VTI regarding the Joint Notice filed by the aforementioned parties on May 30, 2016, disclosing the acquisition by Globe Telecom and PLDT of the entire issued and outstanding shares of VTI, the PCC claims that the Notice was deficient in form and substance and concludes that the acquisition cannot be claimed to be deemed approved.

On June 10, 2016, Globe Telecom formally responded to the letter reiterating that the Notice, which sets forth the salient terms and conditions of the transaction, was filed pursuant to and in accordance with MC No. 16-002 issued by the PCC. MC No. 16-002 provides that before the implementing rules and regulations for RA No. 10667 (the Philippine Competition Act of 2015) come into full force and effect, upon filing with the PCC of a notice in which the salient terms and conditions of an acquisition are set forth, the transaction is deemed approved by the PCC and as such, it may no longer be challenged. Further, Globe Telecom clarified in its letter that the supposed deficiency in form and substance of the Notice is not a ground to prevent the transaction from being deemed approved. The only exception to the rule that a transaction is deemed approved is when a notice contains false material information. In this regard, Globe Telecom stated that the Notice does not contain any false information.

On June 17, 2016, Globe Telecom received a copy of the second letter issued by PCC stating that notwithstanding the position of Globe Telecom, it was ruling that the transaction was still subject for review.

On July 12, 2016, Globe Telecom asked the CA to stop the government's anti-trust body from reviewing the acquisition of SMC's telecommunications business. Globe Telecom maintains the position that the deal was approved after Globe Telecom notified the PCC of the transaction and that the anti-trust body violated its own rules by insisting on a review. On the same day, Globe Telecom filed a Petition for Mandamus, Certiorari and Prohibition against the PCC, docketed as CA-G.R. SP No. 146538. On July 25, 2016, the CA, through its 6th Division issued a resolution denying Globe Telecom's application for TRO and injunction against PCC's review of the transaction. In the same resolution, however, the CA required the PCC to comment on Globe Telecom's petition for certiorari and mandamus within 10 days from receipt thereof. The PCC filed said comment on August 8, 2016. In said comment, the PCC prayed that the ₱70.00 billion deal between PLDT-Globe Telecom and San Miguel be declared void for PLDT and Globe Telecom's alleged failure to comply with the requirements of the Philippine Competition Act of 2015. The PCC also prayed that the CA direct Globe Telecom to: cease and desist from further implementing its co-acquisition of the San Miguel telecommunications assets; undo all acts consummated pursuant to said acquisition; and pay the appropriate administrative penalties that may be imposed by the PCC under the Philippine Competition Act for the illegal consummation of the subject acquisition.

Meanwhile, PLDT filed a similar petition with the CA, docketed as CA G.R. SP No. 146528, which was raffled off to its 12th Division. On August 26, 2016, PLDT secured a TRO from said court. Thereafter, Globe Telecom's petition was consolidated with that of PLDT, before the 12th Division. The consolidation effectively extended the benefit of PLDT's TRO to Globe Telecom. The parties were required to submit their respective Memoranda, after which, the case shall be deemed submitted for resolution.

On February 17, 2017, the CA issued a Resolution denying PCC's Motion for Reconsideration dated September 14, 2016 for lack of merit. In the same Resolution, the Court granted PLDT's Urgent Motion for the Issuance of a Gag Order and ordered the PCC to remove the offending publication from its website and also to obey the sub judice rule and refrain from making any further public pronouncements regarding the transaction while the case remains pending. The Court also reminded the other parties, PLDT and Globe, to likewise observe the sub judice rule. For this purpose, the Court issued its gag order admonishing all the parties "to refrain, cease and desist from issuing public comments and statements that would violate the sub judice rule and subject them to indirect contempt of court. The parties were also required to comment within ten days from receipt of the Resolution, on the Motion for Leave to Intervene, and Admit the Petition-in Intervention dated February 7, 2017 filed by Citizenwatch, a non-stock and non-profit association.

On April 18, 2017, PCC filed a petition before the SC docketed as G.R. No. 230798, to lift the CA's order that has prevented the review of the sale of San Miguel Corp.'s telecommunications unit to PLDT Inc. and Globe Telecom. On April 25, 2017, Globe filed before the SC a Motion for Intervention with Motion to Dismiss the petition filed by the PCC.

As of June 30, 2017, the SC did not issue any TRO on the PCC's petition to lift the injunction issued by the CA. Hence, the PCC remains barred from reviewing the SMC deal.

On July 26, 2017, Globe received the SC en banc Resolution granting Globe's Extremely Urgent Motion to Intervene. In the same Resolution, the Supreme Court treated as Comment, Globe's Motion to Dismiss with Opposition Ad Cautelam to PCC's Application for the Issuance of a Writ of Preliminary Injunction and/or TRO.

On August 31, 2017, Globe received another Resolution of the SC en banc, requiring the PCC to file a Consolidated Reply to the Comments respectively filed by Globe and PLDT, within ten (10) days from notice. Globe has yet to receive the Consolidated Reply of PCC since the latter requested for extension of time to file the same.

In the meantime, in a Decision dated October 18, 2017, the CA, in CA-G.R. SP No. 146528 and CA-G.R. SP No. 146538, granted Globe and PLDTs Petition to permanently enjoin and prohibiting PCC from reviewing the acquisition and compelling the PCC to recognize the same as deemed approved. PCC elevated the case to the SC via Petition for Review on Certiorari.

Co-use of frequencies by PLDT/Smart and Globe Telecom as a result of the acquisition of controlling shares in VTI

On January 21, 2019, Globe filed its Comment to a petition filed by lawyers Joseph Lemuel Baligod and Ferdinand Tecson before the Supreme Court, against the NTC, PCC, Liberty Broadcasting Network, Inc., (LBNI), Bell Telecommunications Inc. (BellTel), Globe, PLDT and Smart, docketed as G.R. No. 242353. The petition sought to, among others, enjoin PLDT/Smart and Globe from co-using the frequencies assigned to LBNI and BellTel in view of alleged irregularities in NTC's assignment of these frequencies to these entities. In its Comment, Globe argued that the frequencies were assigned in accordance with existing procedures prescribed by law and that to prevent the use of the frequencies will only result to its being idle and unutilized. Moreover, in view of the substantial investments made by Globe, for the use of these frequencies, enjoining its use will cause grave and irreparable injury not only to Globe but to subscribers who will be deprived of the benefits of fast and reliable telecommunications services. The other Respondents have likewise filed their respective Comments to the petition.

36 NTC Regulation

On February 8, 2019, the RA 11202 or the "Mobile Number Portability Act" was signed into law. The act allows subscribers to change their subscription plans or service providers and still keep their current mobile numbers.

Consistent with the basic premise of RA 11202 to promote consumer welfare by fostering freedom of choice, the act further provides that no interconnection fee or charge shall be imposed by mobile service provider for any domestic calls and SMS made by a subscriber which took effect in January 2020, or six months after the effective date of the rules and regulations implementing the act.

On June 11, 2019, the NTC signed the rules and regulation implementing RA 11202 which took effect fifteen (15) days after its publication in a newspaper of general circulation and submission of three (3) certified copies to the University of the Philippines Law Center.

37 Events After Reporting Period

On February 9, 2021, the BOD approved the declaration of the first quarter cash dividend of ₱27 per common share, payable to common stockholders of record as of February 24, 2021. Total dividends amounting to ₱3.6 billion will be payable on March 11, 2021.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill

The CREATE bill which seeks to lower corporate income tax rates and to rationalize fiscal incentives had been approved by the House of Representatives on September 13, 2019 and by the Senate on the third and final reading on November 26, 2020. The bill was approved by the Bicameral Conference Committee on February 4, 2021, but has yet to be signed into law by the President of the Philippines.



Under the CREATE bill, effective July 01, 2020, the existing 30% corporate income tax rate shall be amended as follows:

- reduction of corporate income tax (CIT) rate to 20% applicable to domestic corporations with total net taxable income not exceeding P5,000,000 and with total assets not exceeding P100 Million (excluding land on which the business entity's office, plant and equipment are situated);
- reduction of CIT rate to 25% shall be applicable to all other corporations subject to regular CIT.
- Minimum Corporate Income Tax (MCIT) rate shall also be amended to 1%, instead of 2%, for the period beginning July 01, 2020 until June 30, 2023.

Since the CREATE bill has not been substantively enacted by the time the Globe Group's consolidated financial statements were authorized for release, the Globe Group's consolidated financial statements do not include any adjustments or disclosures that will capture the impact of the proposed changes in corporate income tax rate.

38 Impact of Corona Virus (COVID19) on Operations

In 2020, the Philippines was affected by the rapid spread of the COVID-19. In a bid to contain the spread, the government imposed various measures including travel restrictions, which required various activities such as work, education and others to shift online. This resulted in a decline in economic activity throughout most part of the year.

As a telecommunications company, the Globe Group continued to provide telecommunication services to its subscribers. However, the Globe Group was not spared from the adverse impact of limited mobility and slowdown in economic activity as both consumer and corporate subscribers were affected. Globe suspended store operations for a few months during the quarantine, and encountered some supply chain and network build disruptions at the onset. These activities slowly returned to normal as the economy gradually opened up. To help the customers, Globe extended the payment due dates during the quarantine period up to May 15, 2020.

The impact of the pandemic led to the moderate decline in the consolidated revenues and profit as the growth in home broadband and data revenues were not able to cover for the decline in voice and SMS revenues. The Globe Group also recognized a higher amount of impairment loss on its subscribers' receivables. Despite the contraction in revenues and profit, the Globe Group's financial position as of December 31, 2020 remained strong and gearing comfortably within bank covenants.



GLOBE TELECOM, INC. AND SUBSIDIARIES

Index to the Consolidated Financial Statements and Supplementary Schedules

Schedule 1 - Financial Soundness Indicators

Schedule 2 - Reconciliation of retained earnings available for dividend declaration

Schedule 3 - Map of the relationships of the companies within the Group

Schedule 4 - Schedule of Preferred Shares Offering Proceeds

Schedule 5 - Supplementary Schedules required by Annex 68-E



Schedule 1

FINANCIAL SOUNDNESS INDICATORS	December 31 2020	December 31 2019
FINANCIAL RATIOS		
Interest Coverage Ratio	9.07	9.53
Debt to Equity (D/E Ratio)	2.02	1.68
Total Asset to Equity Ratio	4.10	3.75
Current Ratio	0.80	0.73
Solvency Ratio	0.23	0.27
Acid test ratio	0.72	0.67
PROFITABILITY MARGINS		
EBITDA Margins	50%	51%
Net Profit Margin	13%	15%
Return on Asset	5%	7%
Return on Equity	23%	29%



Schedule 2

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS OF DECEMBER 31, 2020

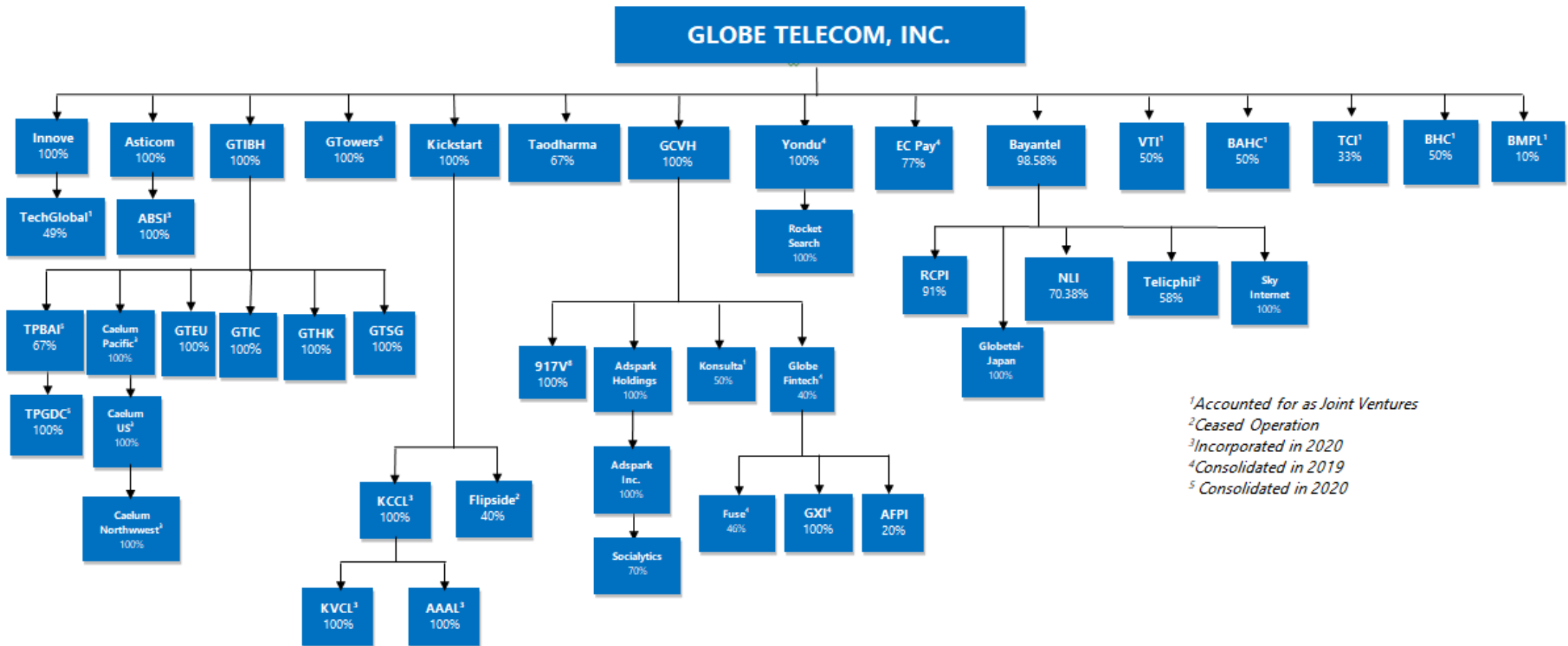
Items	Amount (In thousands)
Unappropriated Retained Earnings, beginning	₱18,281,937
Adjustments	1,229,343
Unappropriated Retained Earnings, as adjusted, beginning	19,511,280
Net income during the period closed to Retained Earnings	13,964,717
Less: Non-actual/unrealized income net of tax	
Unrealized foreign exchange gain net of previously recognized accumulated unrealized loss reversed during the year	(1,032,975)
Deferred tax assets realized during the year	(275,751)
Net income actually earned/realized during the period	12,655,991
Add (Less):	
Dividend during the period	(14,973,431)
Unappropriated Retained Earnings, as adjusted, ending	₱17,193,840



Schedule 3

MAP OF THE RELATIONSHIP OF THE COMPANIES WITHIN THE GROUP
AS OF DECEMBER 31, 2020

Globe Telecom, Inc. and Subsidiaries



¹Accounted for as Joint Ventures

²Ceased Operation

³Incorporated in 2020

⁴Consolidated in 2019

⁵Consolidated in 2020



Schedule 4

**SCHEDULE OF PREFERRED SHARES OFFERING PROCEEDS
AS OF DECEMBER 31, 2020**

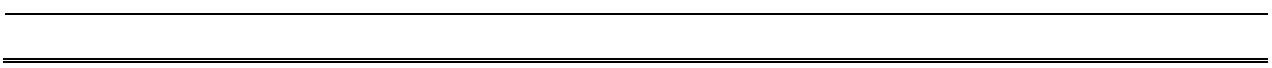
Preferred Shares Offering Proceeds	₱-
Not Applicable	
Balance of Proceeds as at December 31, 2020	₱-



**SCHEDULE 5A – FINANCIAL ASSETS
DECEMBER 31, 2020**

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued
--	---	-----------------------------------	-----------------------------

Not Applicable





SCHEDULE 5B – Amounts Receivable from Directors, Officers, Employees, Related Parties and principal Stockholders (Other than Related parties)

Name and Designation of debtor	Balance at the beginning of period	Additions	Amounts collected	Balance at the end of period	
	(January 1, 2020)			Current	Not-current
Education Loan	₱87,374,984	₱99,431,502	₱115,022,965	₱71,783,521	₱71,783,521
Hospitalization Loan	38,278,736	25,660,197	21,044,180	42,894,753	42,894,753
Housing and Renovation Loan	42,386,323	49,499,125	59,302,468	32,582,979	32,582,980
Medical and Health Related Loan	28,864,201	1,793,874	27,355,895	3,302,181	3,302,180
Others	1,631,636	32,173,147	24,437,534	9,367,249	9,367,249
Total	₱198,535,880	₱208,557,845	₱247,163,042	₱159,930,683	₱159,930,683



Schedule 5C - Trade & Other Receivables Eliminated During Consolidation

Creditor	Creditor's Relationship	Account Type	Beginning Balance	Net Movement	Outstanding Balance
			(January 1, 2020)		(December 31, 2020)
Globe	Parent	Traffic receivable	306,474,939	259,361,219	565,836,158
	Parent	Trade Receivables	483,560,202	(309,595,338)	173,964,864
	Parent	Other Receivables	11,670,290,079	10,083,666,556	21,753,956,635
Innove	Subsidiary	Traffic receivable	186,719,127	64,580,391	251,299,518
	Subsidiary	Trade Receivables	108,056,991	8,517,275	116,574,266
	Subsidiary	Other Receivables	4,027,116,687	3,080,514,004	7,107,630,691
	Co-Subsidiary	Trade Receivables	88,631,247	176,564,501	265,195,748
	Co-Subsidiary	Other Receivables	237,939,980	21,208,621	259,148,601
	Co-Subsidiary	Traffic receivable	12,085,506	301,999	12,387,505
	Co-Subsidiary	Trade Receivables	-	1,201,460,376	1,201,460,376
Asticom	Co-Subsidiary	Trade Receivables	-	102,766,179	102,766,179
	Subsidiary	Other Receivables	2,096,478,862	501,021,355	2,597,500,217
BTI	Subsidiary	Traffic receivable	146,735,611	3,011,569	149,747,180
	Subsidiary	Trade Receivables	43,786,552	1,184,178	44,970,730
	Co-Subsidiary	Trade Receivables	53,631,235	(2,099,021)	51,532,214
	Co-Subsidiary	Traffic receivable	28,808,344	215,883	29,024,227
	Co-Subsidiary	Other Receivables	5,776,306,610	862,988,575	6,639,295,185
	Co-Subsidiary	Other Receivables			

(forward)



Creditor	Creditor's Relationship to the Reporting Co. (Subsidiary or Parent)	Account Type	Beginning Balance	Net Movement	Outstanding Balance
			(January 1, 2020)		(December 31, 2020)
GCVH	Subsidiary	Trade Receivables	355,820,684	(355,820,684)	-
	Subsidiary	Other Receivables	-	241,687,714	241,687,714
	Co-Subsidiary	Other Receivables	8,542,791	4,214,117	12,756,908
	Co-Subsidiary	Trade Receivables	125,062,970	399,533,161	524,596,131
GTI	Subsidiary	Other Receivables	101,692,007	(101,692,007)	-
	Co-Subsidiary	Other Receivables	712,075,712	(284,942,004)	427,133,708
TAOD	Subsidiary	Other Receivables	806,392	4,926,093	5,732,485
	Co-Subsidiary	Other Receivables	-	35,892	35,892
Kickstart	Co-Subsidiary	Other Receivables	-	11,179,938	11,179,938
	Subsidiary	Other Receivables	-	9,135,873	9,135,873
Yondu	Subsidiary	Other Receivables	19,466,514	298,943,366	318,409,880
	Co-Subsidiary	Trade Receivables	8,000,000	155,877,153	163,877,153
EC Pay	Subsidiary	Trade Receivables	20,089,108	(18,952,198)	1,136,910
	Co-Subsidiary	Trade Receivables	28,325,116	(27,027,466)	1,297,650
Gtowers	Subsidiary	Other Receivables	138,815	(138,815)	-
TOTAL			26,646,642,081		43,039,270,536



**SCHEDULE 5D – LONG TERM DEBT
DECEMBER 31, 2020**

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of Long-Term Debt" in related statement of financial position	Amount shown under caption "Long-Term Debt" in related statement of financial position		
			Amount	Interest rates	Maturity dates
Term Loans:					
Dollar	\$447,970,906	₱594,565,314	₱18,707,095,073	0.83% to 6.00%	2021-2027
Peso	₱118,000,000,000	7,926,859,038	106,261,628,277	1.66% to 7.91%	2021-2031
Retail Bonds					
Dollar	\$600,000,000	-	28,328,799,075	3.13% to 3.75%	2030-2035
Peso	₱3,000,000,000	-	2,973,203,373	5.28%	2023
		₱8,521,424,352	₱156,270,725,798		



SCHEDULE 5E – INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

DECEMBER 31, 2020

Name of Related Party	Balances at beginning of period	Balance at end of period
<h1>Not Applicable</h1>		



**SCHEDULE 5F – GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2020**

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which this statement is filed	Nature of guarantee
<h1>Not Applicable</h1>				

SCHEDULE 5G - CAPITAL STOCK
DECEMBER 31, 2020

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common	148,934,373	133,432,727	8,936,062	103,842,408	772,586	28,817,733
Voting preferred stock	160,000,000	158,515,021	-	158,515,016	5	-
Non-voting preferred stock	40,000,000	20,000,000	-	27,800	25,700	19,946,500

EXHIBIT I : AGING ANALYSIS OF ACCOUNTS RECEIVABLE

The table below shows the aging analysis of the Globe Group's trade receivables as of December 31, 2020.

	Current	Less than 30 days past due	31 to 60 days past due	61 to 90 days past due	Over 90 days past due	Total
<i>(In Thousand Pesos)</i>						
Wireless subscribers receivables:						
Consumer	P3,017,147	P1,754,324	P415,059	P318,468	P2,266,947	P7,771,945
Key corporate accounts	20,889	45,124	70,204	185,674	1,535,666	1,857,557
Other corporations and SME	201,737	171,855	81,001	50,587	391,454	896,634
	3,239,773	1,971,303	566,264	554,729	4,194,067	10,526,136
Wireline subscribers receivables:						
Consumer	744,905	229,495	137,540	148,096	4,786,698	6,046,734
Key corporate accounts	90,730	329,071	349,503	455,216	5,451,296	6,675,816
Other corporations and SME	80,931	81,510	70,996	41,528	861,884	1,136,849
	916,566	640,076	558,039	644,840	11,099,878	13,859,399
Total subscribers receivables	4,156,339	2,611,379	1,124,303	1,199,569	15,293,945	24,385,535
Traffic receivables:						
Foreign	195,638	-	65,633	13,173	538,122	812,566
Local	304,964	478	922	234	217,041	523,639
Total traffic receivables	500,602	478	66,555	13,407	755,163	1,336,205
Other trade receivables	2,674,951	665,466	491,956	212,550	908,345	4,953,268
	P7,331,892	P3,277,323	P1,682,814	P1,425,526	P16,957,453	P30,675,008

EXHIBIT: BIR ITR Filing Reference of Parent Company Financial Statements



Tax Return Receipt Confirmation

ebirforms-noreply@bir.gov.ph <ebirforms-noreply@bir.gov.ph>
To: taxplanningandadvisory@globe.com.ph

Sat, Apr 10, 2021 at 6:58 PM

This confirms receipt of your submission with the following details subject to validation by BIR:

File name: 000768480000-1702RTv2018C-122020.xml

Date received by BIR: 10 April 2021

Time received by BIR: 06:35 PM

[Quoted text hidden]



Globe Telecom, Inc.
The Globe Tower
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Bonifacio Global City,
Taguig, Philippines 1634

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Globe Telecom, Inc. ("Globe Telecom" or the "Company") is responsible for the preparation and fair presentation of the financial statements as of December 31, 2020, and 2019 and for the years then ended, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statement, and submits the same to the stockholders.

Isla Lipana & Co., the independent auditors appointed by the stockholders for the year ended December 31, 2020; and Navarro Amper & Co., the independent auditors appointed by the stockholders for the years ended December 31, 2019, have examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.

JAIME AUGUSTO ZOBEL DE AYALA
Chairman of the Board

ERNEST L. CU
President and Chief Executive Officer

ROSEMARIE MANIEGO-EALA
Chief Finance Officer and Treasurer

Signed this 9th day of February 2021

SUBSCRIBED AND SWORN to before me this FEB 09 2021 at TAGUIG CITY City, affiants who are personally known to me or identified through competent evidence of identity, to wit:

Name	Passport or ID No.	Date of Issue	Expiry Date
Jaime Augusto Zobel De Ayala			
Ernest L. Cu			
Rosemarie Maniego-Eala			

Doc. No. ; 325
Page No. ; 66
Book No. ; 44
Series of 2021.

ATTY. NINA MIKAELA S. SARMIENTO
Notary Public for Taguig City
Appointment No. 79 (2019-2021)
Until June 30, 2021
28th Floor, The Globe Tower
32nd Street corner 7th Avenue
Bonifacio Global City, Taguig 1634
PTR No. A-5075038/January 5, 2021/Taguig
IBP Lifetime No. 850/August 22, 2000
Roll of Attorney No. 60958

GLOBE TELECOM, INC.

Parent Company's Financial Statements
December 31, 2020 and 2019





Independent Auditor's Report

To the Board of Directors and Shareholders of
Globe Telecom, Inc.
The Globe Tower, 32nd Street corner 7th Avenue
Bonifacio Global City, Taguig City

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Globe Telecom, Inc. (the "Company") as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

What we have audited

The financial statements of the Company comprise:

- the statement of financial position as at December 31, 2020;
- the statement of total comprehensive income for the year ended December 31, 2020;
- the statement of changes in equity for the year ended December 31, 2020;
- the statement of cash flows for the year ended December 31, 2020; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Other Matter

The financial statements of the Company as at December 31, 2019 and for the year ended December 31, 2019 were audited by another auditor whose report dated February 3, 2020 expressed an unqualified opinion on those financial statements.

*Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, www.pwc.com/ph*



Independent Auditor's Report
To the Board of Directors and Shareholders of
Globe Telecom, Inc.
Page 2

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Independent Auditor's Report
To the Board of Directors and Shareholders of
Globe Telecom, Inc.
Page 3

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each entity within the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

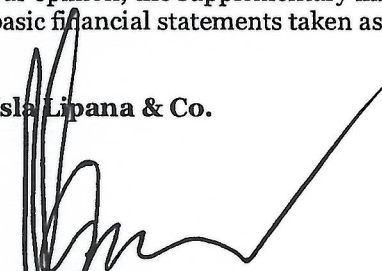


Independent Auditor's Report
To the Board of Directors and Shareholders of
Globe Telecom, Inc.
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Report on the Bureau of Internal Revenue Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 36 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.



Roderick M. Danao
Partner

CPA Cert. No. 88453

P.T.R. No. 0011280, issued on January 5, 2021, Makati City

SEC A.N. (individual) as general auditors 1585-AR-2, Category A; effective until October 14, 2022

SEC A.N. (firm) as general auditors 0142-SEC, Category A;

valid to audit 2020 to 2024 financial statements

TIN 152-015-078

BIR A.N. 08-000745-042-2020, issued on December 14, 2020; effective until December 13, 2023

BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
February 9, 2021



Isla Lipana & Co.

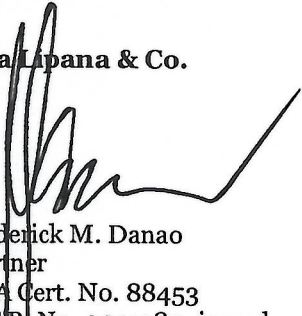
Statement Required by Section 8-A, Revenue Regulation No. V-1

To the Board of Directors and Shareholders of
Globe Telecom, Inc.
The Globe Tower, 32nd Street corner 7th Avenue
Bonifacio Global City, Taguig City

None of the partners of the firm has any financial interest in Globe Telecom, Inc. or any family relationships with its president, managers or other officers.

The supplementary information on taxes and licenses for the year ended December 31, 2020 is presented in Note 36 to the financial statements.

Isla Lipana & Co.



Roderick M. Danao
Partner
CPA Cert. No. 88453
P.T.R. No. 0011280, issued on January 5, 2021, Makati City
SEC A.N. (individual) as general auditors 1585-AR-2, Category A; effective until October 14, 2022
SEC A.N. (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2024 financial statements
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Makati City
February 9, 2021

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GLOBE TELECOM, INC. PARENT COMPANY'S STATEMENTS OF FINANCIAL POSITION

	Notes	December 31	
		2020	2019
<i>(In Thousand Pesos)</i>			
ASSETS			
Current Assets			
Cash and cash equivalents	5	₱11,543,687	₱2,454,226
Trade receivables – net	6	9,615,647	11,818,236
Contract assets and deferred contract costs – net	7	5,465,271	7,169,152
Inventories and supplies – net	9	3,384,670	3,280,515
Derivative assets – current	8	2,014	301,624
Prepayments and other current assets	10	15,303,663	17,648,808
		45,314,952	42,672,561
Noncurrent Assets			
Property and equipment – net	11	151,764,577	144,911,786
Intangible assets – net	12	12,168,451	10,870,302
Right of use assets - net	13	4,265,526	3,526,964
Investments in subsidiaries, associate, and joint ventures	14	69,408,555	67,388,624
Derivative assets – net of current portion	8	56,510	125,331
Deferred contract costs – net of current portion	7	20,138	42,172
Other noncurrent assets	10	15,476,131	2,673,597
		253,159,888	229,538,776
TOTAL ASSETS		₱298,474,840	₱272,211,337
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables and accrued expenses	15	₱41,146,869	₱44,421,080
Deferred revenues	7	7,189,697	6,631,392
Loans payable – current	17	7,747,229	13,696,827
Derivative liabilities – current	8	1,056,816	547,046
Provisions	16	1,727,743	1,525,664
Lease liabilities – current	13	989,017	968,614
Income tax payable		918,017	1,125,042
		60,775,388	68,915,665
Noncurrent Liabilities			
Loans payable – net of current portion	17	151,270,960	117,916,224
Derivative liabilities – net of current portion	8	1,882,967	291,270
Deferred income tax liability – net	28	3,966,182	4,288,223
Lease liabilities – non current	13	3,496,976	2,654,053
Pension Liability	21	5,594,130	3,716,607
Other long-term liabilities	18	3,805,990	3,582,714
		170,017,205	132,449,091
Total Liabilities		230,792,593	201,364,756
Equity			
Capital stock	20	8,464,211	8,452,995
Additional paid in capital		37,001,626	36,808,776
Cost of share-based payment	21	638,323	447,656
Other reserves	20	(4,710,089)	(2,159,737)
Retained earnings		26,288,176	27,296,891
Total Equity		67,682,247	70,846,581
TOTAL LIABILITIES AND EQUITY		₱298,474,840	₱272,211,337

See accompanying Notes to Parent Company's Financial Statements.

GLOBE TELECOM, INC.
PARENT COMPANY'S STATEMENTS OF TOTAL COMPREHENSIVE INCOME

		For the Years Ended December 31	
	Notes	2020	2019
<i>(In Thousand Pesos)</i>			
REVENUES			
Service revenues		₱110,914,750	₱114,256,625
Nonservice revenues		13,830,167	17,321,395
		124,744,917	131,578,020
INCOME			
Interest income	22	163,204	269,060
Gain on disposals of property and equipment - net		36,264	76,399
Dividend income	14	-	2,920,000
Other income – net	23	8,994,494	8,385,563
		9,193,962	11,651,022
COSTS AND EXPENSES			
General, selling and administrative	24	56,937,378	56,703,540
Depreciation and amortization	25	28,059,849	26,692,158
Cost of inventories sold	9	15,610,780	18,110,203
Financing costs	26	7,076,387	6,721,158
Interconnect costs	31	893,719	3,971,651
Impairment losses and others	27	5,397,219	2,479,178
		113,975,332	114,677,888
INCOME BEFORE INCOME TAX		19,963,547	28,551,154
PROVISION FOR INCOME TAX			
Current		5,238,119	5,638,203
Deferred		760,712	2,057,134
	28	5,998,831	7,695,337
NET INCOME		13,964,716	20,855,817
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified into profit or loss in subsequent periods:			
Remeasurement gains on defined benefit plan - net	20	(1,800,741)	(1,367,221)
Changes in fair value of FVOCI equity securities	20	(23,928)	34,000
Item that will be reclassified into profit or loss in subsequent periods:			
Transactions on cash flow hedges - net	20	(725,683)	(1,213,355)
TOTAL OTHER COMPREHENSIVE LOSS		(2,550,352)	(2,546,576)
TOTAL COMPREHENSIVE INCOME		₱11,414,364	₱18,309,241

See accompanying Notes to Parent Company's Financial Statements.

GLOBE TELECOM, INC.
PARENT COMPANY'S STATEMENTS OF CHANGES IN EQUITY

For the Year Ended December 31, 2020						
Notes	Capital Stock (Note 20)	Additional Paid-in Capital	Cost of Share-based Payments	Other Reserves (Note 20.5)	Retained Earnings	Total
<i>(In Thousand Pesos)</i>						
As of January 1, 2020	₱8,452,995	₱36,808,776	₱447,656	(₱2,159,737)	₱27,296,891	₱70,846,581
Total comprehensive income for the year	-	-	-	(2,550,352)	13,964,716	11,414,364
Dividends on:	20					
Common stock	-	-	-	-	(14,403,344)	(14,403,344)
Preferred stock – voting	-	-	-	-	(50,027)	(50,027)
Preferred stock – non-voting	-	-	-	-	(520,060)	(520,060)
Share-based compensation	21	-	394,733	-	-	394,733
Issue of shares under share-based compensation plan		11,216	192,850	(204,066)	-	-
As of December 31, 2020	₱8,464,211	₱37,001,626	₱638,323	(₱4,710,089)	₱26,288,176	₱67,682,247

For the Year Ended December 31, 2019						
Notes	Capital Stock (Note 20)	Additional Paid-in Capital	Cost of Share-based Payments	Other Reserves (Note 20.5)	Retained Earnings	Total
<i>(In Thousand Pesos)</i>						
As of January 1, 2019, as previously stated	₱8,445,238	₱36,528,251	₱417,345	₱386,839	₱18,824,998	₱64,602,671
Adjustment on initial application of PFRS 16, net of tax	3.2	-	-	-	294,350	₱294,350
As of January 1, 2019, as restated	₱8,445,238	₱36,528,251	₱417,345	₱386,839	₱19,119,348	₱64,897,021
Total comprehensive income for the year	-	-	-	(2,546,576)	20,855,817	18,309,241
Dividends on:	20					
Common stock	-	-	-	-	(12,118,071)	(12,118,071)
Preferred stock – voting	-	-	-	-	(50,027)	(50,027)
Preferred stock – non-voting	-	-	-	-	(520,060)	(520,060)
Share-based compensation	21	-	325,160	-	-	325,160
Issue of shares under share-based compensation plan		7,258	269,171	(276,429)	-	-
Forfeiture of stock options		-	(14,120)	-	9,884	(4,236)
Exercise of stock options	21	499	11,354	(4,300)	-	7,553
As of December 31, 2019	₱8,452,995	₱36,808,776	₱447,656	(₱2,159,737)	₱27,296,891	₱70,846,581

See accompanying Notes to Parent Company's Financial Statements.

GLOBE TELECOM, INC.
PARENT COMPANY'S STATEMENTS OF CASH FLOWS

		For the Years Ended December 31	
	Notes	2020	2019
<i>(In Thousand Pesos)</i>			
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		₱19,963,547	₱28,551,154
Adjustments for:			
Depreciation and amortization	25	28,059,849	26,692,158
Finance cost	26	7,076,387	6,721,158
Impairment losses and others	27	5,397,219	2,479,178
Foreign exchange gain – net	23	(1,563,808)	(903,676)
Loss on derivative instruments – net	23	1,579,746	809,540
Pension expense	21	872,151	1,121,133
Share-based compensation	21	394,733	325,160
Gain on debt renegotiation	23	(375,768)	-
Interest income	22	(163,204)	(269,060)
Gain on disposals of property and equipment		(36,264)	(76,399)
Dividend income	14	-	(2,920,000)
Gain on sale of an investment in associate	14, 23	-	(126,825)
(Gain) loss on settlement and remeasurement of ARO	23	(25,248)	225
Operating income before working capital changes		61,179,340	62,403,746
Changes in operating assets and liabilities:			
Decrease (Increase) in:			
Trade receivables		(199,576)	(908,018)
Inventories and supplies		(311,174)	(513,307)
Prepayments and other current assets		313,592	2,771,056
Contract assets		1,225,243	387,457
Other noncurrent assets		(963,143)	(5,225,649)
Increase (Decrease) in:			
Trade payables and accrued expenses		(5,490,084)	(1,029,174)
Deferred revenues		558,305	611,443
Other long-term liabilities		7,104,142	13,320,952
Cash generated from operations		63,416,645	71,818,506
Income tax paid		(3,432,043)	(3,527,027)
Net cash flows from operating activities		59,984,602	68,291,479
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	5, 11	(54,899,017)	(46,175,189)
Intangible assets	12	(7,515)	(66,541)
Investments in subsidiaries, associates and joint ventures	14	(2,019,931)	(6,283,801)
Collections of loans receivable from related parties	10	410,930	199,278
Interest received		158,622	316,733
Dividends received		19,467	4,478,146
Proceeds from sale of property and equipment		68,643	159,244
Net cash flows used in investing activities		(56,268,801)	(47,372,130)
<i>(Forward)</i>			



GLOBE TELECOM, INC.
PARENT COMPANY'S STATEMENTS OF CASH FLOWS

		For the Years Ended December 31	
	Notes	2020	2019
		<i>(In Thousand Pesos)</i>	
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings:			
Long-term	17	(P12,902,986)	(P16,707,249)
Short-term	17	(19,140,000)	-
Proceeds from borrowings:			
Long-term	17	43,998,820	5,038,816
Short-term	17	18,340,000	800,000
Payments of dividends to stockholders:	20		
Common		(14,403,344)	(12,118,071)
Preferred (voting and non-voting)		(570,087)	(570,087)
Exercise of stock options		-	7,553
Payment of lease liabilities	13	(1,517,054)	(1,280,332)
Interest paid		(7,825,763)	(7,225,211)
Net cash flows from (used in) financing activities		5,979,586	(32,054,581)
NET INCREASE IN CASH AND CASH EQUIVALENTS		9,695,387	(11,135,232)
NET FOREIGN EXCHANGE DIFFERENCE ON CASH AND CASH EQUIVALENTS		(605,926)	(71,123)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		2,454,226	13,660,581
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	5	P11,543,687	P2,454,226

See accompanying Notes to Parent Company's Financial Statements.