

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 2019

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 2019**
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	133,208,407	₱ 6,660,420,350
Voting Preferred	5	158,515,021	792,575,105
Non-Voting Preferred	50	20,000,000	1,000,000,000
		<u>311,568,269</u>	<u>₱ 8,452,995,455</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 2019: **₱54.8 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 major provider of telecommunications services in the Philippines, supported by over 8,000 employees and over 1.2 million AutoloadMax (AMAX) retailers, distributors, suppliers, and business partners nationwide. The Company 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 currently has 94.2 million mobile subscribers (*including fully mobile subscribers*), over 2.0 million Home Broadband customers, and 1.4 million landline subscribers.

Globe is one of the largest and most profitable 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\$5.3 billion as of the end of December 2019.

The Company's principal shareholders are Ayala Corporation and Singapore Telecom, both industry leaders in their respective countries. 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 December 14, 2018, the President of the Philippines signed House Bill No. 5556 into RA No. 11151 entitled “Act Renewing For Another Twenty Five (25) Years the Franchise Granted to Isla Communications Company, Inc. Presently Known as Innove Communications, Inc., Amending for the Purpose Republic Act No. 7372 entitled “An Act Granting the Isla Communications Co. a

Franchise to Install, Operate and Maintain Telecommunications Services Within the Territory of the Republic of the Philippines and International Points and for Other Purposes.

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. 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;

- 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 (ebooks) 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;

- 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. Asticom was consolidated beginning June 2014;
- Globe Capital Venture Holdings, Inc. (GCVHI), a wholly-owned subsidiary incorporated on June 29, 2015.

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., a social media marketing firm.

GCVHI holds 46.30% ownership interest in Globe Fintech Innovations, Inc. (GFI) and 50% ownership interest in Global Telehealth, Inc. (GTHI).;

- 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.

On July 2, 2015, BTI issued additional shares to Globe Telecom following the approval of National Telecommunications Commission (NTC) on the conversion of BTI's Tranche A convertible debt to equity. The conversion increased the ownership of Globe Telecom on BTI's outstanding shares from 38% to 54% controlling interest. On July 20, 2015, Globe Telecom acquired additional voting shares of BTI, which further increased its controlling interest to 99%. 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").

On May 30, 2017, the Management Committee, with representation of at least sixty-seven percent of the total voting interest, approved the termination of the Agreement on the Construction, Operation and Maintenance of the National Digital Transmission Network dated November 28, 1996, as well as the dissolution of Telicphil and NLI.

On December 11, 2019, the House of Representatives received House Bill No. 5797, an act to renew and amend the franchise granted to BTI. The proposed law seeks to extend BTI's legislative franchise for another 25 years. The House Committee on Legislative franchises is yet to schedule the bill for public hearing as of February 3, 2019;

- TaoDharma (Tao), 67% owned by Globe Telecom, was established to operate and maintain retail stores in strategic locations within the Philippines that will sell telecommunications or internet-related services, devices, gadgets, and accessories.
- GTowers Inc. (GTowers), a fully owned subsidiary of Globe Telecom incorporated on August 17, 2018. GTowers is still under pre-operating stage.

- 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.

- EC Pay, 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. ("GXl"), a wholly-owned subsidiary, to handle the mobile payment and remittance service marketed under the *GCash* brand using Globe's network as transport channel. GXl 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 BankO, 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 BankO 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 BankKO (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. As of December 31, 2019, GTowers is still under pre-operating stage.

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.

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 these growing demands, Globe once again highlights its portfolio of postpaid plans featuring "*ThePLAN PLUS*" which is the Company's SIM-ONLY Plans, that offers up to 2x larger than life data. With *ThePLAN PLUS* (ranging from Plan 599 to Plan 2999), 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. For *ThePLAN PLUS* 599 to 999, customers can enjoy unlimited call to Globe/TM, unlimited text to All-networks, 100 minutes call to All-networks. While for *ThePLAN PLUS* 1299 to 1799 customers can enjoy from 18GB to 31GB data allocation with unlimited call to Globe/TM, unlimited text to All-networks, 200 minutes call to All-networks. *ThePLAN PLUS* 1999 and 2499 customers can enjoy 32GB and 52GB data allocation, respectively, plus unlimited call to Globe/TM, unlimited text to All-networks, 300 minutes call to All-networks. *ThePLAN PLUS* 2999 on the other hand, gives 61GB of data allocation plus unlimited call and texts to All-networks. *ThePLAN PLUS* 999 and up also includes 1GB allocation of Facebook per month, 6-months free subscription to DisneyLife and Amazon Prime.

"*ThePlan*", the Company's postpaid plan with device likewise ranges from plan 599 to 2999 includes a choice of handset, 24-month FB subscription (with 1GB data allocation per month), free 1-month gadget care and free shipping. While *ThePlan* 999 to 2999 includes an additional free 6 months subscription to DisneyLife and Amazon Prime. *ThePlan599* offers 2GB data allocation and unlimited calls and texts to Globe/TM; *ThePlan799*, 999 and 1,299 offers 3GB, 5GB and 8GB data allocation, respectively, plus unlimited calls and texts to Globe/TM and 50 minutes call to All-networks; *ThePlan1499* and 1799 offers 10GB and 15GB data allocation respectively, plus unlimited call and texts to Globe/TM and 100 minutes calls to All-networks; *ThePlan1999* and 2499 offers 16GB and 21GB data allocation respectively, plus unlimited call and texts to Globe/TM and 150 minutes calls to All-networks; *ThePlan2999* offers 31 data allocation plus unlimited call and texts to Globe/TM and 300 minutes calls to All-networks.

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 776 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 is able to do all of 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 is able to 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).

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 1.2 million *AutoloadMax* retailers nationwide who offer prepaid reloading services to *Globe* and *TM* subscribers.

2. Globe Stores

As of December 31, 2019, the Company has a total of 214 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 and will open more concept stores in the country 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			
	2019	% of total	2018	% of total
Service Revenues				
Mobile*	111,767	67%	99,530	66%
Voice ¹	24,276	15%	28,408	19%
SMS ²	15,690	9%	20,162	13%
Data ³	71,801	43%	50,961	34%
Fixed Line and Home Broadband**	37,243	22%	33,345	22%
Home Broadband ⁴	21,747	13%	18,606	12%
Corporate Data ⁵	12,828	8%	11,762	8%
Fixed Line Voice ⁶	2,668	1%	2,977	2%
Service Revenues	149,010	89%	132,875	88%
Non Service Revenues	17,650	11%	18,297	12%
Operating Revenues	166,660	100%	151,172	100%

*Mobile business includes mobile and fully mobile broadband

**Home Broadband includes fixed wireless and wired broadband

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 (d) are reduced by any payouts to content providers.

² Mobile SMS revenues consist of local and international 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. Revenues for similar services reported in 2016 have also been restated for purposes of comparison.

⁴ Home broadband service revenues consist of the following:

- Monthly service fees of wired, fixed wireless, and 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; and
- Installation charges and other one-time fees associated with the service.
- 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.

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
- One-time 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 ₱111.8 billion in 2019 accounting for 67% of total operating revenues, 12% higher than last year's level of ₱99.5 billion. Mobile voice service revenues amounted to ₱24.3 billion in 2019, contributing 15% of operating revenues. Mobile SMS service revenues contributed ₱15.7 billion in 2019 or 9% of operating revenues. Mobile data posted strong revenue growth compared to last year's level and contributed ₱71.8 billion in 2019, 43% of operating revenues.

Accounting for 22% of total operating revenues, Globe's fixed line and broadband business grew 12%, registering ₱37.2 billion in 2019, compared to ₱33.3 billion in 2018. Home broadband contributed revenues of ₱21.7 billion, or 13% of operating revenues. Corporate data contributed 8%, at ₱12.8 billion and fixed line voice contributed 1% at ₱2.7 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 167 million with an industry penetration rate of 152% as of December 31, 2019. 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	3%
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%

* Estimated end of year figures.

Source: National Telecommunications Commission (Statistical Data 2007), 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, which is expected to be re-auctioned in the near-term.

- 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. As of reporting date, the new major player has not begun operations.

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 4.17 million lines as of December 31, 2019 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. Industry home broadband subscribers is now at 4.18 million, growing 15% versus 2018. Globe's subscriber market share stands at 48% as of December 31, 2019, up from 44% a year ago. 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 2019, Globe had total interest bearing debt of ₱136.3 billion representing 63% of total book capitalization. As of December 31, 2019, consolidated gross debt to equity ratio is at 1.68x, 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 1.86x. Approximately 84% of its debt is in pesos while the balance of 16% 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). In 2019, Globe also 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.

G. Customers

Globe has a large subscriber base across the country. The Company ended 2019 with 94.2 million mobile subscribers, comprised of 2.7 million postpaid and 91.5 million prepaid subscribers. Meanwhile, Globe has over 2.0 million home broadband customers and around 1.4 million fixed line voice subscribers.

No single customer and contract accounted for more than 20% of the Company's total sales in 2019.

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
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) Quezon City, Malabon & Valenzuela, all in M.M., Albay, Camarines Norte, Camarines Sur,	CPCN ⁽¹⁾	(a) July 19, 1999	(a) July 18, 2024

<i>Catanduanes, Sorsogon & Masbate, all in Bicol Region</i>			
(b) <i>Manila, Caloocan, Navotas</i>	CPCN ⁽¹⁾	(b) May 30, 2007	(b) August 9, 2021
(c) <i>Tacloban City, Tanauan and Palo, Leyte & Sogod, Southern Leyte</i>	CPCN ⁽¹⁾	(c) March 16, 1994	(c) August 9, 2021
(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) March 18, 2008	(d) August 9, 2021
(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, Saranggani, South Cotabato and Surigao del Sur</i>	PA	(e) November 18, 2004	(e) July 25, 2006 ⁽²⁾
(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 ⁽²⁾
(g) <i>Butuan City, Agusan del Norte & Agusan del Sur</i>	PA	(g) June 27, 2002	(g) June 14, 2005 ⁽²⁾
VSAT	CPCN ⁽¹⁾	January 11, 2001	January 10, 2026
International Gateway Facility	CPCN ⁽¹⁾	April 19, 1996	April 18, 2021
Trunked Mobile Radio System	CPCN ⁽¹⁾	April 2, 1998	April 1, 2023
Domestic Data and Voice Communications	CPCN ⁽¹⁾	April 10, 2008	August 9, 2021

¹ Certificate of Public Convenience and Necessity. The term of a CPCN is co-terminus with the franchise term.

² Motion for Extension of PA still pending with the NTC. No roll-out to justify the PA extension

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, Globe Life Device, #LevelUpPH, #Next Level Ka Tournament, 0917, Area 917, EasyShare, EasyExtend, GG30, GG50, Globe At Home, Globe At Home Air Fiber 5G, Globe At Home Streamfest, Globe Broadband, Globe Connected Home, Globe Home Broadband, Globe MyBusiness, Globe Prism, Globe Rewards, Globe Streamwatch, Good Games, Load Up, Midnight Surf, Points Battle, Sagad Surf, Sunkissed Boracay, Supersurf, Tattoo, Tattoo Home Broadband, Tattoo@Home, and Ticket Hub. Globe also applied for the following trademarks: 917V, 917 Ventures, Elements Music Camp, Globe At Home Air, Globe at Home Air Fiber, Globe at Home Prepaid Wifi, Gomo, K-mmunity Ph, Schoor, 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, 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 mark @Free, GoWifi, GoWifi Auto and EasySurf.
- b) GXchange has the following registered trademarks PowerPay+, G-Xchange, GCash Remit, GCash, GCash QR, GScore, GCash Mo na Yan!, #WhatCantYouDo, What Can't You Do?, #WCYD, and GCat. It has a pending trademark application for GCash Forest.
- c) Globe Fintech Innovations, Inc. has the following registered trademarks: GPay and Mynt Logo
- d) Fuse Lending, Inc. has the following registered marks : Instaloan, Go Loan, Spark Loan, Fuse Business Loan, and Power Payday Advance.

3. Patents

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

1. Person-to-Person Virtual Cash Transfer Transaction Using Mobile Phones;
2. A Method of Converting Cash into Virtual Cash and Loading it to Mobile Phone Cash Account;
3. A Method of Cashless, Cardless Purchase Transaction Using Mobile Phones; and
4. A Method of Converting Virtual Cash into Cash and Deducting 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 Virtual Cash into Cash and Deducting it to Mobile Phone Cash Account

Gxchange, Inc. and UTIBA Pty Ltd. have likewise filed the following patent applications in Indonesia, Singapore and Europe.

1. Person-to-Person Virtual Cash Transfer Transaction Using Mobile Phones;
2. A Method of Converting Cash into Virtual Cash and Loading it to Mobile Phone Cash Account;
3. A Method of Cashless, Cardless Purchase Transaction Using Mobile Phones; and
4. A Method of Converting Virtual Cash into Cash and Deducting it to Mobile Phone Cash Account.

Globe has applied the patent for "Systems and/or Methods for Authorizing and Facilitating Third-Party Withdrawals or Payment" with the Intellectual Property Office.

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 2019, 21% higher versus 2018 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 8,048 active regular employees as of December 31, 2019, of which 4% or 299 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 2017 to 2019 are as follows:

Employee Type	2019	2018	2017
Rank & File, CBU	2,191	2,791	2,527
Supervisory	3,497	2,760	2,605
Managerial	1,839	1,698	1,598
Executives	521	480	476
Total	8,048	7,729	7,206

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 Factors

The achievement of Globe's key business objectives can be affected by a wide array of 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. We aim to mitigate these exposures through appropriate RM strategies, strong internal controls and capabilities, close monitoring of risks and mitigation plans. The section below sets out the principal risk types, listed in no particular order of significance:

1. Political and Socio-Economic Risks

The growth and profitability of Globe may be influenced by the overall political and economic situation of the Philippines. Any political or geopolitical instability in the Philippines could negatively affect the country's general economic conditions which, in turn, could adversely affect the company's business, financial condition or results of operations, including the ability to 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 positively or negatively affect the company's business. These include:

- Pressure to improve network performance
- Sharing of network/facilities across operators
- Providing portability of mobile numbers
- Possible pressure on pricing
- Potential entry of foreign telecom players
- Potential improved LGU support
- Promise of increased infrastructure spend
- Potential changes that aim to disrupt the current industry model

A regular environmental scanning exercise is performed to ensure the identification of any uncertainties arising from political and socioeconomic factors. Management is closely monitoring the shift in policies to anticipate the potential impact to the business plans as well as maintaining open communication lines with the various government sectors.

2. Financial Markets Risk

(a) Foreign Exchange Risk

Exposure to foreign exchange risks remains a risk to Globe. Foreign exchange risk results primarily from movements of the Philippine peso against the US dollar (USD) with respect to the company's 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 Globe's financial condition and results of operations.

(b) Interest Rate Risk

In order to fund 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.

The company's exposure to interest rate risk and currency risk are being managed by:

- Using a mix of fixed and variable rate debt that are meant to achieve a balance between cost and volatility.
- Entering into interest rate swaps, in which the company agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed upon notional principal amount.
- Using a combination of natural hedges and derivative hedging to manage foreign exchange exposure.

Globe also regularly evaluates its projected and actual cash flows and continuously assess conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise.

3. Industry and Operational Risks

(a) Competition Risk

(i) Traditional Competition

Competition remains intense in the Philippine telecommunications industry amidst a mature mobile market and high growth data business, as current competitor seeks to regain market share with aggressive offerings. In late 2018, a 3rd player was allowed by the government to enter the Philippine telecommunications industry, selected through a bidding process spearheaded by the Department of Information and Communications Technology (DICT).

These factors are seen to further heighten the competitive dynamics amidst a mature mobile market.

(ii) 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. These alternatives are also driven by the proliferation of affordable smartphones and internet-capable mobile devices.

The continued growth and development of the telecommunications industry will depend on many factors. Any significant economic, technological, or regulatory development could result in either a slowdown or growth in demand for mobile services and may impact the company's business, revenues, and net income.

These factors heighten the need to continuously expand and modernize the company's network and IT services, thus requiring an equally heightened level of capital spending.

Globe continues to assert its market position through the offering of personalized plans and attractive product/device bundles, and launching innovative products and services that are relevant and responsive to the needs of the customers and focusing on superior customer experience. The company also partners 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.

(b) 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 its 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 over mergers, acquisitions, and other similar transactions as it is tasked to effectively level the playing field among businesses and penalize anti-competitive agreements and abuse of market dominance.

The introduction of new, modifications, or the inconsistent application of laws or regulations from time to time, may materially affect the operations of Globe, and ultimately the company's earnings which could impair its ability to service debt. There is no assurance that the regulatory environment will support any increase in the company's business and financial activity.

Globe manages its regulatory risks through regular monitoring of regulatory rulings, especially those that could negatively impact its businesses, and proactive engagement with the regulators.

(c) Customer Preference and Technology Shift Risk

Globe's ability to recognize and quickly respond to changes in customer preferences by upgrading existing infrastructure and systems may impact its competitiveness in the marketplace.

Mobile data applications and the rising popularity of smartphones, mobile applications, and social media platforms as enabled by mobile and connected devices are key contributors to the explosion of data traffic. This phenomenon is putting a strain on the company's network capacity as well as the supporting back end systems, negatively impacting customer experience.

Globe's business, product and technical teams continue to keep abreast of the latest innovations and trends in telecommunications technologies, devices and gadgets. The information and insights gathered are considered in the roadmap of future products and services and the company's network and IT infrastructure evolution. Proper timing of investments in technology and infrastructure always consider its strategic implications, velocity of technology cycles and customer adoption.

The Globe data network is continuously being enhanced by deploying new mobile and data technologies, increasing network capacity and coverage while modernizing the fixed line data infrastructure.

(d) Change Program Risk

Globe is in the process of transforming its businesses and such changes permeate into its network and IT systems and supporting processes. Crucial changes in the company's network infrastructure are being pursued mainly to improve network quality, anticipate the surge in voice and data traffic, decrease total cost of ownership, and make the network robust enough to meet future needs. IT transformation programs are set to re-engineer the company's IT systems and key processes to enhance its ability to deliver superior customer experience and understand what customers value, while being able to roll out products to the market in a more efficient and effective manner.

Should Globe Telecom's ambitious and complex transformation programs fail to achieve the desired outcomes, Globe could ultimately lose market share thus impacting its financial results.

Globe has institutionalized the appropriate program governance organizations with Management Team oversight and accountability to ensure program risks are properly considered and managed aimed at achieving key program objectives and improving customer experience. Globe ensures that a competent program office and project organization are in place for major change programs. Supporting processes have been established to closely monitor and provide a venue for regular progress updates, alignment of efforts, discussion of critical implementation issues and challenges and help ensure successful execution of its change programs.

(e) Organizational Agility Risk

Leading the digital lifestyle for customers and diversification of Globe's business portfolio is critical to maintain market competitiveness. Failure to drive the entire organization to quickly adapt work practices and make the right shift in skills and competencies necessary for the company to lead in the digital space and forge into adjacent spaces may lead to missed business opportunities.

Globe has initiated cultural change programs that focus on customer centricity and innovation. Opportunistic hiring of talents required for innovation and new investment areas are also carefully considered. Globe continues to build the right leadership structures and system team that will support an agile, future-ready and customer-centric organization.

(f) Human Capital Risks

Globe is exposed to risks in staffing critical functions with competent management and technical expertise. Globe's greatest asset is its people and the company's success is largely dependent on its ability to attract highly skilled personnel and to retain and motivate the best employees.

As new players are poised to ramp up their operations, this may result in poaching of key employees from the company's talent pool.

In line with Globe's Purpose of treating people right, and in support of the Department of Labor and Employment's campaign against all illegal forms of contractualization, Globe strictly monitors its accredited partners on their sustained compliance with pertinent labor laws and regulations.

Various people-related programs designed to engage and motivate employees are being implemented in order to retain and attract key talents. Globe University was formally organized to address the growing competency and development needs of Globe. With the need to develop key talent imperatives, it is a significant move towards achieving key improvements in workforce capabilities and performance.

(g) Reputational Risk

Globe is recognized as one of the Philippines' top companies providing innovative services and delivering superior customer experience while maintaining a socially responsible business. The company is exposed to reputational risks which may result from its actions or that of its

competitors; indirectly due to the actions of an employee; or consequently through actions of outsourced partners, suppliers, or joint venture partners.

Damage to Globe Telecom's reputation and erosion of brand equity could also be triggered by the inability to swiftly and adequately handle negative traditional and social media sentiments on Globe Telecom's products and services resulting from unfavorable customer experience, among others.

Regular process effectiveness and efficiency reviews on existing customer-impacting processes are being conducted to identify and address existing gaps, thus minimizing exposure to reputational risks arising from problem areas. Front line staff are regularly trained to enable them to effectively handle customer cases. On the other hand, close monitoring of customers' online sentiments is being performed to quickly detect subscriber issues being surfaced in social media and be able to manage them early on.

(h) Compliance Risks

(i) Cyber Threats

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. 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 devices and social media increase the organization's exposure to cyber-attacks.

Globe continues to strengthen and enhance its existing security detection, vulnerability and patch management, configuration management, identity access management, events monitoring, data loss prevention and network/end-user perimeter capabilities to ensure that cyber threats are effectively managed.

As part of the company's mission to promote the intelligent and judicious use of the internet, Globe also educates the youth to better understand the impact of their online behavior so they can be responsible digital citizens, thereby lessening cyber threats to Globe. In parallel, online security is promoted through customer education drives.

(ii) Data Privacy

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

Employee awareness on data protection and loss prevention is reinforced through regular corporate communication channels. Further, employees are made accountable for maintaining the confidentiality of data handled, including disclosures and information shared in various social media platforms. Controls over processes that require handling of customers' personal information are being tightened, coupled with enhancements in existing security capabilities to prevent compromise of customer data.

A Chief Information Security Officer and Data Protection Officer was appointed to strengthen the management of risks relating to the confidentiality and integrity of customer information while ensuring compliance with Data Privacy Act of 2012 or Republic Act 10173 (DPA). Our CISO/DPO reports to our Chief Technology and Information Officer (CTIO), and acts as

Chairman of the Information Security and Privacy Committee in Management as well as leads our Information Security and Data Privacy Division (ISDP). ISDP is a fully-operationalized group that focuses on Globe's data privacy and cybersecurity matters.

The CISO provides regular updates on information security and data privacy matters to the Board, through the ARPT Committee to ensure that cyber risks and technology or digital threats to the business and our customers are addressed and managed effectively.

(iii) Business disruptions

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

Since 2012, our Business Continuity Management System (BCMS), which governs our Business Continuity and Disaster Recovery Planning, has been certified by BSI, Singapore – an internationally recognized certification body. The Globe BCMS is primarily responsible in ensuring that programs are in place for Globe to continuously improve on:

- the readiness of our employees to manage disastrous incidents;
- the ability of the organization to deliver critical products and services especially during disasters, and;
- the commitment to deliver on important legal and regulatory requirements.

The company is continuously enhancing its incident and crisis management plans and capabilities and have incorporated disaster risk reduction and response objectives in its business continuity planning. Part of Globe's Business Continuity Management Program initiatives include:

- Partnering with the Metropolitan Manila Development Authority (MMDA) and the Philippine Disaster Recovery Foundation (PDRF), to create a network of support during disasters.
- Sponsored the development of hazard maps for 54 out of 81 Philippine provinces, which will be used by Phivolcs to assist the provinces in their disaster management plans.
- Reinforced Ayala ASSIST, an app that enables Globe and other Ayala employees to easily seek assistance during disasters.
- Re-certification in Business Continuity (ISO 22301) on an enterprise-wide scale
- Reinforcing the company's business continuity policies and best practices through various awareness drives and training programs

(iv) Revenue leakage

The telecommunications industry is inherently vulnerable to revenue leakage with the continuing innovations in telco technologies, networks and IT systems and the multitude of its service plan offerings and 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.

Globe strengthens its revenue assurance capabilities through the identification and embedding of appropriate revenue assurance controls into new products, services, and new systems as well as the implementation of sound controls on existing products and services.

Globe is continuously improving control effectiveness, efficiency, and coverage through periodic controls review exercises, controls discovery, and review of critical revenue-impacting processes. The company has recently completed the implementation of a revenue assurance tool that would increase efficiency in its operations through automated execution of controls.

(v) Fraud

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 its 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.

Globe remains committed to preventing and detecting fraud by institutionalizing processes and building 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. The company has initiated various programs to equip its customers with the right and sufficient information so that they do not fall victim to fraudsters. Moreover, the company closely coordinates with law enforcement agencies to help protect customers from activities meant to defraud them.

Globe implements standards and practices that remind and deter employees, who through the course of business transactions with various partners, from engaging in corrupt or unethical practices. Management has zero tolerance for such acts and have corresponding severe penalties as provided in the company's Code of Conduct and Ethics (CoC). Globe employees, by virtue of his/her employment, are bound to uphold trust given to them by not seeking to gain any undue personal or pecuniary advantage (other than the rightful proceeds of employment) from dealings with or for and in behalf of Globe. Our employees maintain the highest standards of honesty, integrity, and professional conduct. Seeking undue financial and material advantage from transactions with Globe is a breach of trust between the employee and the company. Globe's CoC promulgates policies governing conflict of interest, whistleblowers, unethical, and corrupt practices, among others.

N. Management of Risks

Realizing the need to protect the business from losses arising from failures in internal processes, people, and systems or external events, which is an integral part of Globe's RM responsibility, an Operational Risk Management and Business Protection (ORB) department was established. ORB's primary objective is to provide end-to-end support for all activities under risk management, overseeing safety, environment, infrastructure hazard management, insurance, as well as enterprise business continuity management. ORB reports to the Head of Logistics and Administrative Services who directly reports to the CFO/CRO. The department is mandated to do the following:

- Provide hazard identification and risk assessment for Globe Telecom's operations, activities, events, and infrastructure;
- Facilitate implementation of risk control and mitigation measures for safety and environmental management, in collaboration with operational and business groups;
- Provide and facilitate risk transfer and business protection solutions through insurance or contractor liability agreements;
- Establish an effective framework for business continuity management for the organization to effectively respond to threats such as natural disasters, equipment failure, data breaches, and in effect, protect its business interests.

O. Debt Issues

For details on Globe Group's Loans Payable see Note 19 of the attached Notes to the 2019 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: Bacoar, 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. 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 2019 Audited Financial Statements)*

B. Telecommunications Equipment

As of end December 2019, the Company has a nationwide 2G, 3G, 4G-LTE providing nationwide voice, SMS and mobile broadband services. In addition Globe's 4G-LTE and recently launched 5G provides fixed wireless broadband services 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 will be 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. It is worth to note that Globe also has the largest deployed base of high capacity Massive MIMO Radio Access Network nodes in the Philippines which serves both Fixed Wireless Broadband Customers and Mobile Broadband customers as well.

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 Fixed Wireless Broadband service in areas where fiber deployment is challenged by various permit and right of way issues.

Globe also has a national transmission network 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 backbone 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 96% of Philippine Towns as of Q4 2019. Of note also is Globe's successful commercial launch of 5G technology in June 20, 2019 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 indefeasible 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 also has its first international cable landing station located in Nasugbu, Batangas that directly accesses 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 has 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), and Fiber Optic Link Around the Globe (FLAG), among others.

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 enhances the Company's global link 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 20Terabits 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.

For more information on the Company's properties and equipment, refer to Note 11 of the attached notes to the 2019 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.

- 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 nonstock 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

	2019		2018	
	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:

	2019		2018	
	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	133,208	6,660,420	133,053	6,652,663
Total capital stock		₱8,452,995		₱8,445,238

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:

	2019		2018	
	Shares	Amount	Shares	Amount
(in Thousand Pesos and Number of Shares)				
At beginning of year	133,053	₱6,652,663	132,917	₱6,645,829
Exercise of stock options	10	499	7	371
Issuance of shares under share-based compensation plan and exercise of stock options	145	7,258	129	6,463
At end of year	133,208	₱6,660,420	133,053	₱6,652,663

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>
2018		
First Quarter	1,900	1,540
Second Quarter	1,766	1,475
Third Quarter	2,222	1,600
Fourth Quarter	2,330	1,728
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
NON-VOTING PREFERRED SHARES		
	Price Per Share (PHP)	
<u>Calendar Period</u>	<u>High</u>	<u>Low</u>
2018		
First Quarter	530	504.5
Second Quarter	518	500
Third Quarter	510	490
Fourth Quarter	530	441
2019		
First Quarter	496.8	478
Second Quarter	497	478
Third Quarter	509.5	479
Fourth Quarter	509.5	497

The price information as of latest practicable trading date (as of March 27, 2020):

- ₱1,949 per common share
- ₱498 per non-voting preferred share

C. Holders

There are approximately 3,135 holders of common shares, 6 holders of voting preferred shares, and 15 holders of non-voting preferred shares as of 31 December 2019.

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	47.03%
2	Ayala Corporation	41,157,276	30.90%
3	PCD Nominee Corp. (Non-Filipino)	18,355,617	13.78%
4	PCD Nominee Corp. (Filipino)	10,147,362	7.62%
5	Ernest L. Cu	50,089	0.04%
6	Guillermo D. Luchangco	29,500	0.02%
7	The First National Investment Co., Inc.	21,001	0.02%
8	Anna Irmira B. Navarette	15,473	0.01%

9	Renato Manuel M. Jiao	14,145	0.01%
10	Cedar Commodities, Inc.	12,900	0.01%
11	Alberto M. de Larrazabal	10,485	0.01%
12	Gil B. Genio	10,082	0.01%
13	Bernadette Say Go	10,000	0.01%
14	Rosemarie Maneigo-Eala or Michael Francis Mendoza	9,998	0.01%
15	Joseph Caliro	9,785	0.01%
16	Jose Tan Yan Doo	8,071	0.01%
17	Ma. Teresa V. Teng	8,015	0.01%
18	Carmina Delfina J. Herbosa	6,775	0.01%
19	Nikkolai Mari Z. Acosta	6,455	0.00%
20	Alfonso S.Teh	6,000	0.00%

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%

* Nominee shares

Non-Voting Preferred Stock:

	Stockholder Name	No. of Preferred Shares	Percentage (of Non-Preferred Shares)
1	PCD Nominee Corp. – Filipino	18,138,450	90.69%
2	Social Security System	1,600,000	8.00%
3	Knights of Columbus Fraternal Association of the Phils. Inc.	88,140	0.44%
4	PCD Nominee Corp. – Non-Filipino	77,560	0.39%
5	RCBC Securities Inc.	60,000	0.30%
6	First Life Financial Co. Inc.	20,000	0.10%
7	Tan Ben Cuevo and or Tan Imelda Toralba	4,000	0.02%
8	Yao Wilson Ang	3,000	0.02%
9	Robles Ma. Theresa Frasco	2,150	0.01%
10	Henry Dy Tan or Sherley Gargantos Tan	2,000	0.01%
11	Zalamea Enrique Jr M	2,000	0.01%
12	Macabuhay Angelo de Guzman	1,000	0.01%
13	Lim Ernesto Kiong or Flora Go Lim	600	0.00%
14	Lim Iris Veronica Go	600	0.00%
15	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 7, 2017	February 21, 2017	March 8, 2017
22.75	May 9, 2017	May 23, 2017	June 7, 2017
22.75	August 7, 2017	August 22, 2017	September 6, 2017
22.75	November 3, 2017	November 17, 2017	December 1, 2017
22.75	February 5, 2018	February 20, 2018	March 5, 2018
22.75	May 4, 2018	May 21, 2018	June 1, 2018
22.75	August 8, 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

b. Voting Preferred shares

AMOUNT (Php)	DECLARATION DATE	RECORD DATE	PAYMENT DATE
0.21	November 3, 2017	November 17, 2017	December 1, 2017
0.26	November 5, 2018	November 19, 2018	December 5, 2018
0.32	December 10, 2019	December 26, 2019	December 27, 2019

c. Non-Voting Preferred shares

AMOUNT (Php)	DECLARATION DATE	RECORD DATE	PAYMENT DATE
13.00	May 9, 2017	August 10, 2017	August 22, 2017
13.00	December 5, 2017	January 26, 2018	February 22, 2018
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

Cash Dividends Declared After Balance Sheet Date

On 3 February 2020, Globe's Board of Directors approved the declaration of the first quarter cash dividend of ₱27.00 per common share payable on March 4, 2020 to shareholders on record as of February 17, 2020.

2. Restrictions on Retained Earnings

The total unrestricted retained earnings available for dividend declaration amounted to ₱18,281.94 million as of December 31, 2019. 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 19 of the attached Notes to the 2019 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 30, 2019		
		Number of Shares Common
Number of Issued Shares		133,208,407
Less: Number of Treasury Shares (if any)		0
Number of Issued and Outstanding Shares		133,208,407
Less:		
	% to total	Common
	I/O Shares	
Directors		
Sub-total	0.0432 %	125,942
Officers		
Sub-total	0.0725 %	211,428
Principal Stockholders		
Asiacom Phils., Inc.		
Direct	54.3374 %	0
Singapore Telecom Int'l. Pte Ltd		
Direct	21.4746 %	62,646,487
Ayala Corporation		
Direct	14.1083 %	41,157,276
Sub-total	89.9204 %	103,803,763
Others		
Sub-total	0.0782 %	228,225
TOTAL	90.1142 %	104,369,358
Total Number of Shares Owned by the Public		28,839,049
PUBLIC OWNERSHIP PERCENTAGE		
<u>Total Number of Shares Owned by the Public</u>		
<u>28,839,049</u> shares	=	<u>21.65%</u>
133,208,407 shares		
Number of Issued and Outstanding Shares	=	133,208,407
Number of Outstanding Shares	=	133,208,407
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	=	81,015,982
Preferred "A" Shares	=	1
Non-Voting Preferred Shares	=	77,080
Foreign Ownership Level (%) - on voting shares	=	27.77%
Foreign Ownership Level (%) - on all Outstanding Shares	=	26.01%
Foreign Ownership Limit (%)	=	40%

Item 6. Management's Discussion and Analysis of Operations

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 *GoCall/DD30* 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, *SulitTxt15* 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 *SulitTxt5*, 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 *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.

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 *Astigltxt20* 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, *GoSurf1999* 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:

- Monthly service fees of wired, fixed wireless, and 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; and
 - 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:

- 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.

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 one-time 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 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>	<i>(2,262)</i>	<i>(956)</i>	<i>137%</i>
<i>Frequency Amortization</i>	<i>(293)</i>	<i>(294)</i>	-
<i>Gain on Sale (AFPI)</i>	<i>240</i>	-	-
<i>Remeasurement loss on investment in Associate</i>	<i>(471)</i>	-	-
<i>Taodharma Impairment</i>	-	<i>(140)</i>	-100%
<i>Others -net</i>	<i>(11)</i>	<i>(2)</i>	<i>445%</i>
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 ₱501 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 (MNPSP). 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 MNPSP, 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.

For The Financial Year Ended 2018

GROUP FINANCIAL HIGHLIGHTS

Results of Operations (Php Mn)	Globe Group Year on Year			
	Pre-PFRS		YoY Change (%)	Post-PFRS
	31-Dec 2018	31-Dec 2017		31-Dec 2018
Operating Revenues	150,320	135,281	11%	151,172
Service Revenues	140,232	127,906	10%	132,875
<i>Mobile *</i>	106,925	98,483	9%	99,530
<i>Home Broadband **</i>	18,543	15,645	19%	18,606
<i>Corporate Data</i>	11,782	10,288	15%	11,762
<i>Fixed line Voice</i>	2,982	3,490	-15%	2,977
Non-Service Revenues	10,088	7,375	37%	18,297
Costs and Expenses	85,449	81,955	4%	86,045
Cost of Sales	14,792	13,014	14%	18,645
Operating Expenses	70,657	68,941	2%	67,400
EBITDA	64,871	53,326	22%	65,127
EBITDA Margin	46%	42%	11%	49%
Depreciation	30,422	27,513	11%	30,422
EBIT	34,449	25,813	33%	34,705
EBIT Margin	25%	20%	22%	26%
Non-Operating Charges	7,092	4,271	66%	7,092
Net Income After Tax (NIAT)	18,447	15,084	22%	18,626
Core Net Income	18,555	13,546	37%	18,735

Note: Post-PFRS considered the new accounting standard on Revenues from Contracts with Customers (PFRS 15) and Financial Instruments: Recognition and Measurement (PFRS 9). Pre-PFRS financials are before impact of these standards, which are comparable with 2017.

**Mobile business includes mobile and fully mobile broadband*

***Home Broadband includes fixed wireless and wired broadband*

- Full year consolidated service revenues reached ₱140.2 billion in 2018 from ₱127.9 billion last year due to the sustained data revenue growth across all business segments. Mobile revenues were up 9% to ₱106.9 billion from last year's ₱98.5 billion, coming largely from Prepaid, resulting from increased data consumption and higher top-ups. Home Broadband posted a 19% increase from a year ago, due to the strong subscriber growth boosted by the growing demand for faster internet connectivity. Corporate Data likewise grew by 15% from the ₱10.3 billion reported last year. Including the impact of PFRS 15, total consolidated service revenues for the period stood at ₱132.9 billion.
- Total operating expenses and subsidy slightly increased by 1% year-on-year to ₱75.4 billion from ₱74.6 billion a year ago. This was primarily driven by the significant declines in interconnect, provisions and subsidy. In addition, the Company's cost control initiatives contributed in keeping its expenses low, despite supporting all existing network projects in response to the growing business' demands. Including the impact of PFRS adjustments, total operating expenses and subsidy as of end-December 2018 amounted to ₱67.7 billion.
- Globe's consolidated EBITDA reached ₱64.9 billion, surpassing last year's level of ₱53.3 billion, due mainly to the strong topline and minimal growth in operating expenses. EBITDA margin for 2018 was at 46%, higher versus last year's margin of 42%. Including the impact of the PFRS adjustments, Globe's consolidated EBITDA for the period stood at ₱65.1 billion, while EBITDA margin was at 49%.
- Total depreciation expenses posted an 11% increase to ₱30.4 billion from the ₱27.5 billion reported in 2017, given Globe's higher capital investments.

- Overall, total operating costs including depreciation charges rose to ₱105.8 billion or 4% higher than the ₱102.1 billion reported in 2017. While including the PFRS adjustments, total operating costs and subsidy including depreciation as of end-December 2018 was at ₱98.2 billion.
- Full year 2018 non-operating charges significantly increased by 66% from the ₱4.3 billion reported last year to ₱7.1 billion this period. This was attributed to higher interest on bank loans, net forex loss position in 2018, higher losses from affiliates and frequency amortization, as well as the provision for impairment of Taodharma investment booked in the third quarter of 2018. Note that last year's lower non-operating charges was partly due to the one-time gain related to the fair value of retained equity interest of Globe in Globe Fintech Innovations, Inc. (Mynt).
- The Globe Group closed the year with consolidated net income of ₱18.4 billion, up 22% from previous year's ₱15.1 billion mainly due to the gains in EBITDA, offsetting depreciation charges and non-operating expenses booked for the year just ended. Post-PFRS adjustments resulted to slight improvement to the consolidated net income, ending the year at ₱18.6 billion.
- 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 ₱18.6 billion, up a robust 37% year-on-year. In addition, core net income improved to ₱18.7 billion as of end-December 2018 after the PFRS adoption.
- As of the end-December 2018, total cash capital expenditures stood at about ₱43.3 billion (approximately \$821 million), 2% higher than last year's level of ₱42.5 billion. The increase in capex was due to the Company's continued network upgrade and expansion.

GROUP OPERATING REVENUES BY SEGMENT

	Globe Group			
	Year-on-Year			
	Pre-PFRS		Post-PFRS	
Operating Revenues	31-Dec	31-Dec	YoY	31-Dec
By Business (Php Mn)	2018	2017	Change	2018
Mobile*	116,621	105,586	10%	117,435
Service Revenues	106,925	98,483	9%	99,530
Non-Service Revenues	9,696	7,103	36%	17,905
Fixed Line and Home Broadband**	33,699	29,695	13%	33,737
Service Revenues	33,307	29,423	13%	33,345
Non-Service Revenues	392	272	44%	392
Total Operating Revenues	150,320	135,281	11%	151,172

Note: Post-PFRS considered the new accounting standard on Revenues from Contracts with Customers (PFRS 15) and Financial Instruments: Recognition and Measurement (PFRS 9). Pre-PFRS financials are before impact of these standards, which are comparable with last year.

*Mobile business includes mobile and fully mobile broadband

**Home Broadband includes fixed wireless and wired broadband

The Globe Group ended the year with total operating revenues of ₱150.3 billion, up 11% from the ₱135.3 billion recorded last year. This was driven by robust service revenue growth, which was up 10% year-on-year to reach ₱140.2 billion from ₱127.9 billion a year ago. Post-PFRS adjustments, Globe Group's total operating revenues stood at ₱151.2 billion.

Mobile service revenues, which accounted for 76% of Globe's consolidated service revenues for the year just ended, rose to ₱106.9 billion, up a robust 9% from last year's level of ₱98.5 billion, due to the continued strong revenue contributions from mobile data (+28%) as partly offset by the decline in traditional voice (-6%) and SMS (-8%). Post-PFRS adjustments, full year 2018 revenues stood at ₱99.5 billion.

Globe Group's Fixed Line and Home Broadband service revenues posted a 13% increase year-on-year from ₱29.4 billion in 2017 to ₱33.3 billion in 2018. The growth was driven by solid contributions of both

Home Broadband and Corporate Data segments. Post-PFRS adjustments, Globe Group's Home Broadband and Fixed Line business service revenues for the full year of 2018 showed a ₱38 million improvement from the pre-PFRS service revenues.

Mobile non-service revenues increased year-on-year by 36%. Fixed Line and Home Broadband non-service revenues, likewise grew by 44% compared from a year ago.

MOBILE BUSINESS

	Globe Group Year on Year			
	Pre-PFRS		Post-PFRS	
	31-Dec	31-Dec	YoY	31-Dec
	2018	2017	Change	2018
Mobile Service Revenue (Php Mn)			(%)	
Service				
Mobile Voice ¹	30,348	32,275	-6%	28,520
Mobile SMS ²	21,281	23,149	-8%	20,190
Mobile Data ³	55,296	43,059	28%	50,820
Mobile Service Revenues	106,925	98,483	9%	99,530

Note: Post-PFRS considered the new accounting standard on Revenues from Contracts with Customers (PFRS 15) and Financial Instruments: Recognition and Measurement (PFRS 9). Pre-PFRS financials are before impact of these standards, which are comparable with last year.

¹ Mobile Voice service revenues include the following:

- e) Prorated monthly service fees on consumable minutes of postpaid plans;
- f) Subscription fees on unlimited and bucket voice promotions including the expiration of the unused value of denomination loaded;
- g) 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
- h) 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
- i) 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.

Mobile Voice

Mobile voice revenues, which accounted for 28% of total mobile service revenues, declined by 6% to only ₱30.3 billion in 2018 from ₱32.3 billion in 2017. Consistent with global trends, voice revenues declined given the migration of voice traffic to alternative internet-based applications. Post-PFRS 15 adjustment, total mobile voice revenues as of end-December 2018 was ₱28.5 billion.

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

^{*}With at least Php7.50 load requirement

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 GoTip/DD* service remains to be the lowest per-minute IDD rates in the market (*Go tip/DD30* for as low as Php2.50 per minute valid for three (3) days; *Go tip/DD50* valid for seven (7) days; *Go tip/DD100* valid for 15 days). For TM customers, they may opt to subscribe to *TM Tip/DD30* which offer 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 Php99 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 Php99; *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 for TM subscribers, *GoCall/DD30* provides for a ₱5 per minute rate for calls to the Middle East and Europe and as low as ₱2.50 per minute for calls to North America and Asia for only ₱30 valid for 7 days.

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 provides unlimited SMS to all networks, plus calls to Globe/TM and calls to all networks and consumable mobile browsing. *Go AllNet* promotions include *GoAllNet25* which gives its subscribers unlimited texts to all networks, 75 mins of calls to Globe/TM, 5 mins of calls to all networks and 5MB Facebook for ₱25 good for 1 day. Also available are *GoAllNet70*, *GoAllNet200*, *GoAllNet300*, and *GoAllNet500* for all-net offers valid for 3, 7, 15 and 30 days, respectively. Meanwhile, *GoUnli* promos include *GoUnli20* which gives its customers unli texts to All networks, unli calls to Globe/TM, 20 MB mobile internet valid for 1 day for only ₱20; *GoUnli25* for unli calls to Globe/TM, unli texts to all networks, free FB plus one (1) app of choice valid for 1 day for ₱25; *GoUnli30* for unli texts to All networks, unli calls to Globe/TM, 30 MB mobile internet valid for 2 days for ₱30; and *GoUnli150* for unli calls to Globe/TM, unli texts to all networks, 50 MB mobile internet valid for 3 days for only ₱50. Globe customers can also subscribe to *SuperAllTxtPlus20* which provides 250 local texts to All networks, plus 10 minutes voice calls (Globe/TM) for one day. In addition, *Globe Prepaid* subscribers also have the option to subscribe to *Go19*, whereby subscribers can send unlimited texts to all networks, make 20 minutes of calls to Globe/TM, and surf up to 15MB for only ₱19 valid for 1 day. Also available are *ATxtPlus20*, which allows 10 minutes calls to Globe/TM, 250 texts to all networks, valid for 1 day for only ₱20; and *UAllPlus25* for unli calls to Globe/TM, unli texts to Globe/TM and one (1) hour mobile internet valid for 1 day for ₱25 only. For TM on the other hand, subscribers can choose from a wide array of promo offers which will best fit their budget and lifestyle. TM subscribers may avail of *ComboAll10* which provides for unlimited calls & texts to TM/Globe plus 50 texts to all networks for only ₱10 a day or may opt to subscribe to longer validity period -- *ComboAll15* valid for 2 days for ₱15 and *ComboAll20* valid for 3 days ₱20. *CU10* was likewise introduced to the market which offers unli calls to TM/Globe plus 100 all-net texts for 2 days for only ₱10. *Combo15* which

provides for unlimited all-network texts plus 60 minutes calls TM/Globe valid for 3 days for only ₱15 or choose to subscribe to *Combo20* valid for 4 days for ₱20. Through the *Extend all-you-can promo* all TM subscribers have the option to extend all TM call and text promos up to 365 times by simply texting "EXTEND" to 8888 before their current promo expires. In 2017, Globe launched the all-net call promos for as low as ₱1/minute as a result of lowered voice interconnect access charges across telcos. Under the Company's latest all-net promos, postpaid customers with Plan 2499 and up may choose to avail of a ₱299 tack-on that will give them 300-minute calls to all networks. On the other hand, Globe Prepaid subscribers may avail of *GoCall50* which gives 50 minutes of calls to all networks, good for 3 days; TM customers may add ₱5 to any existing call and text promo for 5 minutes of calls to any network, good for 1 day.

Mobile SMS

Mobile SMS revenues, which accounted for 20% of total mobile service revenues, closed the year at ₱21.3 billion, or 8% lower against the ₱23.1 billion reported last year. Post-PFRS 15 adjustment, mobile SMS revenues as of end-December of 2018 stood at ₱20.2 billion. 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 concious 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 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 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).

Mobile Data

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

Mobile data, the biggest contributor to mobile business, accounted for 52% of total mobile service revenues (vs. 44% in 2017). As of end-December 2018, mobile data revenues posted ₱55.3 billion, up a strong 28% from ₱43.1 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. Post-PFRS 15 adjustment, total mobile data for the year just ended was at ₱50.8 billion.

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 (*HOOQ* and *Walt Disney*). *Piso Video* was also made available to provide *Globe* and *TM* subscribers' access to videos on their cellphones for as low as ₱1 per video. 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 Netflix, Disney, Sports Illustrated, Astro, Turner and Smule.

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 ₱10/day. *Globe Postpaid, Prepaid and TM* subscribers can choose from a variety of GoSurf consumable data plans ranging from ₱10 for 40 MB for a day to ₱2,499 for 20 GB per month. With every GoSurf data plan, subscribers can get free access to *Spotify*¹. Subscribers who register to GoSurf99 and below get free music streaming on *Spotify Basic*, while those who register to GoSurf299 and above get free music streaming on *Spotify Premium* or *HOOQ*² with free access to *YouTube* and *Dailymotion*. All GoSurf plans are automatically bundled with the "Globe No Bill Shock Guarantee", so subscribers who exceed their monthly MB allocations will never pay more than ₱1,500 for GoSurf plans 99 to 999 and ₱3,000 for GoSurf plans 1799 and 2499. In addition, game bundles were likewise introduced to the market which give *Globe Prepaid* customers all-day access to their favorite mobile games and live the thrill of fighting clans, summoning spells, assembling a team of super heroes with *Clash Royal*, *Clash of Clans*, *Candy Crush* and more for a minimum cost of ₱15/day for 100MB data allocation to a maximum of ₱99 for 30 days for 300MB data allocation. In 2017, *Globe* introduced yet another game-changing offer that transformed the way people enjoy and consume video content on mobile with the launch of *GoWatch*. This promo allows subscribers to get as much as 2GB for video streaming per day starting at ₱29 as an add-on to any GoSurf promo starting with GoSurf50. *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: Netflix, YouTube, Tribe, HOOQ, NBA, Cartoon Network, and Disney Channel Apps. 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, Tattoo, and TM)* subscribers. Likewise *TM*, introduced *Net2* which gives *TM* subscribers an option to add mobile internet on top of any *TM* promo subscription for just a minimal fee of ₱2. *Net2* gives its users 20MB for *Youtube* streaming or 10MB for *CoC*, *Google*, *Twitter*, *Instagram*, or *WeChat* for one whole day. *TM* subscribers may also opt to subscribe for ₱5 for 20MB for *Youtube streaming*, *CoC*, *Google*, *Twitter* valid for two (2) days. *TM* customers can also have free access to *JOFOM* as long as they are registered to any *TM* promos. *JOFOM* is a blue collar mobile app launched by jobstreet giving access to more than 5,000 local jobs for high-school and vocational course graduates. *JOFOM* can be downloaded via internet.org and Google Play or via the website (www.jofom.com).

Meanwhile, unlimited chat offers (*UnliChat25* valid for 1 day and *UnliChat299* valid for 30 days) *GMESSAGE*, *Viber*, *FB Messenger*, *KakaoTalk*, *WeChat*, *WhatsApp*, and *LINE* even without a WiFi connection are also available for *Globe Prepaid* subscribers. *Globe Prepaid* or *TM* customers may also opt to avail of site bundles to enjoy 24-hour unlimited access to various websites of their choice for only ₱20 per day. In addition to these, the Company introduced the *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 more 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 offer 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, ₱1797 for 3 full days and ₱2995 for 5 full days.

¹ Spotify is a music streaming service that you can listen to anywhere and anytime. You can also create and share your playlists to your friends and better yet follow your favorite artists and listen to their playlists as well.

² HOOQ is an online video-on-demand service that provides access to over 10,000 foreign and local movies and TV shows that can be watched on PCs, tablets, and smartphones connected to the Internet

Globe continues to rollout more *GoWiFi*¹ hotspots, as part of the network's goal to elevate the state of internet connectivity in the country. This developed as Globe partnered with the Department of Information and Communications Technology (DICT) for the EDSA WiFi project which aims to provide high-speed internet connectivity throughout the 24-kilometer stretch of EDSA. DICT is targeting to reach over 13,000 public places across 145 cities and 1,489 municipalities nationwide. *GoWiFi*, is available at a growing number of hotspots nationwide. Get connected at malls, coffee shops, restaurants, convenience stores, transportation hubs, and more. Meanwhile the *GoWiFi Auto*, is an affordable paid service for customers to continue browsing once their daily allowance of free WiFi minutes is fully consumed. *GoWiFi Auto* allows customers who have purchased a package to automatically connect to the *GoWiFi Auto* network without having to login again even when transferring between multiple locations. Customers can enjoy fast uninterrupted browsing, no ads, no timeouts, and no need to remember username and passwords. To enjoy *GoWiFi Auto*, customers simply connect to the @GoWiFi_Auto network, wait for the GoWiFi Auto portal to pop up (or open the browser) and sign up with a mobile number. GoWiFi Auto's affordable plans start at P15/day for 500 MB. Larger plans, specifically a P50 plan offering 1.5 GB of data for 3 days and a P99 plan, also with 1.5 GB of data, but valid for 30 days, are also available.

From May 18 up to October 31, 2018, Globe Prepaid customers who subscribed to *GoSurf50* and up, GOTSCOMBODD70 and 90, or GoSakto120 and 140 were able to enjoy the additional 2 GB for free to access their favorite video streaming and gaming apps and sites. With this freebie, Globe customers can immerse in thrilling movies, award-winning shows, and fun videos from Netflix, YouTube, HOOQ, NBA, Cartoon Network, and Disney; plus, they can step into the exciting worlds of Arena of Valor, Mobile Legends, Clash of Clans, Pokemon Go, and Clash Royale! Stream and play away without worrying about consuming your GoSurf or GoSakto MBs or getting charged regular browsing rates. Similarly, TM customers who subscribed to *EasySurf50* and up were also given the additional 2 GB for free to access their favorite video streaming and gaming apps and sites. This new freebie includes the following apps: EasyWatch apps (Youtube, Netflix, HooQ, NBA, Cartoon Network, Disney, Tribe); and EasyPlay apps (Arena of Valor, Mobile Legends, Clash of Clans, Pokemon Go, and Clash Royale). HOOQ & Disney are available freebies for EasySurf599 & 999.

In 2018, with Globe's committed to enriching 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. Also during the year, Globe, together with The Walt Disney Company Southeast Asia, introduced *DisneyLife*: The World of Disney in One App. *DisneyLife* is a unique digital content offering for fans of Disney, Pixar, Marvel and Star Wars in the Philippines. All existing Globe Postpaid customers and new or recontracting customers on ThePLAN or ThePLAN PLUS 999 and above get a free 6-month subscription to *DisneyLife*. *DisneyLife* offers are coming soon with GoWatch for Prepaid mobile customers. In the meantime, they can watch out for wonderful surprises from Disney and Globe. Apart from mobile and broadband offerings, Globe now offers consumers *DisneyLife* for a monthly subscription of Php149. With each subscription, consumers can create 6 accounts, register up to 10 gadgets, and use the *DisneyLife* app simultaneously across four devices.

¹ *GoWiFi* is Globe Telecom's premium public WiFi service

Key Mobile Drivers

In view of the new regulatory requirement, Globe closed the year with a total mobile subscriber base of 74.1 million. This will now become the new baseline given the impact of the one (1) year extension of prepaid load validity.

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 in July 5, 2018, Globe expanded the implementation to all Globe prepaid load, including those with denominations below 300 pesos.

The succeeding sections cover the key segments and brands of the mobile business – *Globe Postpaid*, *Globe Prepaid* and *TM*.

Globe Postpaid

As of the end of December 2018, *Globe Postpaid* had 2.6 million subscribers, or 5% higher from a year ago. *Globe Postpaid*'s gross acquisitions for the year just ended stood at 660,972 or 11% lower than last year. The improvement in churn rate from 2.5% a year ago to only 1.8% in 2018 brought total net additions in postpaid subscribers to reach 113,383 subs, compared to last year's net reduction of 4,931.

Globe Postpaid expanded its smartphone line-up with the successful launch of the new *iPhone XR*, *iPhone Xs/Xs Max* in the last quarter of 2018. Customers can avail of the newest generation of iPhone devices through *Globe Postpaid*'s "*ThePLAN*" which ranges from ₱599 to ₱2499 monthly which already come with unlimited texts and calls to *Globe/TM*, mobile data, with free 6-month subscriptions to Amazon Prime Video and DisneyLife. The new iPhone Xs can be availed for only ₱3,499 (*ThePLAN* 1799 + ₱1,700 monthly cashout) or iPhone Xs Max for only ₱3,799 (*ThePLAN* 1799 + ₱2,000 monthly cashout)). Meanwhile, iPhone XR can be availed at ₱2,899 (*ThePLAN* 1799 + ₱1,100 monthly cashout).

Globe Postpaid ARPU registered at ₱1,161, which decreased by 1% from a year ago. On a post-PFRS basis, full year 2018 *Globe Postpaid* ARPU was at ₱919.

Globe Postpaid subscriber acquisition cost (SAC) was 7% lower year-on-year, to reach ₱8,177 from ₱8,824 from a year ago. On a post-PFRS basis, full year 2018 SAC was ₱1,644. *Globe Postpaid* SAC remains recoverable well within the 24-month contract of the postpaid plans.

Prepaid

Globe's prepaid brands, which includes the *Globe Prepaid* and *TM*, accounts for 96% of its total mobile subscriber base. As of end-December 2018, cumulative prepaid subscribers stood at 71.5 million, 23% higher than last year's level of 58.2 million. This will now become the new baseline given the impact of the one (1) year extension of prepaid load validity (as stated above).

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

a. Globe Prepaid

As of end-December 2018, *Globe Prepaid* ended the year with 34.6 million subscribers which will now become the new baseline given the regulatory requirement mentioned above.

b. TM

TM's total cumulative subscriber registered at 36.9 million for the year just ended. Similar to Globe Prepaid, this will now become the new baseline, in compliance to the regulatory requirement of prepaid load validity extension stated above.

Note: There will be no year-on-year comparison for the Prepaid cumulative subscriber count, Prepaid ARPU, SAC and churn rate for 2017 and 2018 given the impact of the prepaid load validity extension to one (1) year in 2018.

FIXED LINE AND BROADBAND BUSINESS

	Globe Group			
	Year on Year			
	Pre-PFRS		YoY Change	Post-PFRS
	31-Dec 2018	31-Dec 2017		31-Dec 2018
Service Revenues (Php Mn)			(%)	
Service				
Home Broadband ¹	18,543	15,645	19%	18,606
Corporate Data ²	11,782	10,288	15%	11,762
Fixed line Voice ³	2,982	3,490	-15%	2,977
Fixed Line & Home Broadband Service Revenues	33,307	29,423	13%	33,345

Note: Post-PFRS considered the new accounting standard on Revenues from Contracts with Customers (PFRS 15) and Financial Instruments: Recognition and Measurement (PFRS 9). Pre-PFRS financials are before impact of these standards, which are comparable with last year.

¹ Home Broadband service revenues consist of the following:

- g) Monthly service fees of wired, fixed wireless, bundled voice and data subscriptions;
- h) 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;
- i) Value-added services such as games; and
- j) Installation charges and other one-time fees associated with the service.
- k) 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 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) One-time connection charges associated with the establishment of service.

³ Fixed line voice service revenues consist of the following:

- a) Monthly service fees;
- b) 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) service consisting of monthly service fees for postpaid and subscription fees for prepaid.

Home Broadband

	Globe Group		
	Year on Year		
	31-Dec 2018	31-Dec 2017	YoY Change (%)
Cumulative Broadband Subscribers			
Fixed Wireless	984,238	655,441	50%
Wired	631,439	645,720	-2%
Total (end of period)	1,615,677	1,301,161	24%

Globe Group's Fixed Line and Home Broadband service revenues posted a 13% increase year-on-year to ₱33.3 billion in 2018 from ₱29.4 billion in 2017. The growth was mainly driven by solid contributions of both Home Broadband and Corporate Data business. On a post-PFRS 15 basis, Globe Group's Fixed Line and Home Broadband full year 2018 service revenues improved by ₱38 million from the pre-PFRS revenues.

Globe Home Broadband service revenues posted a 19% growth, ending the year at ₱18.5 billion from the ₱15.6 billion reported a year ago. This was due to the sustained expansion of its customer base, now rising to 1.6 million subscribers from 1.3 million last year. The revenue growth and customer uptake was boosted by Home Broadband's compelling new bundles and packages, coupled with the growing popularity of the Home Prepaid Wi-Fi product. Post PFRS 15 adjustments, Home Broadband service revenues as of end-December 2018 registered at ₱18.6 billion.

Globe At Home Prepaid strengthens its commitment to providing the Filipino customer with the best that the international and local entertainment has to offer, with the launch of Globe Streamwatch Xtreme. This is the world's first all-in-one device with fast home internet, free local TV channels, and Internet TV with 1M videos, shows, and movies. Globe Streamwatch Xtreme was launched with an introductory price of ₱2999 (that's ₱2000 off from the standard retail price of ₱4,999) starting December 15, 2018. It has internet connection that is 2x faster, 2X stronger, 2x wider coverage than pocket wifi device. Globe Streamwatch Xtreme is also videoke-ready with two built-in microphone outlets for those who enjoy the signature Filipino home past time.

Corporate Data

Globe's Corporate Data business sustained its growth momentum, ending the year with ₱11.8 billion revenues, up 15% against last year, driven by the strong demand for domestic and international leased line services, sustained circuit base expansion, and the increasing demand for cloud-based services, managed/modern business solutions. Post PFRS 15 adjustments, Corporate Data service revenues for the year just ended was lower by ₱20 million versus the pre-PFRS revenues.

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 768 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 15% from ₱7.8 billion last year to ₱6.7 billion this period. This is attributed to the continued migration of international traffic through alternative channels that make use of internet-based applications (Viber, Skype, Line, Yahoo, etc.).

Meanwhile, Globe sustained its promotion on OFW SIM packs and the discounted call rate offers such as *IDD Sakto* Calls (per-second IDD), *TipIDD* card, and *IDD Tingi* – the first bulk IDD service which can be purchased via registration and through AMAX retailers nationwide.

GROUP OPERATING EXPENSES

Globe ended the year with total costs and expenses at ₱105.8 billion or 4% higher from ₱102.1 billion a year ago, bulk coming from depreciation, services, staff cost, and utilities. Higher network related expenses for the period was mainly in response to the growing business' demands as well as to support the continued subscriber expansion.

(Php Mn)	Globe Group Year on Year			
	Pre-PFRS		Post-PFRS	
	31-Dec 2018	31-Dec 2017	YoY Change (%)	31-Dec 2018
Cost of Sales	14,792	13,014	14%	18,645
Less: Non-service Revenues	10,088	7,375	37%	18,297
Subsidy	4,704	5,639	-17%	348
Interconnect	5,677	7,852	-28%	5,677
Selling, Advertising and Promotions	5,655	5,415	4%	5,620
Re-contracting	3,853	3,594	7%	-
Staff Costs	13,271	12,238	8%	13,271
Utilities, Supplies & Other Administrative Expenses	5,951	5,216	14%	5,958
Rent	6,535	6,471	1%	6,535
Repairs and Maintenance	7,944	7,823	2%	7,944
Provisions	3,938	5,109	-23%	4,788
Services and Others	17,833	15,223	17%	17,607
Operating Expenses	70,657	68,941	2%	67,400
Depreciation and Amortization	30,422	27,513	11%	30,422
Costs and Expenses	105,783	102,093	4%	98,170

Note: Post-PFRS considered the new accounting standard on Revenues from Contracts with Customers (PFRS 15) and Financial Instruments: Recognition and Measurement (PFRS 9). Pre-PFRS financials are before impact of these standards, which are comparable with last year.

Interconnect

Interconnect charges for the year declined by 28% to only ₱5.7 billion from the ₱7.9 billion in 2017, driven by the decline in inter-network traffic usages for Mobile voice, SMS and roaming coupled with impact of the drop in interconnection rates for both SMS (₱0.15 to ₱0.05) and voice (from ₱2.50 to ₱0.50) effective September 1, 2018.

Subsidy

Subsidy expenses declined by 17% from ₱5.6 billion reported a year ago due to the continued increase in the number of subscribers availing of line-only plans. Including the impact of PFRS15 adoption, total subsidy expenses for full year 2018 was only at ₱348 million.

Marketing

Accounting for 8% of total operating expenses and subsidy, selling, advertising, and promotion expenses grew by 4% to reach ₱5.7 billion from ₱5.4 billion a year ago. This was mainly driven by higher ads & promo on increased spending for online placements, TV airtime and merchandising materials for product campaigns to boost plan/product awareness, partly offset by lower commissions. Including the impact of PFRS15 adoption, total subsidy expenses for full year 2018 was at ₱5.6 billion.

Re-contracting

Globe's re-contracting costs for the year increased by 7% from the ₱3.6 billion posted last year due to higher volume of subscribers renewing their contracts given the launch of the newest Samsung Galaxy

(S9/S9+/Note 9) and iPhone (Xs,Xs Max,XR) during the year. Re-contracting costs for the year accounted for 5% of total operating expenses and subsidy.

Staff Costs

Staff costs increased by 8% to ₱13.3 billion in 2018 from ₱12.2 billion in 2017 mainly due to higher headcount (7,729 in 2018 vs. 7,206 in 2017), coupled with higher corporate incentives and training costs.

Utilities, Supplies and Other Administrative Expenses

Utilities, supplies, and other administrative expenses, which contribute 8% of total operating expenses and subsidy, also reported an increase of 14%, totaling close to ₱6.0 billion from the ₱5.2 billion reported in 2017. The increase was mainly driven by utilities, on electricity's higher average rate and consumption, coupled with higher travel expenses and supplies on service unit/demo, tools and product peripherals. However, including the PFRS 15 adjustments, total utilities, and other administrative expenses for full year 2018 would increase by ₱7 million from the Pre-PFRS figures.

Rent

Rent expenses for the year 2018 was at ₱6.5 billion, up by 1% from a year ago. This accounts for 9% of total operating expenses and subsidy.

Repairs and Maintenance

Repairs and maintenance costs for the year stood at close to ₱8.0 billion, up 2% from the ₱7.8 billion reported a year ago. This was mainly on higher expenditures for hardware/software and subscriber lines, partly offset by lower premium content payout. Repairs and maintenance accounted for 11% 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 5% of total operating expenses and subsidy. Total provisions for the year declined to only ₱3.9 billion, or 23% lower than the ₱5.1 billion reported in 2017 due to lower trade provisions booked this year. Including the impact of PFRS15 adoption, provisions as of end-December 2018 was ₱4.8 billion.

Services and Others

Accounting for 24% of total operating expenses and subsidy, services and expenses grew by 17% from ₱15.2 billion reported in 2017 driven mostly by higher managed IT and cloud services partly cushioned by lower customer contact services and professional fees. Meanwhile, including the PFRS adjustment on services, total services and others for the year 2018 was lower by ₱226.0 million from the Pre-PFRS figures.

Depreciation and Amortization

Depreciation and amortization expenses for the year grew 11% to ₱30.4 billion from ₱27.5 billion reported in 2017, given Globe's higher capital investments.

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 2018	31-Dec 2017	YoY Change (%)
Financing Costs			
Interest Expense	(5,975)	(5,043)	18%
Loss on derivative instruments (net)	-	(128)	-100%
Swap costs and other financing costs	(220)	(209)	5%
Foreign Exchange Loss (net)	(900)	-	-
	(7,096)	(5,380)	32%
Other Income			
Gain on derivative instruments (net)	1,004	-	-
Foreign Exchange gain (net)	-	214	-100%
Interest Income	391	140	180%
Equity share from Affiliates (net)	(956)	(661)	45%
Frequency Amortization	(294)	(185)	59%
Mynt Gain	-	1,604	-100%
Taodharma Impairment	(140)	-	-
Others – net	(2)	(3)	-33%
Total Income (Other Expenses)	(7,092)	(4,271)	66%

The Globe Group's full year 2018 non-operating charges, significantly increased by 66% from the ₱4.3 billion reported last year to ₱7.1 billion this period. This was attributed to higher interest on bank loans, net forex loss position in 2018, higher losses from affiliates and frequency amortization, as well as the provision for impairment of Taodharma investment booked in the third quarter of 2018. Note that last year's lower non-operating charges was partly due to the one-time gain related to the fair value of retained equity interest of Globe in Globe Fintech Innovations, Inc. (Mynt).

(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 2018	31 Dec 2017	YoY Change (%)
Balance Sheet Data (Php Mn)			
Total Assets	299,498	277,766	8%
Total Debt	148,282	131,529	13%
Total Stockholders' Equity	73,144	66,558	10%
Financial Ratios (x)			
Total Debt to EBITDA (gross)	2.33	2.43	
Total Debt to EBITDA (net)	1.96	2.22	
Debt Service Coverage	4.30	3.38	
Interest Cover (Gross)	9.34	9.36	
Debt to Equity (Gross)	2.03	1.98	
Debt to Equity (Net) ¹	1.71	1.81	
Total Debt to Total Capitalization (Book)	0.67	0.66	
Total Debt to Total Capitalization (Market)	0.36	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 below bank covenants.

Globe Group's consolidated assets as of 31 December 2018 amounted to ₱299.5 billion compared to ₱277.8 billion in 2017. Consolidated cash, cash equivalents and short term investments (including investments in assets available for sale and held to maturity investments) reached ₱23.3 billion as of end December of 2018 compared to ₱11.2 billion as of end December 2017.

Globe ended the year with gross debt to equity ratio on a consolidated basis at 2.03:1 and is still below the 3.0:1 debt to equity limit dictated by Globe's debt covenants. Meanwhile, net debt to equity ratio was at 1.71:1 as of end December 2018 and 1.81:1 as of end December 2017.

Globe's current ratio was at 0.86:1 as of 31 December 2018 and 0.72:1 as of 31 December 2017, 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 coverage² exceeding 1.3 times; and
- Secured debt ratio³ not exceeding 0.2 times.

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

In October 2018, the Bond Trust Indentures were amended to adjust the maximum debt to equity ratio from 2.5:1 to 3.0:1.

In December 2018, the loan agreements with Non-Bank Financial Institutions were amended to adjust the debt to equity ratio from 2.5:1 to 3.0:1 and adjust the debt to EBITDA ratio from 3.0:1 to 3.5:1.

² 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.

³ 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.

In December 2018, the loan agreements with Financial Institutions were amended to adjust the debt to EBITDA ratio from 3.0:1 to 3.5:1.

As of 31 December 2018, Globe is well within the ratios prescribed under its loan agreements.

Consolidated Net Cash Flows

(Php Mn)	Globe Group		
	31-Dec 2018	31-Dec 2017	YoY Change (%)
Net Cash from Operating Activities	57,851	50,304	15%
Net Cash from Investing Activities	(42,652)	(55,422)	-23%
Net Cash from Financing Activities	(3,435)	7,814	-144%

Net cash flows provided by operating activities for the year just ended was at ₱57.9 billion grew by 15% year on year.

Meanwhile, net cash used in investing activities amounting to ₱42.7 billion, was 23% lower than last year. Consolidated cash capital expenditures as of end of December 2018 amounted to ₱43.3 billion, up by 2% from last year's ₱42.5 billion.

(Php Mn)	Globe Group		
	31-Dec 2018	31-Dec 2017	YoY Change (%)
Cash Capital Expenditures¹	43,259	42,541	2%
Total Additions to Property and equipment and Intangible assets ²	36,315	51,432	-29%
Cash Capital Expenditures¹ / Service Revenues-BAU (%)	30.8%	33.3%	
Cash Capital Expenditures¹ / Service Revenues-Post IFRS (%)	32.6%	-	

¹ Cash capital expenditures – property and equipment and intangibles acquired 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 used for financing activities amounted to ₱3.4 billion in 2018 versus last year's net cash provided by financing activities of ₱7.8 billion in 2017. Consolidated total debt, increased by 13% from ₱131.5 billion at the end of 2017 to reach ₱148.3 billion at the end of December 2018.

86% of US\$ consolidated loans have been effectively converted to PHP via US\$386 million in currency hedges. After swaps, effectively 2% of conso debt is in USD.

Below is the schedule of debt maturities for consolidated Globe for the years stated below based on total outstanding debt as of 31 December 2018:

Year Due	Principal* (US\$ Mn)
2019	318.81
2020	250.74
2021	149.24
2022 through 2031	2,114.75
Total	2,833.55

*Principal amount before debt issuance costs

The Globe Group has available uncommitted short-term credit facilities of USD119.00 million and ₱14.0 billion as of December 31, 2018, USD94.9 million and ₱32.0 billion as of June 30, 2017 and USD118.9 million and ₱19.5 billion as of December 31, 2017.

The Globe Group also has available committed short-term credit facilities of ₱3.0 billion as of December 31, 2018 and 2017.

There are no outstanding short term loans as of December 31, 2018 and December 31, 2017.

Stockholders' equity as of end-December 2018 was higher by 10% from ₱66,558 million to ₱73,144 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 133.1 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 by the Board of Directors, taking into account the company's operating results, cash flows, debt covenants, capital expenditure levels and liquidity.

On November 8, 2011, the Board of Directors amended the Company's dividend policy to be based on core instead of reported net income. Pay-out range remains at 75% to 90%. This is to ensure that dividends will remain sustainable and yields competitive despite the expected near-term decline in net income that would result from the accelerated depreciation charges related to assets that will be decommissioned as part of the Company's network and IT transformation programs which were ongoing during the time. As currently defined, core net income excludes all foreign exchange, mark-to-market gains and losses, as well as non-recurring items.

On August 6, 2013, the Board of Directors approved the proposed change in the frequency of the cash dividend distribution from semi-annual to quarterly. On December 10, 2013, the BOD approved to defer the implementation of the quarterly dividend payout to the second semester 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 May 4, 2018, the Board of Directors of Globe approved the declaration of the second semi-annual cash dividend for holders of its non-voting preferred shares on record as of August 10, 2018. 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 nine-month dividend period. Total amount of the cash dividend was paid last August 22, 2018.

The Board of Directors of Globe approved in separate approvals the declaration of three quarterly distributions of cash dividends of ₱22.75 per share, paid each last March 5, 2018, June 1, 2018, September 6, 2018 and December 5, 2018, respectively. Each cash dividend payment total to about ₱3.0 billion, bringing total distribution by end of December 2018 to ₱12.0 billion.

On November 5, 2018, the BOD likewise approved the declaration of annual cash dividend payable to voting preferred stockholders of record as of November 19, 2018. The amount of the cash dividend was based on the average 30-day PDST-R2, as computed by the Philippine Dealing and Exchange Corporation plus 2%. Total dividend payment made last December 5, 2018 was about ₱41.8 million.

On December 6, 2018, Globe's BOD approved the declaration and payment of the first semi-annual cash dividends for the Company's non-voting preferred shareholders on record as of January 28, 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. Payment Date was February 22, 2019.

Return on Average Equity (ROE)

Consolidated Return on Average Equity (ROE) registered at 26% as of end-December 2018, compared to 23% in 2017 using net income and based on average equity balances for the year ended. Using annualized core net income excluding the effects of non-recurring expenses, foreign exchange loss, one-time gains on net income, return on average equity for the year just ended was at 27% compared to 21% of 2017.

Earnings Per Share (EPS)

Consolidated basic earnings per common share were ₱135.91 and ₱109.22, while consolidated diluted earnings per common share were ₱135.40 and ₱109.01 as of end-December 2018 and 2017, 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 10% of total service revenues for the periods ended 31 December 2018 and 2017, respectively. In contrast, Globe's foreign-currency linked expenses were at 13% of total operating expenses for the same periods ended, respectively. The US\$ flows are as follows:

	December 2018
US\$ and US\$ Linked Revenues	₱13.6 billion
US\$ Operating Expenses	₱7.8 billion
US\$ Net Interest Expense	₱0.6 billion

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

There were no realized gains or losses from forward contracts in 2018.

There were no outstanding forward contracts as of December 2018.

Translation Exposures

Globe's foreign exchange translation exposures results 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 substantially all of capital expenditures are in USD. In addition, 16% of debt as of December 31, 2018 are denominated in USD before taking into account any swaps and hedges.

Globe also has US\$ assets and liabilities which are revalued at market rates every period. These are as follows:

	December 2018
US\$ Assets	US\$196 million
US\$ Liabilities	US\$856 million
Net US\$ Liability Position	US\$660 million

As of end-December 2018, the Globe Group posted a total of ₱900 million net foreign exchange loss.

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 2018 Globe has US\$300 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 gain of ₱1.6 billion as of end-December 2018.

¹Includes 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

As of end-December 2018, Globe has US\$86 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 ₱496 million as of end-December 2018.

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 2018, Globe has a total of US\$61 million in US\$ interest swaps and US\$300 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 October 2022, December 2023, August 2024, March 2025, and August 2027.

As of end-December 2018, 87% (excluding short-term debt) of peso debt is fixed, while 42% of USD debt is fixed after swaps.

The MTM of the interest rate swap contracts stood at a gain of ₱47 million as of end-December 2018.

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 31 December 2018, the MTM value of the derivatives of the Globe Group amounted to ₱2,051.7 million while net gain on derivative instruments arising from changes in MTM reflected in the consolidated income statements amounted to ₱1,004.2 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

- (a) 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.

- (b) 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.

- (c) (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.

(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.

- (d) 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 PLDT's 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.

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.

2. Causes of any material change from period to period: 2018 vs. 2017

Assets

Current

- A** Cash and cash equivalents – Increase of ₱12.0B in cash is largely due to higher amount of cash generated from operations and lower cash used in investing activities. This was slightly offset by net cash used in financing activities versus 2017.
- B** Receivable – Decline of ₱2.8B is due to higher collections as well as higher write-offs for the period
- C** Allowance for Doubtful Accounts – Increase of ₱3.4B is largely due to a write-off in the first half of 2018.
- D** Traffic Settlement Receivable – Slight increase of ₱50M is from higher net local, foreign, and MVNO traffic, slightly offset by data and roaming traffic.
- E** Other Receivables – Lower by ₱226M, largely from the impact of PFRS 15 to the company's unbilled handset recovery program, slightly offset by an increase in corporate partners for AMAX load.
- F** Allowance for Doubtful Accounts (Traffic and others) – Slight decrease is from net reversals of traffic provisions.
- G** Contract Assets and deferred contract costs – Due to the implementation of PFRS 15, the company now recognizes contract assets representing the unbilled amounts allocated to handset sales. The company also recognized deferred contract costs after capitalizing certain costs that are incremental in obtaining and fulfilling its performance obligations.
- H** Prepayments and Other Current Assets – The ₱64M increase mostly due to prepayments for taxes and licenses, partly offset by application of previous year's advance payments for completed network projects.
- I** Inventories and Supplies – Increase of ₱1.6B is attributable to higher inventory purchases for the fixed line business as well as higher purchases of mobile handsets

Noncurrent

- J** Fixed Assets – Increase of ₱6.8B is largely due to the addition and acquisition of various telecom equipment, as well as building and leasehold improvements within the year. Innove's various asset capitalization for completed projects also contributed to the increase.
- K** Intangible Assets – Decrease of ₱1.0B is from normal amortization of various computer software and licenses, offset by a few direct acquisitions of the same.
- L** Investment in Joint Venture and Associates – Decline of ₱1.2B is due to increased share in net losses from Mynt and AFPI, slightly offset by additional contributions and funding for AFPI and Vega.
- M** Goodwill – Decrease of ₱143M is from provisions for expected subsidiary losses.
- N** Other Investments – Increase of ₱242M is from KVI's valuation and purchase of AFS investments
- O** Deferred Tax Asset – Decline of ₱687M is mostly from Innove's higher allowance for doubtful accounts and derecognition of certain deferred tax assets.
- P** Derivative Assets – ₱1.4B increase is attributable to higher MTM value gains.
- Q** Misc. Deposits and Others – Slight increase of ₱45M is from rental deposits as well as additional notes receivable from Mynt, offset by loan collections from GGRP.

Liabilities

Current

- R** Trade Payables – Decline of ₱961M is from higher settlements to local and foreign suppliers.
- S** Traffic Settlement Payable – Slight higher by ₱28M due to increased net payable for foreign, local and data traffics, partly offset by roaming and MVNO traffic.
- T** Other Creditors – Decrease of ₱647M is attributable to net settlements to various VAS providers.
- U** Taxes Payable – Declined by ₱644M from lower VAT and overseas communications tax
- V** Income Taxes Payable – Increase of ₱428M is due to higher net provisions versus last year, mostly for Innove.
- W** Provisions – The ₱659M increase is largely driven by payments of assumed liabilities to Vega and the deconsolidation of Mynt, countered by real property taxes and national taxes.
- X** Accrued Expenses – The ₱2.6B increase is attributable to higher accrual of corporate incentives, lease and maintenance charges, taxes and license fees, and contractual services.
- Y** Accrued Interest on Loans – Increase of ₱224M is due to higher interest accruals from existing and new loans versus payments.
- Z** Accrued Project Cost – Decrease of ₱6.6B is attributable to payments made for various completed projects
- AA** Derivative Liabilities – Increase of ₱95M is due to the decreasing value of MTM of swaps and cash flow hedges.
- AB** Contract Liabilities and Deferred Revenue – Increase of ₱2.5B is attributable to higher contingent liability for rewards, higher prepaid top-ups, and higher advanced MSF for postpaid accounts.
- AC** Dividends Payable – Pertains to dividends declared on December 2018 for preferred non - voting shares to be paid in January 2019.
- AD** Current Portion of Long Term Debt-Bank – Increase in bank debt was due to availment of loans from various banks in 2018.

Noncurrent

- AE** Net Deferred Tax Liability – Bulk of the ₱1.2B increase is due to higher depreciation in 2018 and net write offs of accounts receivables adding to Globe's net deferred tax liability.
- AF** Long Term Debt (Bank) – Increase in bank debt was due to availment of loans from various banks in 2018.
- AG** Other Long-term Liabilities – Decrease of ₱559M is attributable to payments made for the pension accrual of retirement funds.

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 29 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, 2019

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
- Fernando Zobel de Ayala
- Lang Tao Yih, Arthur
- Ernest L. Cu
- Romeo L. Bernardo
- Delfin L. Lazaro
- Samba Natarajan
- Jose Teodoro K. Limcaoco
- 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, 60, 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 Chief Executive Officer (CEO) of Ayala Corporation; Chairman of Integrated Micro-Electronics, Inc. and Bank of the Philippine Islands; and Vice Chairman of Ayala Land, Inc., Manila Water Company, Inc. and AC Energy Philippines, Inc. He is also the Chairman of Ayala Retirement Fund Holdings, Inc., AC Industrial Technology Holdings, Inc., AC Ventures Holding Corp., AC Infrastructure Holdings Corporation 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, 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.; Bank of the Philippine Islands; Integrated Micro-Electronics, Inc.; Manila Water Company, Inc.; and 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, 59, has served as Director since October 1995. He has been the President and Chief Operating Officer (COO) of Ayala Corporation. He is the Chairman of AC International Finance Ltd.; Liontide Holdings, Inc.; AC Energy, Inc.; AC Energy Philippines, Inc.; Ayala Healthcare Holdings, Inc.; Automobile Central Enterprise, Inc.; Alabang Commercial Corporation; Accendo Commercial Corp. and Hero Foundation, Inc. He is also Co-Chairman of Ayala Foundation, Inc.; and Ayala Group Club, Inc. He is 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.; and Bonifacio Art Foundation, Inc. He is a Director of Livelt Investments, Ltd.; AG Holdings Ltd.; AC Infrastructure Holdings Corporation; Asiacom Philippines, Inc.; Ayala Retirement Fund Holdings, Inc.; and AC Venture Holdings Corp.; Honda Cars Philippines, Inc.; Isuzu Philippines Corporation; and Manila Peninsula.

Skills and experience:

Mr. Zobel holds a liberal arts degree from Harvard College and a CIM from INSEAD, France. He is also Chairman of Habitat for Humanity's Asia Pacific Capital Campaign Steering Committee and a Member of Philippine-Singapore Business Council, Tikehau International Advisory Board, INSEAD Board, Georgetown University Board, World Presidents' Organization, and Chief Executives Organization. He is a Member of the Board of Trustees of Caritas Manila.

Directorship in other publicly-listed companies:

AC Energy Philippines, Inc.; Ayala Corporation; Ayala Land, 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, 47, 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.

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 also a board member of Airtel Africa, NetLink NBN Trust, the Land Transport Authority of Singapore, the National Kidney Foundation Singapore, the Straits Times Pocket Money Fund, Bharti Infratel Limited, and the Advisory Board of the Lee Kong Chian School of Business, Singapore Management University.

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 Infratel Limited that is listed on the National Stock Exchange of India Ltd., NetLink NBN Trust that is listed on the Singapore Stock Exchange and Airtel Africa that is listed on the London Stock Exchange.

Ernest L. Cu

Executive Director, President and Chief Executive Officer

Committee memberships:

- *Executive Committee*

Filipino, 59, 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, 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.

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, 65, 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, 73, 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.; Vice Chairman and Non-Executive Director of Asiacom Philippines, Inc.; Chairman and Non-Executive Director of A.C.S.T. Business Holdings, Inc. and AYC Holdings, Inc.; Non-Executive Director of AC International Finance Limited, AC Industrial Technology Holdings, Inc. and AC Energy Holdings, Inc. He is also a member of BPI Advisory Council.

Skills and experience:

He earned his Bachelor of Science in Metallurgical Engineering from the University of the Philippines in 1967, and his Masters of Business Administration (with distinction) from the Harvard Graduate School of Business in 1971.

Directorship in other publicly-listed companies:

Ayala Corporation; Ayala Land, Inc.; 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, 54, has served as Director since 7 April 2015, a member of the Finance and Executive Committee. He has been the CEO of Group Digital Life, Singtel since April 2015. Group Digital is the digital innovation business for the Singtel group and is currently focused on capturing opportunities in

three main areas: Digital Marketing, Over-the-top Video and Data analytics while also managing the corporate venture fund, Innov8, that invests in cutting edge technologies. He joined Singtel in May 2014 as Managing Director of Digital Enterprise leading a team focused on identifying, executing, and operationalizing 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 advisory board of the McKinsey Digital Campus and 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, 57, has served as Director since 13 April 2016. Mr. Limcaoco is also Chief Finance Officer (CFO), Chief Risk Officer (CRO), Chief Sustainability Officer and Finance Group Head of Ayala Corporation. He is the Chairman of Darong Agricultural and Development Corporation and Zapfam Inc. He is the President and CEO of AC Ventures Holdings, Inc. (formerly Water Capital Works, Inc.); AYC Finance Limited; Bestfull Holdings Limited and Purefoods International Limited. He is the Vice Chairman of Lagdigan Land Corporation. He is the President of Liontide Holdings, Inc. and Philwater Holdings Company, Inc. He is a Director of Ayala Hotels, Inc.; AC Energy, Inc.; Ayala Healthcare Holdings, Inc.; AC Infrastructure Holdings Corporation; Ayala Aviation Corporation; AC Education, Inc.; Asiacom Philippines, Inc.; AG Counselors Corporation; Michigan Holdings, Inc.; AC Industrial Technology Holdings, Inc. (formerly Ayala Automotive Holdings Corporation); A.C.S.T. Business Holdings, Inc.; LICA Management Inc. and Just For Kids, Inc. He is also the Treasurer of Ayala Retirement Fund Holdings, Inc.

Skills and experience:

Mr. Limcaoco joined Ayala Corporation as 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, 57, has been Independent Director since April 2014. He is the President and CEO of Rampver Financials, a financial services firm and the leading non-bank mutual funds distributor in the country. He is also the lead Independent Director of AyalaLand Logistics Holdings Corporation and a Director of Esquire Financing, Inc.; the Cullinan Group; TechnoMarine Philippines; 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:

AyalaLand Logistics Holdings Corporation and National Reinsurance Corporation of the Philippines. Both are 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, 65, 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, 62, has been an Independent Director since 17 April 2018. He also serves as a Board of Trustee/Director at St. Luke's Medical Center and St. Luke's Foundation and St. Luke's Medical Center College of Medicines. He is also the Head of the Tax Committee of the Makati Business Club. Mr. Noel sits in the Board of the following companies: LH Paragon Inc.; Cal-Comp Technology (Philippines), Inc.; Amber Kinetics Holding Co. PTE LTD, Eton Properties, Inc.; and Transnational Diversified Group Inc. (TDGI). He is also the Chairman of the Board of Palm Concepcion Power Corporation. He is a founding board member of the US-Philippines Society as well as a member of the ASEAN Business Club.

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 was, for many years, the Head of SGV's Tax Division. He was also a Senior Advisor to the Ernst & Young Global Limited (EY) Global Delivery Services (GDS) Philippines.

In June 30, 2017, Mr. Noel retired as Chairman and Managing Partner of SyCip Gorres Velayo & Co. (SGV), the Philippine member firm of EY. When he assumed the post as Chairman and Managing Partner from February 1, 2010 to December 31, 2016 and Managing Partner from January 2009 to December 31, 2016, SGV became part of the EY Global Delivery Network (GDN), which offers Advisory Services including Performance Improvement, Risk, and Advisory Support capabilities to EY clients around the world. GDN Philippines also offers IT services, business and creative services focused on administrative support, creative design, as well as knowledge services. In 2010, the Asia-Pacific Talent Hub was established as a cross-border teaming resource. Within the global EY organization, he was a member of the EY Global Advisory Council and the EY Asia Pacific Advisory Council for two terms or six years. He was also the Presiding Partner of the EY Far East Asia Advisory Council and the EY ASEAN Partners Forum. He served as ASEAN Sub-Area Tax Head and the Far East Area Business Tax Services Leader. He is a former member of the Board of Trustees and the audit committee chair of the Philippine Business for Social Progress and a former governor of the Management Association of the Philippines. He also served as president of the Harvard Law Alumni Association of the Philippines and as a member of the Board of Trustees of the Harvard Club of the Philippines.

Mr. Noel graduated from the University of the East in Manila with a degree in Business Administration and holds a Bachelor of Laws degree from the Ateneo de Manila University Law School. He obtained his Master's degree in Law from Harvard Law School and is a fellow of the Harvard International Tax Program. He also attended the Management Development Program at the Asian Institute of Management.

Directorship in another publicly-listed company:

Security Bank Corporation; J.G. Summit Holdings, Inc.; and San Miguel Food and Beverage Inc. All of which are listed on the Philippine Stock Exchange.

B. Key Officers as of 31 December 2019

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 2019.

Key Officers – Globe

Name	Position
Ernest L. Cu ¹	President and Chief Executive Officer (CEO)
Alberto M. de Larrazabal	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)
Carmina J. Herbosa	Chief Audit Executive (CAE)
Renato M. Jiao	Chief Human Resources Officer (CHRO)
Maria Aurora Sy-Manalang ²	Chief Information Officer (CIO)
Marisalve Ciocon-Co	Senior vice President for Law and Compliance, Chief Compliance Officer, and Assistant Corporate Secretary
Bernard P. Llamzon	EVP for Channel Management
Solomon M. Hermosura	Corporate Secretary

¹ Member, Board of Directors.

² Ms. Sy-Manalang assumed a new role in Globe's fintech affiliate as Chief Technology & Operations Officer effective January 1, 2020

Alberto M. de Larrazabal

Filipino, 64, Globe's Chief Commercial Officer (CCO). As CCO, Mr. de Larrazabal oversees the integration and execution of our 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.

Gil B. Genio

Filipino, 60, 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 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, 49, 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, 55, 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, 57, 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 since 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 innovation and process improvements around Voice of Customer and frontline engagement and readiness in 2016; the launch of Gie of Globe, a BOT agent on messaging platforms in 2017; establishment of Human Centered Design and agile ways of working as a practice in 2018, digitalization around IVR in partnership with AWS and AmDocs in 2019; while continuing pursuit of defined strategic imperatives and the Globe Purpose as concurrent Head of Strategy Management.

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).

Carmina J. Herbosa

Filipino, 53, Globe's Chief Audit Executive. She joined Globe in February 2012. Ms. Herbosa is a Certified Public Accountant, a Certified Internal Auditor (US CIA) and a Certified Control Self-Assessment Auditor (US CCSA).

Ms. Herbosa has more than 20 years of financial and audit experience having held management positions in Procter & Gamble in Asia, Europe, and the US. Prior to joining Globe, Ms. Herbosa was based in China as Senior Director for Internal Audit for Asia and EMEA of Whirlpool Corporation. She earned her Bachelor of Science in Business Administration and Accountancy, cum laude, from the University of the Philippines, and her Master of Business Administration from the Kellogg School of Management in Northwestern University.

Renato M. Jiao

Filipino, 63, Globe's Chief Human Resources Officer (CHRO). 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.

Maria Aurora Sy-Manalang¹

Filipino, 44, Globe's Chief Information Officer (CIO) since 2015, leading Globe's IT transformation initiatives at scale. She has been with the company for 17 years, and is instrumental in many of its successes including: the implementation of its cloud transformation program, making Globe one of the largest consumers of Amazon Web Services (AWS) in the region; the adoption of agile practices; the integration of digital technology into all areas of business; and the standardization of the product design and delivery process. In her previous role as Product Management head, the division evolved into an enterprise resource, driving improved organizational synergy. She has more than 20 years of experience in Information Technology and Telecommunications industry, and currently sits in various technology advisory councils.

Prior to Globe, she led the software business of Sun Microsystems in the Philippines, and served as part of the academe of DLSU College of Computer Studies.

Ms. Sy-Manalang earned her Bachelor's degree in Computer Science with specialization in Information Technology from De La Salle University, and holds a Master of Business Administration degree from Ateneo Graduate School of Business.

Marisalve Ciocson-Co

Filipino, 49, 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.

¹ Ms. Sy-Manalang assumed a new role in Globe's fintech affiliate as Chief Technology & Operations Officer effective January 1, 2020. Mr. Carlomagno E. Malana is Globe's appointed Chief Information Officer effective January 1, 2020.

Bernard P. Llamzon

Filipino, 59, 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.

Solomon M. Hermosura

Filipino, 57, Globe's Corporate Secretary since July 2010. He is the Managing Director of Ayala Corporation 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. 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.

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 6 of the Company's By-Laws provides:

"SECTION 6. 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 Stockholder's 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 received as herein stated.

The following non-executive directors of the Board received gross per diem remuneration for attending Board and Committee meetings in 2019:

Director	Gross Per diem Remuneration (in Php)
Jaime Augusto Zobel de Ayala	2,300,000.00
Lang Tao Yih, Arthur	2,600,000.00
Fernando Zobel de Ayala	1,800,000.00
Delfin L. Lazaro	1,900,000.00
Samba Natarajan	1,800,000.00
Jose Teodoro K. Limcaoco	2,900,000.00
Romeo L. Bernardo	2,600,000.00
Rex Ma, A. Mendoza	2,900,000.00
Cirilo P. Noel	3,000,000.00
Saw Phaik Hwa	2,700,000.00
TOTAL	22,500,000.00

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 ₱277 million in 2019 and ₱238 million in 2018. The projected total annual compensation for 2020 is ₱306 million.

The total annual compensation paid to all senior personnel (Executives) of the Company (excluding its subsidiaries) amounted to ₱3,058 million in 2019 and ₱2,661 million in 2018. The projected total annual compensation for 2019 is ₱3,589 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 2018	117	121	0
	Actual 2019	129	148	0
	Projected 2020	136	170	0
All other officers ² as a group unnamed	Actual 2018	1,498	1,163	0
	Actual 2019	1,691	1,367	0
	Projected 2020	1,788	1,801	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 29.1.1 in the attached Notes to the Financial Statements). As of December 31, 2019, there are no outstanding and exercisable ESOP.

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 to implement another Long-Term Incentive Plan (LTIP) also called a Performance Share Plan (PSP). Eligible to this plan are key executives and senior management. Under the PSP, the grantees are awarded a specific number of shares at the start of the performance period and gets vested over a specified performance period and contingent upon the achievement of specified long-term goals.

See Note 29.1.2 in the attached Notes to the Financial Statements for the stock grants to key executives and senior management personnel of the Company under the 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 2019

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	50.85%
Common	Singapore Telecom Int'l. Pte. Ltd. (STI) ² 31 Exeter Road, Comcentre, Singapore	Singapore Telecom Int'l. Pte. Ltd.	Singaporean	62,646,487	20.10%
Common	Ayala Corporation ³ 34/F Tower 1 Bldg. Ayala Ave., Makati City	Ayala Corporation ("AC")	Filipino	41,157,276	13.20%
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	18,138,450	5.82%
Common				10,147,362	3.26%
Common				18,355,617	5.89%
Non-Voting Preferred	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	77,560	0.02%

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 28,502,979 common shares and 18,216,010 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 2019

Title of Class and Nature of Beneficial Ownership	Name of Beneficial Owner	Amount	Citizenship	% of Total Voting Shares	% of Total Outstanding Shares
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%	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	50,089	Filipino	0.02%	0.04%
Common (indirect)		73,544		0.03%	0.06%
Voting Preferred (direct)		1		0.00%	0.00%
Non-voting Preferred (indirect)		16,700		-	0.01%
Officers					
Common (direct)	Ernest L. Cu	50,089	Filipino	0.02%	0.04%
Common (indirect)		73,544		0.03%	0.06%
Voting Preferred (direct)		1		0.00%	0.00%
Non-voting Preferred (indirect)		16,700		-	0.08%
Common (direct)	Rebecca V. Eclipse	14,235	Filipino	0.00%	0.01%
Common (indirect)		18,915		0.01%	0.01%
Non-voting Preferred (direct)		4,000		-	0.02%
Common (direct)	Gil B. Genio	10,082	Filipino	0.00%	0.01%
Common (indirect)		77,165		0.03%	0.06%
Common (indirect thru relative)		6,000		0.00%	0.00%
Common (direct)	Alberto M. de Larrazabal	19,767	Filipino	0.01%	0.01%
Common (indirect)		3,000		0.00%	0.00%
Non-Voting Preferred (direct)		2,000		-	0.01%
Common (direct)	Marisalve Ciocson-Co	2,380	Filipino	0.00%	0.00%
Common (indirect)		3,059		0.00%	0.00%
Common (direct)	Vicente Froilan M. Castelo	6,414	Filipino	0.00%	0.00%
Common (direct)	Bernard P. Llamzon	10,665	Filipino	0.00%	0.01%
Common (direct)	Renato M. Jiao	14,275	Filipino	0.00%	0.01%
Common (indirect)		285		0.00%	0.00%
Common (direct)	Carmina J. Herbosa	6,775	Filipino	0.00%	0.01%
Common (indirect)		1,300		0.00%	0.00%
Non-voting Preferred (direct)		2,000		-	0.01%
Common (direct)	Maria Aurora L. Sy-Manalang	5,069	Filipino	0.00%	0.00%
Common (direct)	Rosemarie Maniego-Eala	2,024	Filipino	0.00%	0.00%
Common (indirect)		9,998		0.00%	0.01%
Common (direct)	Solomon M. Hermosura	20	Filipino	0.00%	0.00%
All Directors and Officers as a group (Common)		337,370		0.12%	0.25%
All Directors and Officers as a group (Voting Preferred)		5		0.00%	0.00%
All Directors and Officers as a group (Non-Voting Preferred)		27,500		-	0.14%

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)	2019	2018	2017
Service revenues	₱466,404	₱639,399	₱695,985
Interconnection costs	42,182	61,423	67,867

- 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)	2019	2018	2017
Maintenance and restoration costs and other transactions	₱119,336	₱83,497	₱150,521
Technical assistance fee	132,576	158,117	174,285
Software development, supply, license and support	39,618	45,799	65,735
	₱291,530	₱287,413	₱390,541

- The outstanding balances due to Singtel arising from these transactions amounted to ₱55,786 and ₱123,518 as of December 31, 2019 and 2018, respectively.
- Globe Telecom, Innove, and BTI earn subscriber revenues from AC. Service revenues recognized from AC amounted to ₱14.41 million, ₱31.36 million and ₱25.58 million in 2019, 2018, and 2017, respectively.
- Globe Telecom reimburses AC for certain operating expenses. Total expenses recognized by the Globe Group from the transaction amounted to ₱64.37 million, ₱86.60 million, and ₱37.35 million in 2019, 2018, and 2017, respectively.

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 ₱1.38 million and ₱0.35 million as of December 31, 2019 and 2018, respectively. Total expenses recognized related to these transactions amounted to ₱21.46 million, ₱20.70 million and ₱20.71 million in 2019, 2018 and 2017, respectively.

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 in 2019 and 2018. (see Note 24)

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 payout charged to profit and loss amounted to ₱322.05 million and ₱432.15 million in 2019 and 2018, respectively.

Transactions with the Globe Group Retirement Plan (GGRP)
(see Note 21.2 of the attached consolidated financial statement)

The Globe Group granted various loans to the GGRP at an interest rate of 5% which matured on September 11, 2017. Upon maturity, the loan was extended until September 11, 2020 with the interest rate increased to 5.50% per annum. Interest income amounted to ₱31.09 million, ₱36.37 million and ₱38.24 million in 2019, 2018 and 2017, respectively (see Note 23). As of December 31, 2019, and 2018, the outstanding balance of loan receivable from GGRP amounted to ₱548.00 million and ₱598.00 million, respectively (see Note 10 and 16).

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.

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.

As of December 31, 2019, and 2018, the outstanding balance of loan receivable from BHI amounted to ₱108.62 million and ₱128.62 million, respectively. (Note 10 and 16). Interest income amounted to ₱6.47 million, ₱7.50 million and ₱7.84 million in 2019, 2018 and 2017, respectively (see Note 23).

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 ₱175.60 million in 2019 and ₱190.00 million in 2018 and 2017.

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 ₱11.77 million in 2019 and ₱55.00 million in 2018 and 2017.

Transactions with Yondu
(see Note 21.3 of the attached consolidated financial statement)

The Globe Group has a VAS sharing agreement with Yondu. Under the agreement, Yondu is entitled to a 30% share on revenue for providing mobile contents to Globe and TM subscribers. The Globe Group's payout to Yondu on mobile content transactions in 2018 amounted to ₱46.34 million.

Yondu also provides various enterprise solutions-based services to the Globe Group for network, platform and applications development under its Business Process Outsourcing Unit (BPO) and mobile content. The Globe Group's related expenses in 2018 amounted to ₱528.55 million out of which ₱90.18 million was capitalized as part of property and equipment.

On September 11, 2019, Globe Telecom reacquired 51% of the outstanding shares of Yondu, which increased its controlling interest to 100%.

Transactions with other related parties

(see Note 21.4 of the attached consolidated financial statement)

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 21.5 of the attached consolidated financial statement)

The Globe Group's compensation of key management personnel by benefit type are as follows:

(In Thousand Pesos)	2019	2018
Short-term employee benefits	₱275,400	₱238,500
Share-based payments	181,600	128,900
Post-employment benefits	13,000	16,500
	₱470,000	₱383,900

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.

PART IV – 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-GL for 2019. 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 21, 2020. 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 initiatives and sustainability campaign, 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).

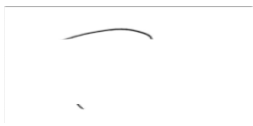
in the company website are accurate, relevant and up-to-date. Apart from the Sustainability page (<https://www.globe.com.ph/about-us/sustainability.html>), dedicated pages in the website were created for the posting of reports and corporate documents for the easy reference of all customers and all stakeholders. These pages include, but are not limited to, the following:

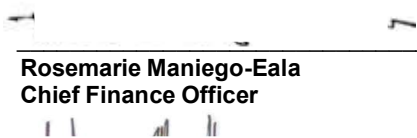
- i. IR page (<https://www.globe.com.ph/about-us/investor-relations.html>)
 - a. Various SEC and PSE Disclosures including the Annual Report (SEC Form 17-A), Annual Audited Financial Statements, Annual Information Statement (SEC Form 20-IS) and the General Information Sheet (GIS) under the Investor Relations Page, 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. Annual Corporate Governance Report (ACGR):
<https://www.globe.com.ph/about-us/corporate-governance/annual-corporate-governance-report.html>
 - b. Annual and Sustainability Reports (ASRs):
<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>

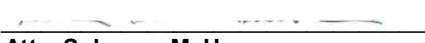
SIGNATURES

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 March 31, 2020.

By:

1. 

Ernest L. Cu
President and Chief Executive Officer Date: 31 March 2020
2. 

Rosemarie Maniego-Eala
Chief Finance Officer Date: 31 March 2020
3. 

Atty. Solomon M. Hermosura
Corporate Secretary Date: 31 March 2020

SUBSCRIBED AND SWORN to before me this ____ day of _____ 2020, 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	P4077475A	December 2, 2010	December 2, 2024
Rosemarie Maniego-Eala			
Solomon M. Hermosura			

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Book No.

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
March 11, 2019	Amended Explanation of Agenda Items to Include Electronic Voting in Absentia
April 3, 2019	Updated Certification of Independent Director
April 12, 2019	Updated Certification of Independent Director
April 23, 2019	Results of the Annual Stockholders' Meeting and Organizational Meeting of the Board of Directors
May 21, 2019	Change in Number of Outstanding Shares
July 30, 2019	Change in Number of Outstanding Shares
September 9, 2019	Clarification of News Report
September 11, 2019	Press Release on Acquisition of Yondu
October 4, 2019	Change in Number of Outstanding Shares
October 25, 2019	Press Release on Acquisition of 77% of EC Pay, Inc.
October 28, 2019	Globe's Related Party Transactions Policy
November 26, 2019	Corporate Disclosure on Appointment of New Key Officer
December 10, 2019	Globe 2020 Annual Stockholders' Meeting Notice and Agenda with Explanation of Agenda Items
December 16, 2019	Globe Telecom Closes Term Loan with Development Bank of the Philippines
December 26, 2019	Press Release on Syniverse

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	√
Schedule of all the effective standards and interpretations under The Philippine Financial Reporting Standards (PFRS)	√
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	√
Intangible Assets – Other Assets	√
Long-term Debt	√
Indebtedness to Related Parties	*
Guarantees of Securities of Other Issuers	*
Capital Stock	√

*Note: * The exhibits are either Not Applicable to the Company or require No Answer.*



Globe



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, 2019, and 2018 and for each of the three years in the period ended December 31, 2019, 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.

Navarro Amper & Co., the independent auditors appointed by the stockholders has audited the consolidated financial statements of the Globe Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

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 3rd day of February 2020

SUBSCRIBED AND SWORN to before me this **FEB 03 2020** 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	P9640299A	November 21, 2018	November 20, 2028
Ernest L. Cu	P1077475A	December 3, 2016	December 2, 2021
Rosemarie Maniego-Eala	P6763585A	April 13, 2018	April 12, 2028

Doc. No.: **372**
Page No.: **70**
Book No.: **11**
Series of 2020:

Atty. NINA L. MANIEGO
Notary Public for Taguig
21st Floor, The Globe Tower
32nd Street corner 7th Avenue
Bonifacio Global City, Taguig 1634
Appointment No. 79 (2019-2020)
Until December 31, 2020
P.R. No. A-4673756 January 3, 2020/Taguig City
I.R. Lifetime No. 840 / August 22, 2000
Roll of Attorneys No. 60958

GLOBE TELECOM, INC. AND SUBSIDIARIES

Consolidated Financial Statements
December 31, 2019, 2018 and 2017



Globe

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
GLOBE TELECOM, INC.
The Globe Tower, 32nd Street corner 7th Avenue
Bonifacio Global City, Taguig City

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Globe Telecom, Inc. and Subsidiaries (the "Globe Group") which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Globe Group as at December 31, 2019 and 2018, and its financial performance, and cash flows for each of the three years in the period ended December 31, 2019, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippines Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Globe Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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:

Revenue recognition

Revenue recognition, aside from being an inherent industry risk, has been identified as a key audit matter primarily due to the significant volume of transactions processed through various systems, heavy reliance on automated processes and controls over recording of transactions and complexity of the operation of billing systems used.

The disclosures on the accounting for revenue recognition in accordance with PFRS 15, "Revenue from Contract with Customers", are included in Note 2.15, *Revenue Recognition*, to the consolidated financial statements.

How the matter was addressed in our audit

In the course of our audit of the Globe Group's consolidated financial statements, we have performed, among others, the following audit procedures in response to the revenue recognition:

- We obtained an understanding of the revenue recognition policy in accordance with PFRS 15 and the related business processes, including an understanding of the related Information Technology (IT) environment.
- We evaluated the design and operating effectiveness of the General Information Technology Controls, as well as the application controls of the related IT systems, over the capture and recording of the revenue transactions. In doing so, we involved our IT specialists to assist in the audit of automated controls, including interface controls between IT applications.
- We evaluated the business process controls in place over the initiation and authorization of rate changes, the introduction of new plans and input of this information into the billing systems.
- We performed test on the accuracy of customer bills on a sample basis for existing products as well as for new products introduced in the year.
- As part of the substantive tests, we tested key reconciliation used by management to assess the completeness and accuracy of revenue from business support systems to the general ledger.
- We performed analytical review over prepaid and postpaid revenues based on underlying data and certain relationships as well as testing, on a sample basis, the accuracy of adjustments on revenues earned including those from carriers and content providers as a result of negotiations.
- We profiled the manual journal entries posted to revenue accounts and tested supporting evidence to identify any unusual items.



Adoption of PFRS 16, Leases

The Globe Group has adopted PFRS 16, *Leases*, effective January 1, 2019, which replaced the Philippine Accounting Standards 17, *Leases*. The adoption of PFRS 16 requires policy elections including the determination of specific assumptions and key judgements and estimates relating to, among others, determination of the scope of PFRS 16, duration of the leases, lease payments and discount rates. The assessment of the impact of the new standard is significant to our audit. Considering the above, as well as since the Globe Group adopted the standard for the purpose of the preparation of the consolidated financial statements for the first time, the implementation of PFRS 16 was considered as a key audit matter.

In adopting PFRS 16, the Globe Group's Management decided to use the modified retrospective approach.

The disclosures related to the impact of the initial application of PFRS 16 are included in Note 3.1, *Adoption of PFRS 16, Leases, Effective January 1, 2019*, and the disclosures related to right-of-use assets and lease liabilities are included in Note 13, *Lease Commitments*, to the consolidated financial statements.

The disclosures on accounting policies related to the application of PFRS 16 including key judgements and key estimates are included in Note 2.20, *Leases*, to the consolidated financial statements.

Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover this other information and we do not express any form of assurance conclusion thereon.

In connection with our audits 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. If, based on the on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

How the matter was addressed in our audit

In the course of our audit of the Globe Group's consolidated financial statements, we have performed, among others, the following audit procedures in response to the adoption of PFRS 16:

- We obtained an understanding and evaluated Globe Group's adoption and implementation process as well as selection and application of accounting principles in accordance with PFRS 16, including an understanding and assessment of the key controls in this respect.
- We evaluated management judgements and estimates, specifically the assessment of the scope of contracts subject to accounting under PFRS 16, determination of the duration of leases and related lease payments, discount rates and applied practical expedients.
- We performed test of the related IT system in relation to accounting for contracts under PFRS 16.
- We performed test of details to verify the accuracy of parameters used and accuracy in the calculation of lease liabilities and right-of-use assets.
- We performed test of completeness of identification of contracts in scope of PFRS 16.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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.

Those charged with governance are responsible for overseeing the Globe Group's financial reporting process.

Auditors' 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 auditors' 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.

As part of an audit in accordance with PSA, 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 Globe 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 Globe Group's ability 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 auditors' report. However, future events or conditions may cause the Globe 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Globe Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 audits.



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 auditors' 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.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Wilfredo A. Baltazar.

Navarro Amper & Co.

BOA Registration No. 0004, valid from November 12, 2018 to July 16, 2021

SEC Accreditation No. 0001-FR-5, issued on January 15, 2019; effective until January 14, 2022, Group A

TIN 005299331

By:

Wilfredo A. Baltazar

Wilfredo A. Baltazar

Partner

CPA License No. 0078498

SEC A.N. 0723-AR-3, issued on August 24, 2017; effective until August 23, 2020, Group A

TIN 115858485

BIR A.N. 08-002552-10-2017, issued on June 8, 2017; effective until June 8, 2020

PTR No. A-4689427, issued on January 2, 2020, Taguig City

Taguig City, Philippines

February 3, 2020





GLOBE TELECOM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Notes	2019	2018
<i>(In Thousand Pesos)</i>			
ASSETS			
Current Assets			
Cash and cash equivalents	5	P8,298,092	P23,226,386
Trade receivables – net	6	21,138,950	20,652,532
Contract assets and deferred contract costs – net	7	8,339,219	8,471,550
Inventories and supplies – net	9	4,713,572	4,854,939
Derivative assets – current	8	301,624	63,180
Prepayments and other current assets	10	18,948,015	16,254,796
		61,739,472	73,523,383
Noncurrent Assets			
Property and equipment – net	11	182,662,528	169,393,768
Intangible assets and goodwill – net	12	15,553,097	13,698,269
Right of use assets – net	13	3,566,280	-
Investments in associates and joint ventures	15	34,473,865	34,426,776
Deferred income tax assets – net	30	1,866,591	2,075,065
Derivative assets – net of current portion	8	125,331	2,300,186
Deferred contract costs – net of current portion	7	289,663	315,673
Other noncurrent assets	16	4,013,910	3,764,989
		242,551,265	225,974,726
TOTAL ASSETS		P304,290,737	P299,498,109
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables and accrued expenses	17	P56,979,315	P56,219,366
Contract liabilities and deferred revenues – current	7	8,764,803	8,044,308
Loans payable – current	19	12,919,898	16,758,196
Derivative liabilities – current	8	547,046	285,751
Lease liabilities – current	13	981,817	-
Provisions	18	2,622,318	2,549,387
Income tax payable	30	1,761,984	1,608,646
		84,577,181	85,465,654
Noncurrent Liabilities			
Loans payable – net of current portion	19	122,942,837	131,523,701
Contract liabilities – net of current portion	7	49,869	53,642
Deferred income tax liabilities – net	30	5,057,641	3,918,493
Derivative liabilities – net of current portion	8	291,270	25,903
Lease liabilities – non current	13	2,681,800	-
Other long-term liabilities	20	7,443,142	5,367,209
		138,466,559	140,888,948
Total Liabilities		223,043,740	226,354,602
Equity			
Capital Stock	22	8,452,995	8,445,238
Additional paid in capital	22	36,808,776	36,528,251
Cost of share-based payments	29	447,656	417,345
Other reserves	22.6	(1,766,610)	561,103
Retained earnings	22.5	37,169,604	27,167,398
Equity attributable to equity holders of the Parent		81,112,421	73,119,335
Non-controlling interest		134,576	24,172
Total Equity		81,246,997	73,143,507
TOTAL LIABILITIES AND EQUITY		P304,290,737	P299,498,109

See accompanying Notes to Consolidated Financial Statements.



GLOBE TELECOM, INC. AND SUBSIDIARIES **CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

		For the Years Ended December 31		
	Notes	2019	2018	2017
<i>(In Thousand Pesos, Except Per Share Figures)</i>				
REVENUES				
Service revenues		₱149,009,963	₱132,875,310	₱127,905,853
Nonservice revenues		17,650,374	18,297,496	7,374,878
	34	166,660,337	151,172,806	135,280,731
INCOME (LOSSES)				
Equity share in net losses of associates and joint ventures	15	(2,554,782)	(1,249,603)	(846,177)
Interest income	23	500,437	391,030	139,581
Gain on disposal of property and equipment – net		43,012	73,088	38,455
Gain on fair value of retained interest	15	-	-	1,889,901
Other income – net	24	1,047,007	695,405	701,653
		(964,326)	(90,080)	1,923,413
COSTS AND EXPENSES				
General, selling and administrative expenses	25	64,471,409	57,742,131	56,608,922
Depreciation and amortization	26	34,143,541	30,421,721	27,512,689
Cost of inventories sold	9, 34	18,554,814	18,645,314	13,013,437
Interconnect costs	35	3,982,873	5,677,375	7,852,336
Financing costs	27	6,802,861	6,195,225	5,251,692
Impairment and other losses	28	4,913,137	4,787,644	5,423,366
		132,868,635	123,469,410	115,662,442
INCOME BEFORE INCOME TAX		32,827,376	27,613,316	21,541,702
PROVISIONS FOR INCOME TAX				
Current		8,488,595	7,259,985	6,005,420
Deferred		2,055,024	1,727,388	452,069
	30	10,543,619	8,987,373	6,457,489
NET INCOME		22,283,757	18,625,943	15,084,213
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified into profit or loss in subsequent periods:				
Transactions on cash flow hedges – net		(1,213,355)	863,715	139,412
Exchange differences arising from translations of foreign investments		(106,988)	28,524	(23,140)
Changes in fair value of available-for-sale investment in equity securities		-	-	26,000
	22.6	(1,320,343)	892,239	142,272
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		440,349	151,974	-
Remeasurement gain on defined benefit plan		(1,373,043)	49,709	399,993
	22.6	(932,694)	201,683	399,993
TOTAL OTHER COMPREHENSIVE INCOME		(2,253,037)	1,093,922	542,265
TOTAL COMPREHENSIVE INCOME		₱20,030,720	₱19,719,865	₱15,626,478

(Forward)



GLOBE TELECOM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		For the Years Ended December 31		
	Notes	2019	2018	2017
<i>(In Thousand Pesos, Except Per Share Figures)</i>				
Total net income attributable to:				
Equity holders of the Parent		P22,269,340	P18,640,740	P15,065,779
Non-controlling interest		14,417	(14,797)	18,434
		22,283,757	18,625,943	15,084,213
Total comprehensive income attributable to:				
Equity holders of the Parent		20,016,303	19,734,662	15,608,044
Non-controlling interest		14,417	(14,797)	18,434
		P20,030,720	P19,719,865	P15,626,478
Earnings Per Share				
Basic	31	P162.96	P135.91	P109.22
Diluted	31	P162.20	P135.40	P109.01
Cash dividends declared per common share	22.3	P91.00	P91.00	P91.00

See accompanying Notes to Consolidated Financial Statements.



GLOBE TELECOM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	For the Year Ended December 31, 2019						
	Capital Stock	Additional Paid-in Capital	Cost of Share-Based Payments	Other Reserves	Retained Earnings	Total Equity Attributable to Parent	Non-controlling Interest
Notes	(Note 22.2)	Capital	Share-Based Payments	(Note 22.6)	Earnings	to Parent	Interest
<i>(In Thousand Pesos)</i>							
As of January 1, 2019, as previously stated	P8,445,238	P36,528,251	P417,345	P561,103	P27,167,398	P73,119,335	P24,172
Adjustment on initial application of PFRS 16, net of tax	3.2	-	-	-	336,464	336,464	505
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
Total comprehensive income for the period	-	-	-	(2,253,037)	22,269,340	20,016,303	14,417
Dividends on:	22.3	-	-	-	(12,118,071)	(12,118,071)	-
Common Stock	-	-	-	-	(50,027)	(50,027)	-
Preferred Stock - voting	-	-	-	-	(520,060)	(520,060)	-
Preferred Stock – non-voting	29	-	-	-	-	325,160	-
Share-based compensation	22.2	499	11,354	(4,300)	-	7,553	-
Exercise of stock options	-	-	-	-	-	-	-
Issue of shares under share-based compensation plan	22.2	7,258	269,171	(276,429)	-	-	-
Forfeiture of stock option	-	-	-	(14,120)	-	(4,236)	-
Reclassification of accumulated share in an associate's other comprehensive income	22.6	-	-	-	1,101	(1,101)	-
Reclassification of fair value gain on investment in equity securities at FVOCI	22.6	-	-	-	(75,777)	-	-
Minority buyout from subsidiary	-	-	-	-	75,777	-	(536)
Non-controlling interest arising from business combination	-	-	-	-	-	-	96,018
As of December 31, 2019	P8,452,995	P36,808,776	P447,656	(1,766,610)	P37,169,604	P81,112,421	P134,576
							P81,246,997

(Forward)

CREATE. WONDERFUL.



GLOBE TELECOM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Year Ended December 31, 2018									
	Capital Stock	Additional Paid-in Capital	Cost of Share-Based Payments	Other Reserves	Retained Earnings	Total Equity Attributable to Parent	Non-controlling Interest	Total	
	Notes	(Note 22)	Capital	(Note 22.6)					
As of January 1, 2018, as previously stated		P8,438,404	P36,319,449	P401,543	(P352,375)	P21,708,003	P66,515,024	P42,713	P66,557,737
Adjustment on initial application of PFRS 15, net of tax	3.4	-	-	-	-	4,880,805	4,880,805	954	4,881,759
Adjustment on initial application of PFRS 9, net of tax	3.4	-	-	-	-	(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:	22.3								
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	29	-	-	236,714	-	-	236,714	-	236,714
Issue of shares under share-based compensation plan	22.2	6,463	202,629	(208,221)	-	-	871	-	871
Exercise of stock options	22.2	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		-	-	-	(180,444)	180,444	-	-	-
Non-controlling interest arising from business combination	22.6	-	-	-	-	-	-	145	145
As of December 31, 2018		P8,445,238	P36,528,251	P417,345	P561,103	P27,167,398	P73,119,335	P24,172	P73,143,507
(Forward)									



GLOBE TELECOM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Year Ended December 31, 2017									
	Notes	Capital Stock (Note 22)	Additional Paid-In Capital	Cost of Share-Based Payments	Other Reserves (Note 22.6)	Retained Earnings	Total Equity Attributable to Parent	Non-controlling Interest	Total
<i>(In Thousand Pesos)</i>									
As of January 1, 2017		₱8,430,504	₱36,075,199	₱584,586	(₱1,072,925)	₱19,422,402	₱63,439,766	₱36,536	₱63,476,302
Total comprehensive income for the year		-	-	-	542,265	15,065,779	15,608,044	18,434	15,626,478
Dividends on:									
Common Stock	22.3	-	-	-	-	(12,091,736)	(12,091,736)	-	(12,091,736)
Preferred Stock – voting		-	-	-	-	(33,731)	(33,731)	-	(33,731)
Preferred Stock – non-voting		-	-	-	-	(520,060)	(520,060)	-	(520,060)
Share-based compensation	29	-	-	104,828	-	-	104,828	-	104,828
Issue of shares under share-based compensation plan		7,000	224,298	(231,298)	-	-	-	-	-
Exercise of stock options		900	19,952	(12,939)	-	-	7,913	-	7,913
Forfeiture of stock options		-	-	(43,634)	-	43,634	-	-	-
Reclassification remeasurement gains (losses) on defined benefit plans		-	-	-	178,285	(178,285)	-	-	-
Non-controlling interest adjustment arising from subscription	22.6	-	-	-	-	-	-	(223)	(223)
Non-controlling interest arising from business combination		-	-	-	-	-	-	(12,034)	(12,034)
As of December 31, 2017		₱8,438,404	₱36,319,449	₱401,543	(₱352,375)	₱21,708,003	₱66,515,024	₱42,713	₱66,557,737

See accompanying Notes to Consolidated Financial Statements.



GLOBE TELECOM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

		For the Years Ended December 31		
	Notes	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		<i>(In Thousand Pesos)</i>		
Income before income tax		₱32,827,376	₱27,613,316	₱21,541,702
Adjustments for:				
Depreciation and amortization	26	34,143,541	30,421,721	27,512,689
Impairment and other losses	28	4,913,137	4,787,644	5,423,366
Financing cost	27	6,802,861	6,195,225	5,251,692
Equity share in net losses of associates and joint ventures	15	2,554,782	1,249,603	846,177
Pension expense	29	1,161,213	593,326	621,316
Foreign exchange losses (gains) – net	24	(848,394)	900,430	(214,191)
(Gain) loss on derivative instruments	24	809,540	(1,004,171)	127,708
Interest income	23	(500,437)	(391,030)	(139,581)
Share-based compensation	29	325,160	236,714	104,828
Gain on disposal of investment in associate	15,24	(240,000)	-	-
Gain on disposal of property and equipment		(43,012)	(73,088)	(38,455)
(Gain) loss on settlement and remeasurement of ARO	20, 24	(5,769)	(27,894)	4,371
Gain on fair value of retained interest	15	-	-	(1,889,901)
Operating income before working capital changes		81,899,998	70,501,796	59,151,721
Changes in operating assets and liabilities:				
Decrease (Increase) in:				
Trade Receivables – net		(2,424,629)	(5,791,841)	(4,865,124)
Inventories and supplies		(572,350)	(1,990,025)	914,923
Contract Assets		158,341	(784,314)	-
Prepayments and other current assets		(5,301,967)	(2,327,349)	(3,386,918)
Other noncurrent assets		(258,528)	(147,569)	(1,177,991)
Increase (Decrease) in:				
Trade payables and accrued expenses		6,715,399	2,092,554	6,565,097
Other long-term liabilities		(780,892)	(1,127,092)	(1,717,582)
Contract Liabilities and deferred revenues		697,416	2,199,814	419,351
Cash generated from operations		80,132,788	62,625,974	55,903,477
Income taxes paid		(6,090,569)	(4,775,445)	(5,599,215)
Net cash flows from operating activities		74,042,219	57,850,529	50,304,262
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment	11, 34	(50,975,224)	(42,768,194)	(42,121,307)
Investment in joint ventures	15	(3,305,000)	(111,200)	(12,234,212)
Intangible assets	12	(48,532)	(490,569)	(419,920)
Net cash outflow from acquisition of subsidiaries, net cash acquired	14	(1,563,649)	-	-
Collections of loans receivable from related party		70,000	180,000	243,780
Proceeds from sale of property and equipment		101,463	171,638	118,117
Interest received		544,739	352,302	145,234
Dividends received		21,368	13,852	93,258
Proceeds from disposal of an investment in equity securities		124,056	418	-
Net cash outflow from deconsolidation	15	-	-	(1,246,965)
Net cash flows used in investing activities		(55,030,779)	(42,651,753)	(55,422,015)

(Forward)



GLOBE TELECOM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

		For the Years Ended December 31		
	Notes	2019	2018	2017
(In Thousand Pesos)				
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings:				
Long-term		₱5,000,000	₱24,156,000	₱36,430,730
Short-term		-	-	4,600,000
Repayments of borrowings:				
Long-term		(16,745,816)	(8,319,604)	(5,953,717)
Short-term		(300,000)	-	(9,100,000)
Payments of dividends to stockholders:	22.3			
Common		(12,118,071)	(12,104,579)	(12,091,736)
Preferred		(570,087)	(561,812)	(553,791)
Exercise of stock options		7,553	2,553	7,913
Payments of lease liabilities		(1,298,341)	-	-
Interest paid		(7,232,591)	(6,607,604)	(5,525,049)
Net cash provided by (used in) financing activities		(33,257,353)	(3,435,046)	7,814,350
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(14,245,913)	11,763,730	2,696,597
NET FOREIGN EXCHANGE DIFFERENCE ON CASH AND CASH EQUIVALENTS		(682,381)	240,436	(107,229)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		23,226,386	11,222,220	8,632,852
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	5	₱8,298,092	₱23,226,386	₱11,222,220

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. 7372 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.

On December 14, 2018, the President of the Philippines signed House Bill No. 5556 into RA No. 11151, renewing the franchise granted to Innove for another 25 years. RA No. 11151 was published in the Official Gazette on December 27, 2018 and shall take effect 15 days after said date.



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.

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.

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. 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, 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.

1.4 Kickstart Ventures, Inc. (Kickstart) and a Subsidiary

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.



1.5 Asticom Technology, Inc. (Asticom)

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.

1.6 Globe Capital Venture Holdings Inc. (GCVHI)

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.

GCVHI holds 46.30% ownership interest in Globe Fintech Innovations, Inc. (GFI) and 50% ownership interest in Global Telehealth, Inc. (GTHI).

1.7 Bayan Telecommunications Inc. (BTI)

On July 2, 2015, BTI issued additional shares to Globe Telecom following the approval of National Telecommunications Commission (NTC) on the conversion of BTI's Tranche A convertible debt to equity. The conversion increased the ownership of Globe Telecom on BTI's outstanding shares from 38% to 54% controlling interest. On July 20, 2015, Globe Telecom acquired additional voting shares of BTI, which further increased its controlling interest to 99%. 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").

On May 30, 2017, the Management Committee, with representation of at least 67% of the total voting interest, approved the termination of the Agreement on the Construction, Operation and Maintenance of the National Digital Transmission Network dated November 28, 1996, as well as the dissolution of Telicphil and NLI.

On December 11, 2019, the House of Representatives received House Bill No. 5797, an act to renew and amend the franchise granted to BTI. The proposed law seeks to extend BTI's legislative franchise for another 25 years. The House Committee on Legislative franchises is yet to schedule the bill for public hearing as of February 3, 2020.

1.8 TaoDharma Inc. (Tao)

In March 2013, Globe Telecom entered into a Shareholders' Agreement with four other entities to incorporate Tao. Globe Telecom subscribed to 25% preferred shares of Tao. 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.

On November 4, 2016, Globe Telecom increased its ownership interest on Tao from 25% to 67% controlling interest. The transaction was accounted for as an acquisition of a subsidiary.



1.9 GTowers Inc (GTowers)

On August 17, 2018, GTowers was incorporated as a wholly owned subsidiary of Globe Telecom. GTowers is still under pre-operating stage as of reporting date.

1.10 Yondu, Inc.

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.

1.11 Electronic Commerce Payments, Inc. (EC Pay)

On October 25, 2019, Globe Telecom signed and executed an agreement with third parties to complete its transaction to acquire 77% ownership of EC Pay. EC Pay 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 3, 2020, the BOD approved and authorized the release of the consolidated financial statements of Globe Telecom, Inc. and its subsidiaries as of December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019.



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	
			2019	2018
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%
GTSB	Singapore	Wireless and data communication services	100%	100%
GTEU	United Kingdom	Holding company	100%	100%
UKGT ³	United Kingdom	Wireless and data communication services	-	-
GMI ³	Italy	Wireless and data communication services	-	-
GIEE ²	Spain	Wireless and data communication services	-	100%
KVI	Philippines	Venture capital company	100%	100%
FPSI ¹	Philippines	E-book solutions	40%	40%
Asticom	Philippines	Support and shared services provider	100%	100%
GCVHI	Philippines	Holding Company	100%	100%
GFI ⁴	Philippines	Holding company	46%	45%
Fuse ⁴	Philippines	Lending company	46%	45%
GXI ⁴	Philippines	Fintech Company	46%	45%
AHI	Philippines	Holding company	100%	100%
AI	Philippines	Advertising company	100%	100%
Socialytics	Philippines	Advertising company	70%	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. ⁵	Philippines	Tower company	100%	100%
Yondu ⁶	Philippines	Information technology and software development	100%	49%
EC Pay ⁶	Philippines	Information technology and electronic services	77%	-

¹ Ceased operations

² Liquidated in 2019

³ Liquidated in 2018

⁴ Deconsolidated in 2017 due to loss of control

⁵ Incorporated in 2018

⁶ Consolidated in 2019

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 33.1](#).

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.

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.



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 33.1](#).

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 33.1](#).

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 33](#).

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 (see [Note 2.5.2.2](#)). Financial liabilities classified under this category is disclosed in [Note 33](#).

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.

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. This account is offset against any output VAT previously recognized. Input VAT on capital goods exceeding ₱1 million and input VAT from purchases of goods and services which remain unpaid at each reporting date are recognized as "Deferred input VAT" presented under "Prepayments and Other Current Assets".

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 discloses 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.

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

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.

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 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 charged as 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.



The Globe Group does not make any adjustments for the significant financing component on contract assets since it expects that the period between the delivery of the handset up to the date of its full settlement will not exceed one year from the contract inception.

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 charged as 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. 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 charged 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.

2.15.7.2 Lease

Lease income from operating lease is recognized on a straight-line basis over the lease term.

In a finance lease arrangement, the present value of the aggregate of the minimum lease receivable and any unguaranteed residual value accruing to the Globe Group are immediately recognized as income.

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 33.3](#)).



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 PFRS 16, Leases Effective January 1, 2019

Prior to adoption of PFRS 16, the Globe Group recognizes rental expense on its operating leases on a straight line basis over the term of the lease. Upon adoption of PFRS 16 on January 1, 2019, the Globe Group recognizes right of use asset and lease liabilities in the consolidated statements of financial position which are initially measured at the present value of future lease payments of the non-cancellable periods of the lease. Right of use assets are subsequently depreciated on a straight line basis over the lease term. Lease liabilities are subsequently measured at amortized cost using effective interest method. The cash paid to settle the lease liabilities are presented as part of the Globe Group's financing activity in the consolidated statements of cash flows.

For leases with terms of 12 months or less and leases of low value assets, the Globe Group opted to recognize lease expense on a straight-line basis as a practical expedient permitted under PFRS 16.

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.



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 Globe Group also applied transitional reliefs and practical expedients for the measurements of lease liabilities and right of use assets arising from leases previously classified as operating lease.

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

Operating lease for which the lease term ends within 12 months

As a practical expedient, the Globe Group did not recognize right of use assets and lease liabilities in respect of leases previously classified as operating lease for which the lease term ends within 12 months from the date of initial application. Instead, these leases were accounted for in the same way as short-term leases.

Lease liabilities

Lease liabilities amounting to ₱3,443.29 million in respect of leases previously classified as operating leases were recognized in the consolidated statement of financial position at transition date. The transition 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.

Right of use assets

Right of use assets amounting to ₱3,483.21 million in respect of leases previously classified as operating leases were recognized in the consolidated statement of financial position 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. Total prepaid rentals reclassified to right of use assets at transition date amounted ₱39.92 million.

Accrued long-term leases

Accrued long-term leases amounting ₱481.12 million at transition date arising from the straight-line recognition of lease expense in respect of leases previously classified as operating leases were derecognized in the statement of financial position with corresponding net of tax adjustment to retained earnings and non-controlling interest amounting to ₱336.46 million and ₱0.51 million, respectively.

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

Operating lease commitments as of December 31, 2018	₱5,328,989
Weighted average incremental borrowing rate as at January 1, 2019	7.91%
Discounted operating lease commitments as at January 1, 2019	4,578,501
Commitments relating to short-term lease and low value assets	(1,135,211)
Lease liabilities as of January 1, 2019	₱3,443,290

3.2 Adoption of Standards Effective January 1, 2019 With No Material Impact

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, 2019. The adoption has not had any material impact on the disclosures or on the amounts reported in the consolidated financial statements.

3.2.1 PFRS 9 - Prepayment Features with Negative Compensation

The amendments to PFRS 9 clarified that for the purpose of assessing whether a prepayment feature meets the Solely Payments of Principal and Interest (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

3.2.2 PAS 28 - Long-term Interests in Associates and Joint Ventures

The amendment clarifies that PFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying PFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by PAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with PAS 28).

3.2.3 PAS 19 - Employee Benefits, Plan Amendment, Curtailment or Settlement

The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after such an event. The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements. The amendments do not address the accounting for 'significant market fluctuations' in the absence of a plan amendment, curtailment or settlement.

3.2.4 PFRS 3 - Business Combinations

The amendments to PFRS 3 clarified that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognized assets, liabilities and goodwill relating to the joint operation.

3.2.5 Amendments to PFRS 11 - Joint Arrangements

The amendments to PFRS 11 clarified that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.

3.2.6 PAS 12 - Income Tax Consequences of Payments on Financial Instruments Classified as Equity

The amendments clarified that an entity should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

3.2.7 PAS 23 - Borrowing Costs Eligible for Capitalization

The amendments clarified that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

3.2.8 IFRIC 23 - Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings;
- If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
- If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

3.3 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.



3.3.1 PFRS 10 and PAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to PFRS 10 and PAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

3.3.2 Amendments to IFRS 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.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2020, with early application permitted.

3.3.3 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.

The amendments are applied prospectively for annual periods beginning on or after January 1, 2020, with earlier application permitted.

3.3.4 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.

The amendments, where they actually are updates, are effective for annual periods beginning on or after January 1, 2020, with early application permitted.

3.4 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

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 Allocation of Goodwill and Investments in Joint Ventures to Cash-Generating Units

For the purpose of performing annual impairment review, the Globe Group allocates the carrying amount of goodwill from acquisition of BTI and investment in VTI, BAHC and BHC to the CGU of mobile communications services or wireless segment. The Globe Group believes that CGUs represent the lowest level within the Globe Group at which the goodwill is monitored for internal management reporting purposes and not larger than an operating segment determined in accordance with PFRS 8.



4.1.2 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.

4.1.3 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 is 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.

4.1.4 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.

4.1.5 Determination of SSP in arrangements with multiple performance obligations

In revenue arrangements involving multiple performance obligations, the transaction price are 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 need 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.

4.1.6 Determination of Whether the Globe Group is Acting as a Principal or an Agent

The Globe Group's VAS offers a full range of downloadable content covering multiple topics including news, information, and entertainment 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 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.



4.1.7 Financial Asset Business Model Assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Globe Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

Except for the derivative instruments, the Globe Group classified all of its non-equity instrument financial assets as financial assets at amortized cost in accordance with the SPPI and business model test requirements of PFRS 9.

4.2 Key Estimation Uncertainties

4.2.1 Deferred Revenues on Globe Rewards

The Globe Group allocates a portion of the transaction price of its service revenues to Globe Rewards points and recognizes the corresponding deferred revenues. The allocation is based on its relative SSP per point which is determined based on the expected discount or free products that will be availed when the points are redeemed by the subscriber. The Globe Group uses historical data and trends in estimating the SSP of rewards points. The amounts and timing of recording revenues would be affected by changes in circumstances and trends. An increase in the estimated SSP per point would increase the recognized deferred revenues and decrease the revenues for the period.

As of December 31, 2019 and 2018, the estimated liability for unredeemed points included in deferred revenues in the consolidated statements of financial position amounted to ₱1,431.10 million and ₱1,542.58 million, respectively (See [Note 7.2](#)).

4.2.2 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 2019 and 2018 on subscribers receivable amounted to ₱3,147.13 million and ₱2,955.27 million, and contract assets amounted to ₱256.90 million and ₱457.66 million, respectively (see [Note 28](#)).



4.2.3 *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 2019, 2018 and 2017 amounted to ₱713.72 million, ₱377.78 million and ₱403.04 million, respectively (see [Note 9](#) and [28](#)).

Inventories and supplies, net of allowances, amounted to ₱4,713.57 million and ₱4,854.94 million as of December 31, 2019 and 2018, respectively (see [Note 9](#)).

4.2.4 *ARO*

The Globe Group recognizes ARO in relation to its obligations to bear the costs of dismantling the constructed assets in leased properties and to restore such properties to the original condition at the end of the lease period. The recognition of ARO requires the Globe Group to estimate the future restoration and dismantling costs and determine the appropriate discount rate to be applied in the present value calculation. The amount and timing of recorded expenses for any period would differ if different inputs in the estimates were utilized. An increase in ARO would increase recorded expenses and increase noncurrent liabilities.

As of December 31, 2019 and 2018, ARO amounted to ₱2,742.63 million and ₱2,523.94 million, respectively (see [Note 20](#)).

4.2.5 *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 carrying amounts of property and equipment with finite useful lives amounted to ₱180,387.74 million and ₱167,118.98 million, as of December 31, 2019 and 2018, respectively (see [Note 11](#)).

The carrying amounts of intangible assets with finite useful lives amounted to ₱12,653.78 million and ₱12,558.02 million, as of December 31, 2019 and 2018, respectively (see [Note 12](#)).

The carrying amounts of right of use assets amounted to ₱3,556.28 million as of December 31, 2019 (see [Note 13](#)).



4.2.6 Impairment of Nonfinancial Assets Other Than Goodwill

The Globe Group performs an impairment review when certain impairment indicators are present.

Determining the recoverable amounts of property and equipment, intangible assets, right of use assets and investments in associates and joint ventures 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 aggregate carrying value of property and equipment, intangible assets (excluding goodwill), right of use assets and investments amounted to ₱233,356.45 million and ₱216,378.57 million as of December 31, 2019 and 2018, respectively (see [Notes 11, 12, 13 and 15](#)).

Impairment loss recognized on property and equipment amounted to ₱59.16 million, ₱61.74 million and ₱28.32 million in 2019, 2018 and 2017, respectively (see [Note 28](#)).

Impairment loss recognized on investment in associate amounted to nil in 2019 and 2018, and ₱286.04 million in 2017, respectively ([Note 28](#)).

4.2.7 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, 2019 and 2018, the carrying value of goodwill amounted to ₱2,899.32 million and ₱1,140.25 million, respectively (see [Note 12](#)).

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 [Notes 12 and 28](#)). No impairment loss on goodwill was recognized in 2019 and 2017.

4.2.8 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, 2019 and 2018, the combined gross deferred tax assets of the Globe Group amounted to ₱10,178.55 million and ₱10,437.19 million, respectively (see [Note 30](#)).



4.2.9 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, 2019 and 2018 amounted to ₱3,738.43 million and ₱1,459.46 million, respectively. Further details are provided in [Note 29.2](#).

4.2.10 Share-based Compensation

The Globe Group also determines the cost of equity-settled transactions using assumptions on the appropriate pricing model. Significant assumptions for the cost of share-based payments include, among others, share price, exercise price, option life, expected dividend and expected volatility rate. While the Globe Group believes that the assumptions are reasonable and appropriate, significant differences in the assumptions may materially affect the recognized expense and equity.

Cost of share-based payments in 2019, 2018 and 2017 amounted to ₱325.16 million, ₱236.71 million and ₱104.83 million, respectively (see [Note 29](#)).

4.2.11 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 final fair values of the net assets of Yondu at the time of acquisition amounted to ₱462.56 million (see [Note 14.1](#)).

The final fair values of the net assets of EC Pay at the time of acquisition amounted to ₱417.47 million (see [Note 14.2](#)).

4.2.12 Fair Values of Unquoted Equity Securities

When the fair value of an investment in equity security is required to be measured at fair value and the fair value cannot be derived from active markets, the Globe Group uses valuation techniques including the discounted cash flow analysis and other relevant valuation models to determine the fair value of the instrument. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Changes in assumptions about these factors could affect the reported fair value of the instrument and may also affect the consolidated profit or loss.



The fair value of the Globe Group's investments in unquoted equity instruments classified as financial assets at FVOCI amounted to ₱2,137.78 million and ₱1,442.94 million as of December 31, 2019 and 2018, respectively (see [Note 16](#)).

4.2.13 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 currently does not believe that these proceedings will have a material adverse effect on the consolidated statements of financial position and financial performance. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see [Note 18](#)).

The Globe Group's provision as of December 31, 2019 and 2018 amount to ₱2,622.32 million and ₱2,549.39 million, respectively (see [Note 18](#)).

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:

	2019	2018
	<i>(In Thousand Pesos)</i>	
Cash on hand and in banks	₱3,728,294	₱2,018,910
Short-term money market placements	4,569,798	21,207,476
	₱8,298,092	₱23,226,386

Cash in banks earn interest at respective bank deposit rates.

Interest income from cash and cash equivalents are as follows (see [Note 23](#)):

	2019	2018	2017
	<i>(In Thousand Pesos)</i>		
Short-term money market placements	₱440,402	₱332,525	₱71,876
Cash on hand and in banks	17,158	12,353	18,007
	₱457,560	₱344,878	₱89,883

The ranges of interest rates of the above placements are as follows:

	2019	2018	2017
Placements:			
PHP	0.175% to 7.00%	0.375% to 6.00%	0.10% to 3.70%
USD	0.50% to 2.60%	0.10% to 2.75%	0.05% to 1.75%



The principal noncash transactions are as follows:

	Notes	2019	2018	2017
<i>(In Thousand Pesos)</i>				
Unpaid purchase consideration from acquisition of EC Pay	14.2	P76,329	P-	P-
Movements in liabilities related to the acquisition of property and equipment		(6,514,835)	(7,800,727)	8,076,049
Capitalized ARO	20	38,997	9,831	97,079
Uncollected proceeds from sale of AFPI	15.2	240,000	-	-

Cash flows from financing activities include non-cash change arising from foreign exchange gains or losses and amortization of debt issue cost and others amounting to P1,269.98 million and P926.20 million in 2019 and 2018, respectively.

Unpaid cash dividends declared related to non-voting preferred stock amounted to P260.03 million as at December 31, 2019 and 2018 (see [Note 22.3](#)).

6 Trade receivables - net

This account consists of receivables from:

	Notes	2019	2018
<i>(In Thousand Pesos)</i>			
Subscribers		P23,554,867	P27,798,284
Traffic settlements - net	33.2, 35.1	1,904,982	2,868,396
Dealers		1,935,236	1,527,340
Others		3,161,346	981,399
		30,556,431	33,175,419
Less allowance for impairment losses:			
Subscribers		8,618,104	11,932,762
Traffic settlements and others		799,377	590,125
		9,417,481	12,522,887
		P21,138,950	P20,652,532

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 33.2](#) and [35.1](#)).

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>					
2019					
December 31, 2018	₱7,292,652	₱3,261,130	₱1,378,980	₱590,125	₱12,522,887
Charges for the period (Note 28)	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	₱4,239,820	₱3,530,940	₱847,344	₱799,377	₱9,417,481
2018					
December 31, 2017	₱5,475,745	₱1,934,247	₱1,108,220	₱613,399	₱9,131,611
Transition adjustment (Note 3.4)	6,085,336	990,360	905,055	-	7,980,751
January 1, 2018	11,561,081	2,924,607	2,013,275	613,399	17,112,362
Charges for the period (Note 28)	2,244,503	458,421	252,343	17,078	2,972,345
Recoveries and write-offs – net	(6,512,932)	(121,898)	(886,638)	(40,352)	(7,561,820)
December 31, 2018	₱7,292,652	₱3,261,130	₱1,378,980	₱590,125	₱12,522,887

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:

	2019	2018
<i>(In Thousand Pesos)</i>		
Contract assets	₱7,045,794	₱7,124,332
Deferred contract costs	1,583,088	1,662,891
	8,628,882	8,787,223
Less current portion of deferred contract costs	8,339,219	8,471,550
Noncurrent portion	₱289,663	₱315,673

7.1.1 Contract Assets

The following table provides information about contract assets with customers:

	Notes	2019	2018
<i>(In Thousand Pesos)</i>			
Contract assets			
Balance at beginning of the year		₱8,672,121	₱-
Transition adjustment	3.4	-	7,479,169
Additions during the year		8,717,202	9,273,004
Reductions during the year		(8,538,842)	(8,080,052)
Write-off		(889,209)	-
Balance at end of year		7,961,272	8,672,121
Allowance for impairment loss			
Balance at beginning of the year		(1,547,789)	-
Transition adjustment	3.4	-	(1,090,132)
Impairment loss	28	(256,898)	(457,657)
Write-off		889,209	-
Balance at end of year		(915,478)	(1,547,789)
Contract assets - net		₱7,045,794	₱7,124,332

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:

	2019	2018
<i>(In Thousand Pesos)</i>		
Cost to obtain contracts with customers:		
Commissions	₱1,039,265	₱1,140,838
Cost to fulfill contracts with customers		
Installation costs	543,823	522,053
	₱1,583,088	₱1,662,891



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:

	Note	2019	2018
<i>(In Thousand Pesos)</i>			
Balance at beginning of the year		P1,662,891	P-
Transition adjustment	3.4	-	1,613,872
Amounts capitalized during the period		2,051,580	2,088,422
Amounts recognized as expense		(2,131,383)	(2,039,403)
Balance at the end of the year		P1,583,088	P1,662,891

7.2 Contract Liabilities and Other Deferred Revenues

The following table provides information about the contract liabilities and other deferred revenues:

	2019	2018
<i>(In Thousand Pesos)</i>		
Current		
Deferred revenue from wireless subscribers under prepaid arrangements	P4,094,957	P3,280,864
Advance monthly service fees	2,937,868	2,903,529
Deferred revenue rewards	1,431,103	1,542,584
Contract liability from wireline services	241,419	307,101
Others	59,456	10,230
	8,764,803	8,044,308
Noncurrent		
Contract liability from wireline services	49,869	53,642
	P8,814,672	P8,097,950

The following table shows the roll forward analysis of contract liabilities:

	Note	2019	2018
<i>(In Thousand Pesos)</i>			
Contract liabilities			
Balance at beginning of the year		P360,743	P-
Transition adjustment	3.4	-	388,363
Additions during the year		469,329	563,016
Recognized as revenue during the year		(538,784)	(590,636)
Balance at end of year		P291,288	P360,743

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 prepaid credit.

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 Globe Group's freestanding and embedded derivative financial instruments are accounted for as hedges or transactions not designated as hedges. The table below sets out information about the Globe Group's derivative financial instruments and the related fair values as of December 31:

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	P -	P205,290	P679,628
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			P426,955	P838,316

2018

	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*	\$300,000	P -	P1,787,777	P203,983
Principal only swaps**	86,400	-	528,297	32,010
Interest rate swaps	61,400	-	47,292	-
Derivative instruments not designated as hedges				
<i>Freestanding</i>				
Deliverable forwards	80,000	-	-	75,661
Net			P2,363,366	P311,654

*Pay-fixed rate 4.15%-6.68%, received floating rate USD LIBOR+(0.60%-1.00%)

** Pay-fixed rate 1.31%-2.3%

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 USD298.45 million and USD300.00 million as of December 31, 2019 and 2018, respectively. Principal only swaps have a notional amount of USD97.70 million and USD86.4 million as of December 31, 2019 and 2018, respectively. The fair values of the currency swaps as of December 31, 2019 and 2018 amounted to net liability of ₱309.73 million and net asset of ₱2,080.08 million, respectively, of which ₱242.09 million and ₱915.81 million (net of tax), respectively is included in "Other reserves" in the equity section of the consolidated statements of financial position (see [Note 22.6](#)).

- *Interest Rate Swaps*

As of December 31, 2019 and 2018, the Globe Group has USD77.70 million and USD61.40 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 2020 and October 2020 and semi-annual payment intervals up to April 2020.

As of December 31, 2019 and 2018, the fair value of the outstanding swap amounted to a net liability of ₱31.93 million and a net asset of ₱47.29 million, respectively, of which ₱22.35 million and ₱33.10 million (net of tax), respectively, is included in "Other reserves" in the equity section of the consolidated statements of financial position (see [Note 22.6](#)).

Swap costs arising from both cross currency and interest rate swaps recognized as financing cost amounted to ₱366.95 million, ₱220.06 million, and ₱208.74 million in 2019, 2018 and 2017, respectively (see [Note 27](#))

8.2 *Free Standing 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, 2019 and 2018, the Globe Group has USD112.00 million and USD80.00 million deliverable and non-deliverable currency forward contracts not designated as hedges, respectively.

8.3 *Hedge Effectiveness Results*

As of December 31, 2019 and 2018, the effective fair value changes on the Globe Group's cash flow hedges that were deferred in equity amounted to gains of ₱264.44 million and ₱948.92 million, net of tax, respectively. Derivatives designated as cash flow hedges for the years ended December 31, 2019, 2018 and 2017 are fully effective. 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:

	2019	2018
	<i>(In Thousand Pesos)</i>	
At beginning of year	P2,051,712	P735,341
Net changes in fair value of derivatives:		
Designated as cash flow hedges (Note 22.6)	(2,835,986)	1,178,226
Not designated as cash flow hedges	(73,870)	839,763
	(858,144)	2,753,330
Fair value of settled instruments	446,783	(701,618)
At end of period	(P411,361)	P2,051,712

Details of amounts reclassified from cash flow hedge reserve to profit or loss in relation to hedge accounting transactions are shown below.

	Notes	2019	2018
		<i>(In Thousand Pesos)</i>	
Gain (loss) on derivative instruments – net		(P735,670)	P164,408
Swap costs	27	(366,952)	(220,061)
	22.6	(P1,102,622)	(P55,653)

9 Inventories and Supplies - net

This account consists of:

	2019	2018
	<i>(In Thousand Pesos)</i>	
Handsets, devices and accessories	P2,761,286	P2,977,904
Modem and accessories	844,518	972,523
Nomadic broadband device	498,380	371,976
Spare parts and supplies	420,142	357,161
SIM cards and SIM packs	133,530	156,940
Call cards and others	55,716	18,435
	P4,713,572	P4,854,939

Breakdown of cost of inventories recognized as expense are as follows:

	Note	2019	2018	2017
		<i>(In Thousand Pesos)</i>		
Cost of inventories sold		P18,554,814	P18,645,314	P13,013,437
Inventory obsolescence	28	713,717	377,775	403,037
		P19,268,531	P19,023,089	P13,416,474



Cost of inventories sold consists of:

	2019	2018	2017
	<i>(In Thousand Pesos)</i>		
Handsets, devices and accessories	P16,212,378	P16,132,844	P10,752,145
Nomadic broadband device	1,458,295	1,686,459	1,289,983
SIM cards and SIM packs	529,248	651,342	623,013
Call cards and others	224,598	147,267	329,651
Modems and accessories	116,026	20,637	13,787
Spare parts and supplies	14,269	6,765	4,858
	P18,554,814	P18,645,314	P13,013,437

10 Prepayment and Other Current Assets

This account consists of:

	Notes	2019	2018
		<i>(In Thousand Pesos)</i>	
Advance payments to suppliers and contractors	35.2	P10,449,595	P9,459,239
Prepayments		2,740,940	2,209,300
Non-trade receivables – net		2,292,367	1,458,503
Deferred input VAT		1,162,679	937,233
Creditable withholding tax		976,295	888,971
Input VAT – net		720,307	517,810
Others		605,832	783,740
		P18,948,015	P16,254,796

The “Prepayments” account includes prepaid insurance, rent, maintenance, and licenses fees among others.

Non-trade receivables – net consists of:

	Notes	2019	2018
		<i>(In Thousand Pesos)</i>	
Current portion of loans to related parties	21	P656,620	P-
Due from related parties	21	631,490	562,550
Advances to employees		192,219	313,308
Others		900,931	713,726
		2,381,260	1,589,584
Allowance for impairment loss		(88,893)	(131,081)
		P2,292,367	P1,458,503

Impairment loss related to non-trade receivable amounted to nil in 2019 and 2018, and P37.47 million in 2017 (see [Note 28](#)).



Deferred input VAT pertains to VAT various purchases of goods and services which cannot be claimed yet as credits against output VAT liabilities, pursuant to the existing VAT rules and regulations. Deferred input VAT can be applied against future output VAT liabilities. Details are as follows:

	Note	2019	2018
<i>(In Thousand Pesos)</i>			
Due for credits within 12 months		₱1,162,679	₱937,233
Due for credits beyond 12 months	16	194,352	247,543
		₱1,357,031	₱1,184,776

11 Property and Equipment – net

The rollforward analysis of this account follows:

2019

	Telecommunication Equipment	Buildings and Leasehold Improvement	Cable System	Office Equipment	Transportation Equipment	Land	Assets Under Construction	Total
<i>(In Thousand Pesos)</i>								
Cost								
At January 1	P271,677,263	P57,423,228	P26,682,217	P15,780,704	P2,975,487	P2,276,709	P23,987,705	P400,803,313
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	62,868,733	26,662,138	16,741,736	3,184,871	2,276,709	25,417,091	P440,326,565
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 26)	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	23,252	-	-	9,860	1,921	588,364	1,842,408
Additions (Note 28)	-	-	-	-	-	-	59,157	59,157
Write-off/adjustments	-	(9,860)	-	-	(9,860)	-	(89,082)	(108,802)
At December 31	1,219,011	13,392	-	-	-	1,921	558,439	1,792,763
Carrying amount at December 31	P110,421,555	P32,493,664	P9,372,693	P2,195,525	P1,045,651	P2,274,788	P24,858,652	P182,662,528



2018

	Telecommunication Equipment	Buildings and Leasehold Improvement	Cable System	Office Equipment	Transportation Equipment	Land	Assets Under Construction	Total
<i>(In Thousand Pesos)</i>								
Cost								
At January 1	P246,755,268	P53,507,948	P26,526,807	P15,068,540	P2,916,558	P2,278,343	P23,842,575	P370,896,039
Additions	967,774	14,230	4,465	192,462	434,795	108	34,210,495	35,824,329
Retirements/disposals	(405,081)	(13,078)	(25,305)	(1,136,701)	(378,226)	(1,742)	-	(1,960,133)
Reclassifications (Note 12)	24,379,791	3,914,128	176,250	1,656,403	2,360	-	(34,065,365)	(3,936,433)
ARO Remeasurements	(20,489)	-	-	-	-	-	-	(20,489)
At December 31	271,677,263	57,423,228	26,682,217	15,780,704	2,975,487	2,276,709	23,987,705	400,803,313
Accumulated Depreciation and Amortization								
At January 1	152,241,256	24,775,778	15,177,625	12,345,783	1,965,727	-	-	206,506,169
Depreciation and amortization (Note 26)	18,979,929	2,671,290	1,112,247	1,762,866	369,117	-	-	24,895,449
Retirements/disposals	(364,430)	(784)	(5,923)	(1,135,459)	(359,376)	-	-	(1,865,972)
Reclassifications (Note 12)	(25,037)	20,819	-	55,218	-	-	-	51,000
ARO Remeasurements	(19,509)	-	-	-	-	-	-	(19,509)
At December 31	170,812,209	27,467,103	16,283,949	13,028,408	1,975,468	-	-	229,567,137
Impairment Losses								
At January 1	1,219,011	23,252	-	-	9,860	-	535,101	1,787,224
Additions (Note 28)	-	-	-	-	-	1,921	59,818	61,739
Write-off/adjustments	-	-	-	-	-	-	(6,555)	(6,555)
At December 31	1,219,011	23,252	-	-	9,860	1,921	588,364	1,842,408
Carrying amount at December 31	P99,646,043	P29,932,873	P10,398,268	P2,752,296	P990,159	P2,274,788	P23,399,341	P169,393,768



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 costs of fully depreciated property and equipment that are still being used as of December 31, 2019 and 2018 amounted to ₱130,754.39 million and ₱105,431.91 million, respectively.

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 5.20% and 4.69% capitalization rates in 2019 and 2018, respectively. The Globe Group's total capitalized borrowing costs amounted to ₱1,251.52 million and ₱846.92 million in 2019 and 2018, respectively (see [Note 19](#)).

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 USD1.7 million ([Note 19.1](#)) 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, 2019.

12 Intangible Assets and Goodwill - net

The rollforward analysis of this account follows:

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 26)	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

2018

	Application Software and Licenses	Goodwill	Other Intangible Assets	Total Intangible Assets and Goodwill
<i>(In Thousand Pesos)</i>				
Cost				
At January 1	₱31,119,839	₱1,283,042	₱2,324,649	₱34,727,530
Additions	490,569	-	-	490,569
Retirements/disposals	(5,100)	-	(150,324)	(155,424)
Impairment (Note 28)		(142,794)	-	(142,794)
Reclassifications (Note 11)	3,936,433	-	-	3,936,433
At December 31	35,541,741	1,140,248	2,174,325	38,856,314
Accumulated Amortization				
At January 1	19,013,510	-	830,314	19,843,824
Amortization (Note 26)	5,213,058	-	303,196	5,516,254
Retirements/disposals	(709)	-	(150,324)	(151,033)
Reclassifications (Note 11)	(51,000)	-	-	(51,000)
At December 31	24,174,859	-	983,186	25,158,045
Carrying Amount at December 31	₱11,366,882	₱1,140,248	₱1,191,139	₱13,698,269

Other intangible assets consist of customer contracts, franchise, spectrum and merchant networks.

The Globe Group's goodwill were recognized from acquisition of subsidiaries. Details of the Globe Group's goodwill are as follows:

	2019	2018	2017
<i>(In Thousand Pesos)</i>			
BTI	₱1,140,248	₱1,140,248	₱1,140,248
EC Pay	1,218,548	-	-
Yondu	540,523	-	-
TAO	-	-	140,403
Socialytics	-	-	2,391
	₱2,899,319	₱1,140,248	₱1,283,042

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.

For impairment testing purposes, the Globe Group allocated the carrying amount of goodwill arising from the acquisition of BTI to CGU of mobile communications services or wireless segment. 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. The pre-tax discount rate applied to cash flow projections was 8.7% in 2019 and cash flows beyond the five-year period are extrapolated using a 2% long-term growth rate in 2019. No impairment loss on goodwill from acquisition of BTI was recognized in 2019 and 2018.



The Globe Group has determined that the recoverable amount calculations are most sensitive to changes in assumptions on gross margins, discount rates, market share, and growth rates.

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 28](#)).

No impairment loss on intangible assets was recognized in 2019. The management believes that any reasonable possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

13 Lease Commitments

13.1 Right of use assets – net

The rollforward analysis of this account follows:

	Network Sites	Transportation Equipment	Corporate Office	Stores	Leased lines	Total
Cost	<i>(In Thousand Pesos)</i>					
Transition adjustment (Note 3.1)	₱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 26)	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:

	2019
	<i>(In Thousand Pesos)</i>
Network sites	₱2,408,958
Transportation Equipment	610,316
Corporate Office	489,194
Stores	153,843
Leased lines	1,306
	3,663,617
Less current portion	981,817
	₱2,681,800

Interest expense on lease liabilities amounted to ₱272.17 million for the year ended December 31, 2019 (see [Note 27](#)).



The table below presents the maturity profile of the Globe Group's lease liabilities using undiscounted cash flows of future lease payments.

	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	167,924	10,397	175,082
Leased lines	1,122	211	-	1,333
	₱1,294,115	₱2,450,925	₱761,124	₱4,506,164

Short-term leases and leases of low-value assets charged as operating expenses in the consolidated profit or loss amounted to ₱5,793.30 (see [Note 25](#)). Payments of lease liabilities for the year ended December 31, 2019 amounted to ₱1,298.34 million.

14 Business Combinations

14.1 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 [Notes 21.4](#) and [28](#)). 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)	90,682
Application software and licenses (Note 12)	244
Other noncurrent assets	36,897
	809,467
LIABILITIES	
Current Liabilities	346,905
Net assets acquired and liabilities assumed	₱462,562
Purchase consideration transferred	₱501,252
Acquisition-date fair value of previously held interest	501,833
Net assets acquired and liabilities assumed	(462,562)
Goodwill arising on acquisition (Note 12)	₱540,523



Net cash outflow from the acquisition is as follows (in thousand pesos):

Total cash paid on acquisition	(P501,252)
Cash and cash equivalents acquired from Yondu	114,494
Net cash outflow on acquisition	(P386,758)

14.2 Investment in EC Pay

On October 25, 2019, Globe Telecom acquired 77% of equity interest in EC Pay for a total amount of P1,540.00 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
		(In Thousand Pesos)
ASSETS		
Current assets		P1,180,885
Property and equipment (Note 11)		18,021
Application and software (Note 12)		603
Other noncurrent assets		4,155
		1,203,664
LIABILITIES		
Current Liabilities		1,125,725
Total net assets at fair value		P77,939
Intangible assets arising on acquisition (Note 12)		
Contractual merchant network	P176,190	
Non-contractual merchant network	276,850	
Platform	32,005	485,045
Deferred tax liabilities		(145,514)
Net assets acquired and liabilities assumed		P417,470
Purchase consideration transferred		P1,540,000
Net assets acquired and liabilities assumed		(417,470)
Non-controlling interest measured at proportionate share of its interest		96,018
Goodwill arising on acquisition (Note 12)		P1,218,548

Net cash outflow from the acquisition is as follows (in thousand pesos):

Total purchase consideration	(P1,540,000)
Unpaid purchase consideration (Note 5)	76,329
Cash and cash equivalents acquired from ECPay	286,780
Net cash outflow on acquisition	(P1,176,891)

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. The application of a different set of assumptions or technique could have a significant effect on the resulting fair value estimates.

15 Investments in associates and joint ventures

This account consists of the following as of December 31:

	2019	2018
	<i>(In Thousand Pesos)</i>	
Investments in associates:		
Yondu	P-	P940,236
Investments in joint ventures:		
VTI, BAHG and BHC	32,755,463	32,481,947
GFI/Mynt	1,563,980	862,130
TechGlobal	90,893	89,702
Bridge Mobile Pte. Ltd (BMPL)	51,926	50,440
Konsulta	11,603	2,321
	P34,473,865	P34,426,776

Details of the Globe Group's investments in associate and joint ventures and the related percentages of ownership as of December 31, 2019 and 2018 are shown below:

	Country of Incorporation	Principal Activities	2019	2018
Associates				
Yondu **	Philippines	Mobile content and application development services	100%	49%
AFPI	Philippines	Construction and establishment of systems, infrastructure	-	20%
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%
GFI/Mynt*	Philippines	Holding company	46%	45%
BMPL	Singapore	Mobile technology infrastructure and common service	10%	10%

*A subsidiary of Globe Telecom through GCVHI until September 2017 (see [Note 15.4](#))

**An associate of Globe Telecom until September 2019 ([Note 14.1](#))

Equity share in net loss from investment in associates and joint ventures are as follows:

	2019	2018	2017
<i>(In Thousand Pesos)</i>			
Investments in associates:			
AFPI	P-	(P115,745)	(P129,495)
Yondu	32,250	38,258	56,238
Investments in joint ventures:			
GFI/Mynt	(2,590,650)	(1,179,871)	(236,304)
VTI, BAHC and BHC	2,105	18,760	(511,692)
Konsulta	(3,218)	(9,583)	(9,570)
TechGlobal	1,191	(3,478)	(22,146)
BMPL	3,540	2,056	6,792
	(P2,554,782)	(P1,249,603)	(P846,177)

Investment in associates and joint ventures share in other comprehensive income are as follows:

	2019	2018	2017
<i>(In Thousand Pesos)</i>			
Investments in associate:			
AFPI	P-	P-	P790
Investments in joint ventures:			
VTI, BAHC and BHC	271,411	-	-
BMPL	(2,054)	2,089	81
	P269,357	P2,089	P871

The movement in investments in joint ventures and associates are as follows:

	Notes	2019	2018
<i>(In Thousand Pesos)</i>			
Costs			
At January 1		P37,608,176	P37,536,885
Additional capital contributions during the year			
Investment in GFI/Mynt	15.4	3,292,500	-
Investment in Konsulta	15.7	12,500	-
Investment in VTI	15.3	-	51,200
Investment in AFPI	15.2	-	60,000
Disposal		(1,532,061)	-
Return on investment	15.1	-	(39,909)
At December 31		39,381,115	P37,608,176
Accumulated Equity in Net Losses			
At January 1		(2,921,697)	(1,672,094)
Equity share in net losses		(2,554,782)	(1,249,603)
Disposal		272,438	-
At December 31		(5,204,041)	(2,921,697)
Other Comprehensive Income			
At January 1		26,333	24,244
Equity share in currency translation adjustment	22.6	(2,054)	2,089
Equity share in investment in equity securities	22.6	275,325	-
Equity share in retirement obligation	22.6	(3,914)	-
Disposal	22.6	1,101	-
At December 31		296,791	26,333
Impairment Losses			
At January 1		(286,036)	(286,036)
Disposal	15.2	286,036	-
At December 31		-	(286,036)
Carrying Value at December 31		P34,473,865	P34,426,776



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:

	Yondu	AFPI	VTI, BAHC and BHC	GFI/Mynt	TechGlobal	BMPL	Konsulta
<i>(In Thousand Pesos)</i>							
2019							
Statements of Financial Position:							
Current assets	P681,643	P644,964	P3,622,452	P5,823,136	P96,739	P614,083	P53,321
Noncurrent assets	127,823	918,555	5,514,863	1,285,411	197,704	12,294	1,531
Current liabilities	346,904	418,396	2,793,061	6,161,631	80,136	106,914	31,342
Noncurrent liabilities	-	267,873	448,702	61,241	28,811	203	304
Equity	462,562	877,250	5,895,552	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	P65,817	(P732,339)	P866,271	(P5,622,939)	P2,430	P35,400	(P6,436)
2018							
Statements of Financial Position:							
Current assets	P551,384	P585,163	P3,082,664	P2,664,868	P74,229	P608,627	P36,141
Noncurrent assets	71,581	1,450,681	4,050,389	931,800	217,996	22,076	517
Current liabilities	220,181	367,113	2,515,135	3,397,668	109,159	129,883	31,980
Noncurrent liabilities	5,871	267,042	659,097	173,057	-	-	38
Equity	396,913	1,401,689	3,958,821	25,943	183,066	500,820	4,640
Statements of Comprehensive Income:							
Revenue	821,322	52,558	2,754,717	1,134,839	43,407	316,640	58,274
Costs and expenses	(711,836)	(659,777)	(1,567,580)	(3,800,622)	(53,475)	(296,078)	(77,440)
Income before tax	109,486	(607,219)	1,187,137	(2,665,783)	(10,068)	20,562	(19,166)
Income tax	(31,409)	-	(367,505)	43,847	2,970	-	-
Profit (Loss) for the period	P78,077	(P607,219)	P819,632	(P2,621,936)	(P7,098)	P20,562	(P19,166)

Investment in Associates

15.1 Investment in Yondu

Yondu is 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 14.1](#)).

Dividend from Yondu amounted to nil and P39.90 million in 2019 and 2018, respectively. Dividends receivable as of December 31, 2018 amounted to P61.02 million.



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.

In 2019 and 2018, Globe Telecom infused additional capital amounting to nil and ₱60.00 million, respectively.

In 2017, management determined that the recoverable amount of the investment in AFPI is less than the carrying value. Accordingly, the Globe Group recognized as impairment loss as the difference in the investment's recoverable amount and carrying value amounting to ₱286.04 million (see [Note 28](#)). No impairment loss was recognized in 2018 and 2019.

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 24](#)). 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 22.6](#)).

The Globe Group has no share in any contingent liabilities of any associates as of December 31, 2019 and 2018.

Investment in Joint Ventures

15.3 Investment in VTI, BAHC and BHC

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. NTC's approval is subject to the fulfillment 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.

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.

The Globe Group invested ₱51.2 million of additional capital in 2018.

15.4 Investment in GFI/Mynt

Prior to September 27, 2017, GCVHI holds 100% ownership interest in GFI and accordingly, GFI's financial position and financial performance are included in the Globe Group's consolidated financial statements. GFI/Mynt is engaged in purchasing, subscribing, owning, holding and assigning real and personal property, shares of stock and other securities. GFI has a wholly-owned subsidiary, Fuse, which operates as a lending company.

Loss of control on investment in GFI/Mynt

As disclosed in [Note 1](#), on February 17, 2017, Globe Telecom and its wholly-owned subsidiaries, GFI and GCVHI entered into an investment agreement with Alipay and Ayala for Alipay and Ayala to invest in the unissued common shares of GFI. PCC released through a memo its affirmative decision on the Alipay acquisition of GFI shares, resulting in the dilution of GCVHI ownership in GFI.

On September 27, 2017, following the approval from PCC, GFI/Mynt received the capital infusion from Alipay and Ayala amounting to ₱2,784.60 million in exchange for GFI/Mynt's 513.00 million common shares. The issuance of shares to Alipay and Ayala diluted GCVHI's ownership interest to 45% and resulted in a loss of control in GFI/Mynt. Thereafter, investment in GFI/Mynt was accounted for as a joint arrangement since no single party controls the arrangement and approvals of all parties are required for business decisions.

Total net assets of GFI/Mynt as of the date of loss of control amounted to ₱388.40 million. The fair value of the retained interest in GFI/Mynt held by GCVHI amounted to ₱2,278.30 million at the date of loss of control. The gain on fair value of retained equity interest in GFI/Mynt amounting to ₱1,889.90 million, was presented as "Gain on fair value of retained interest" in the consolidated profit or loss in 2017. Net cash outflow from deconsolidation amounted to ₱1,246.97 million.

In 2019, the Globe Group made an additional investment to GFI/ Mynt amounting to ₱3,292.50 million.

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.

16 Other Noncurrent Assets

This account consists of:

	Notes	2019	2018
<i>(In Thousand Pesos)</i>			
Investment in equity securities		₱2,137,781	₱1,442,940
Security deposits		1,261,620	1,113,465
Loans receivable from related parties	21	-	726,620
Deferred input VAT	10	194,352	247,543
Others		420,157	234,421
		₱4,013,910	₱3,764,989

Others include investment properties with carrying amount of ₱19.92 million and ₱25.8 million as of December 31, 2019 and 2018, respectively. Investment properties consist of building and improvements which are held to earn rentals. Depreciation and amortization of investment properties amounted to ₱5.60 million, ₱10.02 million and ₱11.52 million in 2019, 2018 and 2017, respectively (see [Note 26](#)).

Fair value gain from investment in equity securities recognized in consolidated OCI amounted to ₱188.49 million, ₱170.65 million and ₱36.08 million in 2019, 2018 and 2017, respectively (see [Note 22.6](#)).

17 Trade Payables and Accrued Expenses

This account consists of:

	Notes	2019	2018
<i>(In Thousand Pesos)</i>			
Accrued expenses		₱25,477,531	₱22,370,377
Accrued project costs	35.2	12,558,734	19,172,960
Trade payable		7,740,150	5,595,929
Taxes payable		4,315,397	4,678,853
Traffic settlements - net	33.2, 35.1	993,030	1,102,411
Dividends payable	22.3	260,030	260,030
Other creditors		5,634,443	3,038,806
		₱56,979,315	₱56,219,366

Traffic settlements payable are presented net of traffic settlements receivable from the same carrier (see [Note 33.2](#)).

Accrued expenses consists of the following:

	2019	2018
<i>(In Thousand Pesos)</i>		
Services	₱5,795,411	₱4,552,753
Repairs and maintenance	4,165,209	4,163,652
Manpower	3,907,900	3,456,156
General, selling and administrative	3,687,094	2,957,088
Advertising	3,022,973	2,459,640
Lease	2,899,002	2,879,730
Utilities	1,274,691	967,624
Interest	725,251	933,734
	₱25,477,531	₱22,370,377

General, selling and administrative accrued expenses include travel, professional fees, supplies, commissions and miscellaneous, which are individually immaterial.

18 Provisions

The rollforward analysis of this account follows:

	Notes	2019	2018
<i>(In Thousand Pesos)</i>			
At beginning of year		₱2,549,387	₱1,890,415
Provisions for claims	28	438,724	806,084
Assumed provision from a business combination		1,688	-
Payments and reversals for claims	28	(367,481)	(147,112)
At end of year		₱2,622,318	₱2,549,387



Provisions pertain to assumed liabilities related to the acquired interest in VTI, BAHC and BHC and various pending unresolved claims over the Globe Group's businesses such as provision for taxes, employee benefits, onerous contracts and various labor cases. As of December 31, 2019 and 2018, Globe Telecom's share in the total assumed liabilities related to the acquired interest in VTI, BAHC and BHC amounts to ₱92.98 million.

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, 2019, the remaining claims are still being resolved.

19 Loans Payable

The table below shows the Globe Group's short term credit facilities (in millions).

	2019	2018
Uncommitted		
Peso	₱16,350	₱14,000
Dollar	USD 93.9	USD 119
Committed		
Peso	₱3,000	3,000

As of December 31, 2019 and 2018, the Globe Group has no long term credit facilities.

The Globe Group's long-term debt consists of the following:

	2019	2018
	<i>(In Thousand Pesos)</i>	
Term Loans:		
Peso	₱106,697,990	₱112,287,753
Dollar	22,200,060	23,556,854
	128,898,050	135,844,607
Retail bonds	6,964,685	12,437,290
	135,862,735	148,281,897
Less current portion	(12,919,898)	(16,758,196)
Net of current portion	₱122,942,837	₱131,523,701

The maturities of long-term debt at nominal values as of December 31, 2019 follow (in thousands):

Due in:	
2020	₱12,951,649
2021	7,822,680
2022	14,835,657
2023	17,903,968
2024 and thereafter	82,896,115
	₱136,410,069

The interest rates and maturities of the above debts are as follows:

	Maturities	Interest Rates
Term Loans:		
Peso	2020-2031	3.70% to 7.91% in 2019
	2019-2031	2.96% to 7.11% in 2018
Dollar	2020-2027	2.51% to 6.00% in 2019
	2019-2027	2.08% to 5.00% in 2018
Retail bonds	2020-2023	4.89% to 6.00% in 2019
	2019-2023	4.89% to 6.00% in 2018

Unamortized debt issuance costs included in the above long-term debt as of December 31, 2019 and 2018 amounted to ₱547.33 million and ₱657.76 million, respectively.

Total interest expense recognized in the consolidated profit or loss related to long-term debt amounted to ₱5,937.70 million, ₱5,748.85 million and ₱4,776.24 million in 2019, 2018 and 2017, respectively (see [Note 27](#)).

Total interest expenses capitalized as part of property and equipment amounted to ₱1,251.52 million and ₱846.92 million in 2019 and 2018, respectively (see [Note 11](#)).

19.1 Term Loans and Corporate Notes

Globe Telecom has unsecured term loans and corporate notes, which consist of fixed and floating rate notes and dollar and peso-denominated term loans. The term loans bear interest at stipulated and prevailing market rates. Globe Group also has a secured debt amounting to USD1.7 million as of December 31, 2019 arising from its acquisition of BTI (see [Note 11](#)).

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

In December 2018, the loan agreements with Non-bank Financial Institutions were amended to adjust the debt to equity ratio from 2.5:1 to 3:1 and adjust the debt to EBITDA ratio from 3:1 to 3.5:1.

In December 2018, the loan agreements with Financial Institutions were amended to adjust the debt to EBITDA ratio from 3:1 to 3.5:1.

As of December 31, 2019 and 2018, the Globe Group is not in breach of any loan covenants.

19.2 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 August 2016, the Bond Trust Indentures were amended to adjust the maximum debt-to-equity ratio from 2:1 to 2.5:1.

In October 2018, the Bond Trust Indentures were amended to adjust the maximum debt to equity ratio from 2.5:1 to 3:0:1.

As of December 31, 2019, the Globe Group is not in breach of any bond covenants.

20 Other Long-term Liabilities

This account consists of:

	Notes	2019	2018
		<i>(In Thousand Pesos)</i>	
Asset retirement obligation (ARO)		₱2,742,633	₱2,523,939
Accrued pension	29.2	3,738,430	1,459,463
Others		962,079	1,383,807
		₱7,443,142	₱5,367,209



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	2019	2018
<i>(In Thousand Pesos)</i>			
At beginning of year		₱2,523,939	₱2,420,224
Accretion expense during the year	27	155,674	140,457
Capitalized to property and equipment during the year	5	38,997	9,831
Settlements and reversals		(17,205)	(11,607)
Remeasurements		41,228	(34,966)
At end of year		₱2,742,633	₱2,523,939

Gain (loss) on settlement and remeasurement of ARO recognized in consolidated profit or loss amounted to ₱5.77 million, ₱27.89 million and (₱4.37 million) in 2019, 2018 and 2017, respectively (see [Note 24](#)).

21 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 thousands):

2019

Amount of transaction				Outstanding Balance				
		Revenue and Other Income	Costs and Expenses charged to Profit or Loss	Cost and Expenses capitalized as Asset	Cash and Cash Equivalents (Note 31)	Amounts Owed by Related Parties	Amounts Owed to Related Parties	
Entities with joint control over the Company								
Single AC	21.1	P466,404	P333,714	P-	P-	P117,433	P55,876	Interest-free, settlement in cash
	21.1	14,413	64,367	-	-	1,175	2,754	Unsecured, no impairment
Jointly controlled entities								
BMPL	21.2	-	21,459	-	-	-	1,384	Interest-free, settlement in cash
GF/Mynt	21.2	51,786	322,045	-	-	550,141	53,346	Unsecured, no impairment
Other related parties								
GGRP	21.3	31,093	-	-	-	548,000	-	3 years, 5.5% settlement in cash
BHI	21.3	6,473	-	-	-	108,620	-	Unsecured, no impairment
								The P250,000 million is covered by a pledge agreement while the P45,000 million is fully secured by chattel mortgage agreement
BEAM	21.3	-	175,604	-	-	-	-	Interest-free, settlement in cash
Altimax	21.3	-	11,765	-	-	-	-	Unsecured, no impairment
Key management personnel	21.6	-	470,000	-	-	-	-	Unsecured, no impairment
Others	21.5	458,457	357,164	56,898	3,714,646	225,042	38,604	Unsecured, no impairment
								and cash equivalents, settlement in cash
		P1,028,626	P1,756,118	P56,898	P3,714,646	P1,550,411	P151,964	



2018

Amount of transaction				Outstanding Balance					
	Note	Revenue and Other Income	Costs and Expenses charged to Profit or Loss	Cost and Expenses capitalized as Asset	Cash and Cash Equivalents (Note 31)	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Entities with joint control over the Company									
Single AC	21.1	₱639,399	₱348,836	₱-	₱-	₱255,535	₱123,518	Interest-free, settlement in cash	Unsecured, no impairment
	21.1	31,363	86,604	-	-	15,515	85	Interest-free, settlement in cash	Unsecured, no impairment
Jointly controlled entities									
BMPL	21.2	-	20,703	-	-	-	348	Interest-free, settlement in cash	Unsecured, no impairment
GF/Mynt	21.2	51,786	432,145	-	-	511,632	52,413	Interest-free, settlement in cash	Unsecured, no impairment
Associate									
Yondu	21.4	(46,340)	438,368	90,181	-	68,867	255,343	Interest-free, settlement in cash	Unsecured, no impairment
Other related parties									
GGRP	15	36,366	-	-	-	598,000	-	3 years, 5.5% settlement in cash	Unsecured, no impairment
BHI	15	7,498	-	-	-	128,620	-	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									
	21.3	-	190,000	-	-	-	-	-	-
Altimax	21.3	-	55,000	-	-	-	-	-	-
Key management personnel	21.6	-	383,900	-	-	-	-	-	-
Others	21.5							Interest-free excluding cash and cash equivalents, settlement in cash	Unsecured, no impairment
		606,884	359,767	102,882	1,704,573	-	279,726		
		₱1,326,956	₱2,315,323	₱193,063	₱1,704,573	₱1,578,169	₱711,433		

Amounts owed by related parties are presented in the statement of financial position as follows:

	Notes	2019	2018
<i>(In Thousand Pesos)</i>			
Trade receivables – net		P262,301	P288,999
Due from related parties	10	631,490	562,550
Loans to related parties	10, 16	656,620	726,620
		P1,550,411	P1,578,169

Amounts owed to related parties are presented in the statement of financial position as part of trade payable and accrued expenses.

21.1 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:

	2019	2018	2017
<i>(In Thousand Pesos)</i>			
Service revenues	P466,404	P639,399	P695,985
Interconnection costs	42,184	61,423	67,867

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:

	2019	2018	2017
<i>(In Thousand Pesos)</i>			
Maintenance costs	P119,336	P83,497	P150,521
Technical assistance fee	132,576	158,117	174,285
Software development, supply, license and support	39,618	45,799	65,735
	P291,530	P287,413	P390,541

The outstanding balances due to Singtel arising from these transactions amounted to P55.88 million and P123.52 million as of December 31, 2019 and 2018, respectively.

Globe Telecom, Innove and BTI earn subscriber revenues from AC. Service revenues recognized from AC amounted to P14.41 million, P31.36 million and P25.58 million in 2019, 2018 and 2017, respectively.

Globe Telecom reimburses AC for certain operating expenses. Total expense recognized by the Globe Group from the transaction amounted to P64.37 million, P86.60 million and P37.35 million in 2019, 2018 and 2017, respectively.



21.2 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 ₱1.38 million and ₱0.35 million as of December 31, 2019 and 2018, respectively. Total expenses recognized related to these transactions amounted to ₱21.46 million, ₱20.70 million and ₱20.71 million in 2019, 2018, and 2017, respectively.

GFI/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 2019 and 2018 (see [Note 24](#)).

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 ₱322.05 million and ₱432.15 million in 2019 and 2018, respectively.

21.3 Transactions with the GGRP

The Globe Group granted various loans to the GGRP at an interest rate of 5.00%, which matured on September 11, 2017. Upon maturity, the loan was extended until September 11, 2020 with the interest rate increased to 5.50% per annum. Interest income amounted to ₱31.09 million, ₱36.37 million and ₱38.24 million in 2019, 2018 and 2017, respectively (see [Note 23](#)). As of December 31, 2019 and 2018, the outstanding balance of loan receivable from GGRP amounted to ₱548.00 million and ₱598.00 million, respectively (see [Note 10](#) and [16](#)).

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.



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.

As of December 31, 2019 and 2018, the outstanding balance of loan receivable from BHI amounted to ₱108.62 million and ₱128.62 million, respectively. (Note 10 and 16). Interest income amounted to ₱6.47 million, ₱7.50 million and ₱7.84 million in 2019, 2018, and 2017, respectively (see Note 23).

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 ₱175.60 million in 2019 and ₱190.00 million in 2018 and 2017.

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 ₱11.77 million in 2019 and ₱55.00 million in 2018 and 2017.

21.4 Transactions with Yondu

The Globe Group has a VAS sharing agreement with Yondu. Under the agreement, Yondu is entitled to a 30% share on revenue for providing mobile contents to Globe and TM subscribers. The Globe Group's payout to Yondu on mobile content transactions in 2018 amounted to ₱46.34 million.

Yondu also provides various enterprise solutions-based services to the Globe Group for network, platform and applications development under its BPO and mobile content. The Globe Group's related expenses in 2018 amounted to ₱528.55 million out of which ₱90.18 million was capitalized as part of property and equipment.

On September 11, 2019, Globe Telecom reacquired 51% of the outstanding shares of Yondu, which increased its controlling interest to 100%.

21.5 Transactions with other related parties

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.

21.6 Transactions with key management personnel of the Globe Group

The Globe Group's compensation of key management personnel by benefit type are as follows:

	Note	2019	2018
		<i>(In Thousand Pesos)</i>	
Short-term employee benefits	29	₱275,400	₱238,500
Share-based payments	29	181,600	128,900
Post-employment benefits	29	13,000	16,500
		₱470,000	₱383,900



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.

22 Equity and Other Comprehensive Income

Globe Telecom's authorized capital stock as of December 31, 2019 and 2018 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:

	2019		2018	
	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	133,208	6,660,420	133,053	6,652,663
Total capital stock		₱8,452,995		₱8,445,238

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*

22.1 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.

22.2 Common Stock

The rollforward of outstanding common shares follows:

	2019		2018	
	Shares	Amount	Shares	Amount
<i>(In Thousand Pesos and Number of Shares)</i>				
At beginning of year	133,053	₱6,652,663	132,917	₱6,645,829
Exercise of stock options	10	499	7	371
Issuance of shares under share-based compensation plan and exercise of stock options	145	7,258	129	6,463
At end of year	133,208	₱6,660,420	133,053	₱6,652,663

Holders of fully paid common stock are entitled to voting and dividends rights.

22.3 Cash Dividends

Information on the Globe Telecom's BOD declaration of cash dividends follows:

	Per Share	Amount	Date	
			Record	Payment
(In Thousand Pesos, Except Per Share Figures)				
Dividends on Voting Preferred stock:				
November 3, 2017	0.21	33,731	November 17, 2017	December 1, 2017
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
Dividends on Non-voting Preferred stock:				
May 9, 2017	13.00	260,030	August 10, 2017	August 22, 2017
December 5, 2017	13.00	260,030	January 26, 2018	February 22, 2018
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
Dividends on Common stock:				
February 7, 2017	22.75	3,020,280	February 21, 2017	March 8, 2017
May 9, 2017	22.75	3,023,806	May 23, 2017	June 7, 2017
August 7, 2017	22.75	3,023,806	August 22, 2017	September 6, 2017
November 3, 2017	22.75	3,023,844	November 17, 2017	December 1, 2017
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

Unpaid cash dividends declared related to non-voting preferred stock amounted to ₱260.03 million as of December 31, 2019 and 2018 (see [Note 17](#)).

22.4 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.

22.5 Retained Earnings Available for Dividend Declaration

The total unrestricted retained earnings available for dividend declaration amounted to ₱18,281.94 million as of December 31, 2019. 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 19](#)).

22.6 Other Comprehensive Income

Other Reserves

2019

	Cash flow hedges	Investment in equity securities	Currency translation adjustment	Remeasurement on defined benefit plan (Note 29.2)	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 29.2)	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

2017

	Cash flow hedges	Investment in equity securities (Note 16)	Currency translation adjustment	Remeasurement on defined benefit plan (Note 29.2)	Total
<i>(In Thousand Pesos)</i>					
As of January 1	(₱54,208)	₱115,874	₱38,981	(₱1,173,572)	(₱1,072,925)
Other comprehensive income for the year:					
Fair value changes	(173,001)	36,076	-	-	(136,925)
Remeasurement gain on defined benefit plan	-	-	-	570,289	570,289
Transferred to profit or loss	372,161	-	-	-	372,161
Income tax effect	(59,748)	(10,076)	-	(171,087)	(240,911)
Share in OCI from investment in associate	-	-	80	791	871
Exchange differences	-	-	(23,220)	-	(23,220)
	139,412	26,000	(23,140)	399,993	542,265
Reclassification of remeasurement gains on defined benefit plans	-	-	-	178,285	178,285
As of December 31	₱85,204	₱141,874	₱15,841	(₱595,294)	(₱352,375)

23 Interest Income

Interest income is earned from the following sources:

	Notes	2019	2018	2017
<i>(In Thousand Pesos)</i>				
Short-term placements	5	P440,402	P332,525	P71,876
Loans receivable:				
GGRP	21.3	31,093	36,366	38,244
BHI	21.3	6,473	7,498	7,842
Cash in banks	5	17,158	12,353	18,007
Others		5,311	2,288	3,612
		P500,437	P391,030	P139,581

24 Other Income - net

This account consists of:

	Notes	2019	2018	2017
<i>(In Thousand Pesos)</i>				
Gain (loss) on derivatives instruments – net		(P 809,540)	P1,004,171	(P127,708)
Foreign exchange gain (loss) - net		848,394	(900,430)	214,191
Gain on sale of Investment in associate	15.2	240,000	-	-
Management fees	21.2	51,786	51,786	12,946
Rent		23,604	65,302	52,511
Gain (loss) on settlement and remeasurement of ARO	20	5,769	27,894	(4,371)
Others		686,994	446,682	554,084
		P1,047,007	P695,405	P701,653

25 General, Selling and Administrative Expenses

This account consists of:

	Notes	2019	2018	2017
<i>(In Thousand Pesos)</i>				
Staff costs	29	P15,479,606	P13,271,175	P12,238,114
Professional and other contracted services		13,127,917	11,028,251	9,844,780
Repairs and maintenance		8,493,916	7,944,057	7,822,818
Utilities, supplies and other administrative expenses		6,576,249	5,957,642	5,215,693
Selling, advertising and promotions		6,448,214	5,620,077	9,009,306
Lease	13	5,793,299	6,535,147	6,471,461
Taxes and licenses		3,844,761	3,106,915	1,951,490
Courier, delivery and miscellaneous expenses		1,830,987	1,684,540	1,737,609
Insurance and security services		1,764,324	1,607,072	1,685,518
Others		1,112,136	987,255	632,133
		P64,471,409	P57,742,131	P56,608,922

26 Depreciation and amortization

The account consists of:

	Notes	2019	2018	2017
<i>(In Thousand Pesos)</i>				
Property and equipment	11	P27,183,301	P24,895,449	P22,825,049
Intangible assets	12	5,791,150	5,516,254	4,676,122
Right of use - net	13	1,163,491	-	-
Investment properties	16	5,599	10,018	11,518
		P34,143,541	P30,421,721	P27,512,689

27 Financing Costs

This account consists of:

	Notes	2019	2018	2017
<i>(In Thousand Pesos)</i>				
Loans payable	19	P5,937,695	P5,748,853	P4,776,242
Swap costs	8.1	366,952	220,061	208,740
Lease liabilities	13.2	272,171	-	-
Accretion expense	20	155,674	140,457	117,188
Pension cost	29.2	66,690	84,837	145,663
Others		3,679	1,017	3,859
		P6,802,861	P6,195,225	P5,251,692

*This account is net of the amount capitalized borrowing costs (see [Notes 11](#) and [19](#)).

28 Impairment and other losses

This account consists of:

	Notes	2019	2018	2017
<i>(In Thousand Pesos)</i>				
Impairment loss on				
Trade receivables	6	P3,340,156	P2,972,345	P4,041,510
Remeasurement of				
investment in associate	14.1	470,653	-	-
Contract assets	7.1.1	256,898	457,657	-
Property and equipment	11	59,157	61,739	28,319
Other assets		1,313	116,362	69,926
Goodwill	12	-	142,794	-
Non-trade receivables	10	-	-	37,467
Investment in associate	15.2	-	-	286,036
Provisions for (reversal of):				
Inventory obsolescence	9	713,717	377,775	403,037
Other probable losses - net	18	71,243	658,972	557,071
		P4,913,137	P4,787,644	P5,423,366

29 Staff Cost

This account consist of:

	2019	2018	2017
	<i>(In Thousand Pesos)</i>		
Short-term	P13,993,233	P12,441,135	P11,511,970
Share based compensation	325,160	236,714	104,828
Pension	1,161,213	593,326	621,316
	P15,479,606	P13,271,175	P12,238,114

29.1 Stock Plans

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.

29.1.1 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
May 17, 2007	604,000	1,270.50 per share	50% of the options become exercisable from May 17, 2009 to May 16, 2017, the remaining 50% become exercisable from May 17, 2010 to May 16, 2017	375.89	Trinomial option pricing model
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

The exercise price is based on the average quoted market price for the last 20 trading days preceding the approval date of the stock option grant.



A summary of the Globe Group's ESOP activity and related information follows:

	2019		2018	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
<i>(In Thousand Number of Shares Except per Share Figures)</i>				
Outstanding, at beginning of year	33	₱1,059.55	93	₱1,038.36
Exercised	(12)	993.75	(16)	993.75
Expired/forfeited	(21)	993.75	(44)	1,064.00
Outstanding and exercisable, at end of year	-	₱-	33	₱1,059.55

The average share prices at dates of exercise of the stock options in 2019, 2018 and 2017 amounted to ₱1,928.40, ₱1,704.96 and ₱1,014.42, respectively.

The following assumptions were used to determine the fair value of the stock options at effective grant dates:

	October 1, 2009	August 1, 2008	May 17, 2007
Share price	₱995.00	₱1,130.00	₱1,340.00
Exercise price	₱993.75	₱1,064.00	₱1,270.50
Expected volatility	48.49%	31.73%	38.14%
Option life	10 years	10 years	10 years
Expected dividends	6.43%	6.64%	4.93%
Risk-free interest rate	8.08%	9.62%	7.04%

The expected volatility measured at the standard deviation of expected share price returns was based on analysis of share prices for the past 365 days.

29.1.2 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, 2014	106,293	100% after 3 years subject to attainment of plan targets and subject to stock ownership requirements	₱1,630.35	Market price
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

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 2019, 2018 and 2017 amounted to ₱325.16 million, ₱236.71 million and ₱104.83 million, respectively.

29.2 Pension Plan

The Globe Group has a funded, noncontributory, defined benefit pension plans ("the Plan") covering substantially all of its regular employees. The benefits are based on years of service and compensation on the last year of employment.

The group retirement plan covering Globe Telecom and Innove is managed and administered by a Board of Trustees (BOT) whose members are unanimously appointed by the Globe Group 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, 2019 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:

	2019	2018	2017
	<i>(In Thousand Pesos)</i>		
Current service cost	P523,152	P593,326	P621,316
Past service cost	638,061	-	-
Net interest expense (Note 27)	66,690	84,837	145,663
Components of defined benefit costs recognized in profit or loss	1,227,903	678,163	766,979
Remeasurement on the net defined benefit liability:			
Return on plan assets (excluding amounts included in net interest expense)	(312,149)	515,908	2,337
Actuarial gains and losses:			
from changes in assumptions	1,796,723	(892,818)	(420,029)
from experience adjustments	471,975	305,897	(152,597)
Components of defined benefit costs recognized in other comprehensive income (Note 22.6)	1,956,549	(71,013)	(570,289)
	P3,184,452	P607,150	P196,690

The accrued pension is as follows:

	Note	2019	2018
		<i>(In Thousand Pesos)</i>	
Present value of benefit obligation		P10,308,731	P6,693,681
Fair value of plan assets		(6,570,301)	(5,234,216)
Accrued pension	20	P3,738,430	P1,459,465

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

	2019	2018
	<i>(In Thousand Pesos)</i>	
Balance at beginning of year	P6,693,681	P6,635,722
Current service cost	523,152	593,326
Interest cost	489,592	369,988
Benefits paid	(318,966)	(318,434)
Remeasurements in other comprehensive income:		
Actuarial gains and losses arising from changes in assumptions	1,796,723	(892,818)
Actuarial gains and losses arising from experience adjustments	471,975	305,897
Plan changes/ amendments	638,061	-
Effects of business combinations	14,513	-
Balance at end of year	P10,308,731	P6,693,681

Fair value of plan assets

	2019	2018
	<i>(In Thousand Pesos)</i>	
Balance at beginning of year	₱5,234,216	₱4,534,407
Remeasurement (gains)/losses:		
Return on plan assets (excluding amounts included in net interest expense)	312,149	(515,908)
Contributions from the employer	920,000	1,249,000
Interest income	422,902	285,151
Benefits paid	(318,966)	(318,434)
Balance at end of year	₱6,570,301	₱5,234,216
Actual return on plan assets	₱735,051	₱230,758

The recommended contribution for the Globe Group retirement fund for the year 2020 amounted to ₱1,758.98 million. This amount is based on the Globe Group's actuarial valuation report as of December 31, 2019.

The allocation of the fair value of the plan assets of the Globe Group as of December 31 is as follows:

	2019	2018
	<i>(In Thousand Pesos)</i>	
Cash and cash equivalents	₱279,237	₱248,624
Investment in debt securities	2,507,227	1,725,721
Investment quoted in equity shares	2,783,837	2,259,612
Investment in unquoted in equity shares	1,000,000	1,000,259
	₱6,570,301	₱5,234,216

The assumptions used to determine pension benefits for the Globe Group are as follows:

	2019	2018
Discount rate	5.00%	7.50%
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 2019 and 2018, 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, 2019 and 2018, assuming all other assumptions were held constant (in thousand pesos):

December 31, 2019

	Increase (decrease) in basis points	Increase (decrease) on defined benefit obligation
Discount rates	+0.50%	(P458,311)
	-0.50%	585,889
Future salary increases	+0.50%	585,889
	-0.50%	(462,432)
Rate of return	+10.00%	1,030
	-10.00%	(1,026)

December 31, 2018

	Increase (decrease) in basis points	Increase (decrease) on defined benefit obligation
Discount rates	+0.50%	(P177,138)
	-0.50%	217,914
Future salary increases	+0.50%	223,930
	-0.50%	(182,486)
Rate of return	+10.00%	2,005
	-10.00%	(2,005)

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 16.73 years and 15.17 years in 2019 and 2018, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31:

	2019	2018
	<i>(In Thousand Pesos)</i>	
Within 1 year	P397,936	P323,327
More than 1 year to 5 years	2,355,474	1,795,285
More than 5 years	4,689,956	3,521,929
	P7,443,366	P5,640,541

30 Income Tax

Net deferred tax assets and liabilities presented in the consolidated statements of financial position on a net basis by entity are as follows:

	2019	2018
	<i>(In Thousand Pesos)</i>	
Net deferred income tax assets*	P1,866,591	P2,075,065
Net deferred income tax liabilities (Globe, GCVH, GTI and KVI)	(5,057,641)	(3,918,493)
Net deferred income tax (liabilities) assets	(P3,191,050)	(P1,843,428)

*2019 consist of Innove, BTI, GCVH, Yondu and GTowers

*2018 consist of Innove, BTI and Asticom

The significant components of the deferred income tax assets and liabilities of the Globe Group represent the deferred income tax effects of the following:

	2019					2019
	Movements					
	2018	Acquired from a business combination	Profit or Loss	Other Comprehensive Income	Other equity item	
Deferred tax assets						
Allowance for impairment losses on receivables	P3,711,267	P5,591	(P864,865)	P-	P-	P2,851,993
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
(forward)						

	2019					2019
	Movements					
	2018	Acquired from a business combination	Profit or Loss	Other Comprehensive Income	Other equity item	
Deferred tax assets						
Inventory obsolescence and market decline	P158,722	P-	P348	P-	P-	P159,070
Accrued rent expense under PAS 17	144,298	-	(144,145)	-	-	153
Contract liabilities	108,223	-	(20,835)	-	-	87,388
Lease liabilities net of ROU	-	-	173,346	-	(144,145)	29,200
MCIT	21,258	-	(20,460)	-	-	798
NOLCO	556	-	(463)	-	-	93
Others	36,427	(83,843)	104,168	-	-	56,752
	10,437,193	(80,403)	(617,281)	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)	(P1,843,427)	(P228,542)	(P2,055,024)	P1,084,325	(P148,381)	(P3,191,050)

	2018				
	2017	Movements			2018
		Profit or Loss	Other Comprehensive Income	Other equity item	
Deferred tax assets					
Allowance for impairment losses on receivables	₱2,718,940	(₱1,401,898)	₱-	₱2,394,225	₱3,711,267
Unearned revenues and advances already subjected to income tax	1,504,476	462,600	-	-	1,967,076
Accrued manpower cost	780,993	342,852	-	-	1,123,845
Accrued pension	845,211	(9,643)	(21,304)	-	814,264
Unrealized foreign exchange losses	541,975	268,434	-	-	810,409
ARO	661,388	39,939	-	-	701,327
Provision for claims and assessment	314,759	190,960	-	-	505,719
Cost of share-based payments	120,463	56,246	-	(2,349)	174,360
Accumulated impairment losses on property and equipment	141,496	17,946	-	-	159,442
Inventory obsolescence and market decline	184,780	(26,058)	-	-	158,722
Accrued rent expense under PAS 17	158,915	(14,617)	-	-	144,298
Contract liabilities	-	(8,286)	-	116,509	108,223
MCIT	-	21,258	-	-	21,258
NOLCO	62,339	(61,783)	-	-	556
Others	74,686	(31,490)	-	(6,769)	36,427
	8,110,421	(153,540)	(21,304)	2,501,616	10,437,193
Deferred tax liabilities					
Excess of accumulated depreciation and amortization of Globe Telecom equipment for (a) tax reporting over (b) financial reporting	(6,478,641)	(1,442,712)	-	-	(7,921,353)
Undepreciated capitalized borrowing costs already claimed as deduction for tax reporting	(1,231,218)	154,674	-	-	(1,076,544)
Contract asset	-	(121,791)	-	(2,208,691)	(2,330,482)
Unrealized gain on derivative transaction	(220,602)	(24,747)	(370,164)	-	(615,513)
Unrealized foreign exchange gain	(7,329)	(4,878)	-	-	(12,207)
Unamortized discount on noninterest bearing liability	-	(11,113)	-	-	(11,113)
Others	(159,831)	(123,281)	(30,297)	-	(313,409)
	(8,097,621)	(1,573,848)	(400,461)	(2,208,691)	(12,280,621)
Net deferred income tax assets (liabilities)	₱12,800	(₱1,727,388)	(₱421,765)	₱292,925	(₱1,843,428)

The reconciliation of the provision for income tax at statutory tax rate and the actual current and deferred provision for income tax follows:

	2019	2018	2017
	<i>(In Thousand Pesos)</i>		
Provision at statutory income tax rate	P9,848,213	P8,283,995	P6,462,511
Add (deduct) tax effects of:			
Equity in net losses of associates and joint ventures	766,435	374,881	253,853
Impairment loss on goodwill	-	42,838	-
Deferred tax on unexercised stock options and basis differences on deductible and reported stock compensation expense	(2,168)	(1,561)	12,752
Recognition of deferred income tax asset	-	78,586	61,806
Income subjected to lower tax rates	(128,585)	(71,985)	(489,235)
Others	59,724	280,619	155,802
Actual provision for income tax	P10,543,619	P8,987,373	P6,457,489

The current provision for income tax includes the following:

	2019	2018	2017
	<i>(In Thousand Pesos)</i>		
RCIT or MCIT, whichever is higher	P8,335,287	P7,151,614	P5,942,221
Final tax	153,308	108,371	63,199
	P8,488,595	P7,259,985	P6,005,420

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:

	2019	2018
	<i>(In Thousand Pesos)</i>	
Deferred tax assets on:		
Allowance for impairment of assets	P605,282	P605,282
Provision for probable loss	251,668	236,298
	P856,950	P841,580

31 Earnings Per Share

The Globe Group's earnings per share amounts were computed as follows:

	2019	2018	2017
<i>(In Thousand Pesos and Number of Shares Except per Share Figures)</i>			
Net income attributable to common shareholders	P22,269,340	P18,640,740	P15,065,779
Less dividends on preferred shares:			
Non-voting preferred shares	520,060	520,060	520,060
Convertible voting preferred shares	50,027	41,752	33,731
Net income attributable to common shareholders for basic earnings per share (a)	21,699,253	18,078,928	14,511,988
Add dividends on convertible voting preferred shares	50,027	41,752	33,731
Net income attributable to common shareholders for diluted earnings per share (b)	21,749,280	18,120,680	14,545,719
Common shares outstanding, beginning	133,053	132,917	132,759
Add Weighted average number of exercised shares for stock options	101	101	105
Weighted average number of shares for basic earnings per share (c)	133,154	133,018	132,864
Add Dilutive shares arising from:			
Convertible preferred shares	399	431	400
Share based compensation plans	535	371	103
Stock options	-	15	67
Adjusted weighted average number of common shares for diluted earnings per share (d)	134,087	133,835	133,434
Basic earnings per share (a/c)	P162.96	P135.91	P109.22
Diluted earnings per share (b/d)	P162.20	P135.40	P109.01

32 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.

32.1 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, 2019 and 2018 was at 67% and 66%, respectively.

The Globe Group is not subject to regulatory imposed capital requirements.

The Globe Group's loan agreements include compliance with certain ratios (see [Note 19](#)).

32.2 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:

32.2.1 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 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, 2019 and 2018. 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, 2019 and 2018 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.

32.2.1.1 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:

	2019	2018
USD fixed rate loans	57%	42%
PHP fixed rate loans	85%	87%

The loans receivable from related parties are subject to fixed interest rates and therefore not exposed to market interest rate risk.

Due 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)</i>			
2019			
USD	+50bps	₱6,547	(₱372)
	-50bps	(6,547)	372
PHP	+120bps	87,957	7,438
	-120bps	(87,957)	(7,443)
2018			
USD	+75bps	(₱24,787)	(₱731)
	-75bps	24,787	731
PHP	+150bps	11,130	9,821
	-150bps	(11,130)	(9,830)

32.2.1.2 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, 16.33% and 15.88% of debt as of December 31, 2019 and 2018, 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:

	2019		2018	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
<i>(In Thousand Pesos)</i>				
Assets				
Cash and cash equivalents	\$68,305	₱3,470,052	\$95,989	₱5,045,457
Trade Receivables	83,492	4,241,541	100,211	5,267,417
	151,797	7,711,593	196,200	10,312,874
Liabilities				
Trade payable and accrued expenses	463,249	23,533,959	413,556	21,737,770
Loans payable	437,734	22,237,758	442,569	23,262,732
	900,983	45,771,717	856,125	45,000,502
Net foreign currency - denominated liabilities	\$749,186	₱38,060,124	\$659,925	₱34,687,628



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)</i>			
2019	+.60	(P401,161)	P241,255
	-.60	401,161	(241,255)
2018	+.40	(P231,977)	P157,469
	-.40	231,977	(157,469)

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.

32.2.2 Credit Risk

Credit Risk Exposure

The table below details the Globe Group's exposure to credit risk:

	2019	2018
<i>(In Thousand Pesos)</i>		
Cash and cash equivalents	P8,298,092	P23,226,386
Trade receivables – net	21,138,950	20,652,532
Contract assets – net	7,045,794	7,124,332
Derivative assets	426,955	2,363,366
Loans receivable from related parties	656,620	726,620
Non-trade receivables*	1,635,747	1,458,503
	P39,202,158	P55,551,739

*2019 figure for non-trade receivable does not include current portion of loans receivable from related party.

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, 2019 and 2018.

	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

	High Quality	Medium Quality	Low Quality	Terminated Accounts	Total
<i>(In Thousand Pesos)</i>					
2018					
Wireless subscribers receivables:					
Consumer	P3,867,223	P1,318,821	P863,317	P 5,708,844	P11,758,205
Key corporate accounts	398,964	145,801	13,828	457,431	1,016,024
Other corporations and SMEs	1,592,325	262,086	258,407	1,200,103	3,312,921
	5,858,512	1,726,708	1,135,552	7,366,378	16,087,150
Wireline subscribers receivables:					
Consumer	114,172	147,503	76,908	2,359,190	3,873,272
Key corporate accounts	3,847,729	608,622	321,906	1,866,643	6,644,900
Other corporations and SMEs	107,829	130,825	78,924	734,738	1,098,038
	4,069,730	886,950	477,738	5,279,679	12,444,287
Total subscribers' receivables	9,928,242	2,613,658	1,613,290	8,848,374	23,554,867
Wireless contract assets					
Consumer	4,323,538	2,015,704	239,176	686,339	7,264,757
Key corporate accounts	669,418	137,343	15,574	16,542	838,877
Other corporations and SMEs	374,298	141,618	4,416	48,155	568,487
	5,367,254	2,294,665	259,166	751,036	8,672,121
Total subscribers' receivables and contracts assets	P15,295,496	P4,908,323	P1,872,456	P8,973,405	P31,516,139

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, 2019 and 2018.

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	P765,314	P-	P193,377	P166,732	P502,133	P1,627,556
Local	50,017	7,622	5,675	5,389	208,723	277,426
	P815,331	7,622	199,052	172,121	710,856	P1,904,982
Other trade receivables	3,379,480	530,089	311,039	121,312	754,662	5,096,582
Total	P4,194,811	P537,711	P510,091	P293,433	P1,465,518	P7,001,564

2018

	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	P1,141,976	P28	P206,240	P320,262	P764,916	P2,433,422
Local	171,717	29,229	19,026	3,137	211,865	434,974
	1,313,693	29,257	225,266	323,399	976,781	2,868,396
Other trade receivables	1,284,369	187,629	197,197	92,384	747,160	2,508,739
Total	P2,598,062	P216,886	P422,463	P415,783	P1,723,941	P5,377,135

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:

	2019	2018	2017
Local bank deposits	100%	59%	43%
Onshore foreign bank	-	31%	47%
Offshore bank deposit	-	10%	10%



32.2.3 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):

	2019	2018
Long-term committed	P-	P-
Short term		
Committed	P3,000	P3,000
Uncommitted		
USD	\$93.9	\$119
PHP	P16,350	P14,000

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

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	P6,157,500	P26,005,000	P63,187,500
Floating rate			
USD notes	\$129,150	\$150,250	\$157,250
Philippine peso	P210,000	P6,860,000	P11,720,000
Interest payable*			
PHP debt	P6,014,003	P15,105,917	P13,598,501
USD debt	\$11,147	\$21,454	\$8,900

*Used month-end USD LIBOR and Philippine Dealing and Exchange Corporation (PDEX) rates.

2018

	Less than 1 year	1 to 3 years	Over 3 years
Loans Payable	<i>(In Thousands)</i>		
Fixed Rate			
USD notes	\$410	\$1,493	\$227
Philippine peso	₱11,110,000	₱22,922,500	₱72,427,500
Floating rate			
USD notes	\$11,150	\$235,850	\$200,800
Philippine peso	₱5,040,000	₱630,000	₱13,160,000
Interest payable*			
PHP debt	₱6,523,381	₱16,834,502	₱18,179,506
USD debt	\$16,484	\$34,623.00	\$18,914

*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, 2019 and 2018.

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	\$-	\$-	\$-

2018

Other Financial Liabilities

	Less than 1 year	1 to 5 years	Over 5 years	Total
Trade payables and accrued expenses*	P51,540,513	P-	P-	P51,540,513
Other long-term liabilities	-	-	865,354	865,354
	P51,540,513	P-	P865,354	P52,405,867

*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	P89,644	P54,151	P79,146	P59,574	P-	P-
Cross Currency Swaps	P583,720	P808,957	P1,103,598	P1,742,079	P953,765	P1,324,365
Principal Only Swaps	P-	P73,732	P-	P93,982	P-	P-

	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	\$80,000	P4,283,050	\$-	P-	\$-	P-
Cross Currency Swaps- PHP	P-	P79,221	P-	P4,957,711	P-	P10,349,168
Cross Currency Swaps- USD	\$1,550	\$-	\$97,650	\$-	\$200,800	\$-
Principal Only Swaps- PHP	P-	P410,241	P-	P3,742,229	P-	P-
Principal Only Swaps- USD	\$8,700	\$-	\$77,700	\$-	\$-	\$-

33 Financial Assets and Liabilities

33.1 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:

	2019	2018
	<i>(In Thousand Pesos)</i>	
Financial Assets		
Derivative assets:		
Derivative assets designated as cash flow hedges (FVOCI)	P425,696	P2,363,366
Derivative assets not designated as hedges (FVPL)	1,259	-
Financial assets at FVOCI:		
Investment in equity securities - net	2,137,781	1,442,940
Financial assets at amortized cost		
Cash and cash equivalents	8,298,092	23,226,386
Trade receivables – net	21,138,950	20,652,532
Contract assets – net	7,045,794	7,124,331
Non-trade receivables	1,635,747	1,458,503
Loans receivable from related parties	656,620	726,620
	P41,339,939	P56,994,678
Financial Liabilities:		
Derivative liabilities		
Derivative liabilities designated as cash flow hedges (FVOCI)	P767,358	P235,993
Derivative liabilities not designated as hedges (FVPL)	70,958	75,661
Financial liabilities at amortized cost		
Trade payables and accrued expenses*	52,663,918	51,540,513
Loans payable	135,862,735	148,281,897
Other long term liabilities**	962,079	1,383,807
	P190,327,048	P201,517,871

*Trade payables and accrued expenses do not include taxes payables which are not considered financial liabilities.

**Other long term liabilities do not include ARO and accrued pension which are not considered financial liabilities.

33.2 Offsetting Financial Assets and Financial Liabilities

The Globe Group has derivative 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, 2019					
Derivative assets	P426,955	P-	P426,955	(P168,291)	P258,664
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 14)	2,036,595	(1,043,565)	993,030	-	993,030
December 31, 2018					
Derivative assets	P2,363,366	P-	P2,363,366	(P204,606)	P2,158,760
Derivative liabilities	311,654	-	311,654	(204,606)	107,048
Traffic settlements receivable (Note 6)	3,661,635	(793,239)	2,868,396	-	2,868,396
Traffic settlements payable (Note 14)	1,895,650	(793,239)	1,102,411	-	1,102,411

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.

33.3 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:

	2019		2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>(In Thousand Pesos)</i>				
Financial Assets				
Derivative assets ¹	P426,955	P426,955	P2,363,366	P2,363,366
Investment in equity securities ¹	2,137,781	2,137,781	1,442,940	1,442,940
	P2,564,736	P2,564,736	P3,806,306	P3,806,306
Financial Liabilities				
Derivative liabilities ¹	P838,316	P838,316	P311,654	P311,654
Loans payables ²	135,862,735	145,473,115	148,281,897	137,834,270
	P136,701,051	P146,311,431	P148,593,551	P138,145,924

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.

33.3.1 Non-Derivative Financial Instrument

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 equity securities are based on quoted prices of similar instruments.

For variable rate financial instruments 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 financial instruments 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 obligations, 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.

33.3.2 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.

33.3.3 Fair Value Hierarchy

The following tables provide the fair value measurement hierarchy of the Globe Group's assets and liabilities:

	Fair value measurement using			
	Level 1)	Level 2	Level 3	Total
2019				
Financial Assets				
<i>(In Thousand Pesos)</i>				
Derivative assets:				
Cross currency swaps	P-	P205,290	P-	P205,290
Principal only swaps	-	217,622	-	217,622
Interest rate swaps	-	2,784	-	2,784
Deliverable forwards	-	1,259	-	1,259
Investment in equity securities	402,200	1,735,581	-	2,137,781
Financial Liabilities				
Derivative liabilities:				
Cross currency swaps	-	679,628	-	679,628
Principal only swaps	-	53,016	-	53,016
Interest rate swaps	-	34,714	-	34,714
Non deliverable forwards	-	57,685	-	57,685
Deliverable forwards	-	13,273	-	13,273
Loans payable	-	145,473,115	-	145,473,115

	Fair value measurement using			
	Level 1	Level 2	Level 3	Total
2018				
Financial Assets		<i>(In Thousand Pesos)</i>		
Derivative assets:				
Cross currency swaps	P-	P1,787,777	P-	P1,787,777
Principal only swaps	-	528,297	-	528,297
Interest rate swaps	-	47,292	-	47,292
Investment in equity securities	357,200	1,085,740	-	1,442,940
Financial Liabilities				
Derivative liabilities:				
Cross currency swaps	-	203,983	-	203,983
Principal only swaps	-	32,010	-	32,010
Deliverable forwards	-	75,661	-	75,661
Loans payable	-	137,834,270	-	137,834,270

There were no transfers from Level 1 and Level 2 fair value measurements for the years ended December 31, 2019 and 2018. The Globe Group has no financial instruments classified under Level 3.

34 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 (in thousand pesos):

	2019		
	Mobile Communications Services	Wireline Communications Services	Consolidated
<i>(In Thousand Pesos)</i>			
REVENUES:			
Service revenues:			
External customers:			
Data	P71,801,472	P12,827,652	P84,629,124
Voice	24,275,585	2,668,413	26,943,998
SMS	15,690,309	-	15,690,309
Broadband	-	21,746,532	21,746,532
	111,767,366	37,242,597	149,009,963
Nonservice revenues:			
External customers	17,256,871	393,503	17,650,374
Segment revenues	129,024,237	37,636,100	166,660,337
EBITDA	63,935,268	12,096,165	76,031,433
Depreciation and amortization	(21,554,284)	(12,589,257)	(34,143,541)
EBIT	42,380,984	(493,092)	41,887,892
NET INCOME (LOSS) BEFORE TAX²	33,255,371	(427,995)	32,827,376
Provision for income tax	(7,774,908)	(2,768,711)	(10,543,619)
NET INCOME (LOSS)	P25,480,463	(P3,196,706)	P22,283,757
Core net income after tax			P22,450,847
Intersegment revenues	(P4,359,314)	(P1,541,929)	(P5,901,243)
Interest income	261,238	239,199	500,437
Financing costs	(6,702,880)	(99,981)	(6,802,861)
Equity in net losses of associates and joint ventures	(2,554,782)	-	(2,554,782)
Impairment losses and others	3,111,133	1,802,004	4,913,137
Total additions to property and equipment and intangible assets	36,603,944	9,195,494	45,799,438
Cost of inventories sold	(18,122,606)	(432,208)	(18,554,814)
Operating expenses	(43,109,543)	(24,981,725)	(68,091,268)
Cash Flows			
Net cash from (used in):			
Operating activities	P64,828,975	P9,213,244	P74,042,219
Investing activities	(46,034,742)	(8,996,037)	(55,030,779)
Financing activities	(28,273,799)	(4,983,554)	(33,257,353)

	2018		
	Mobile Communications Services	Wireline Communications Services	Consolidated
<i>(In Thousand Pesos)</i>			
REVENUES:			
Service revenues:			
External customers:			
Data	P50,960,555	P11,761,929	P62,581,757
Voice	28,407,830	2,977,017	31,496,677
SMS	20,162,343	-	20,191,240
Broadband	-	18,605,636	18,605,636
	99,530,728	33,344,582	132,875,310
Nonservice revenues:			
External customers	17,905,545	391,951	18,297,496
Segment revenues	117,436,273	33,736,533	151,172,806
EBITDA	54,813,431	10,313,684	65,127,115
Depreciation and amortization	(18,515,035)	(11,906,686)	(30,421,721)
EBIT	36,298,396	(1,593,002)	34,705,394
NET INCOME (LOSS) BEFORE TAX	28,329,140	(715,824)	27,613,316
Provision for income tax	(6,105,079)	(2,882,294)	(8,987,373)
NET INCOME (LOSS)	P22,224,061	(P3,598,118)	P18,625,943
Core net income after tax			P18,734,587
Intersegment revenues	(P4,101,948)	(P1,697,538)	(P5,799,486)
Interest income	265,706	125,324	391,030
Financing cost	(6,178,927)	(16,298)	(6,195,225)
Equity in net losses of associates and joint ventures	(1,249,603)	-	(1,249,603)
Impairment losses and others	3,126,709	1,660,935	4,787,644
Total additions to property and equipment and intangible assets	26,601,407	9,713,380	36,314,787
Cost of inventories sold	(18,142,817)	(502,497)	(18,645,314)
Operating expenses	(44,480,026)	(22,920,353)	(67,400,379)
Cash Flows			
Net cash from (used in):			
Operating activities	P41,727,279	P16,123,250	P57,850,529
Investing activities	(33,616,425)	(9,035,328)	(42,651,753)
Financing activities	752,364	(4,187,410)	(3,435,046)

	2017		
	Mobile Communications Services	Wireline Communications Services	Consolidated
<i>(In Thousand Pesos)</i>			
REVENUES:			
Service revenues:			
External customers:			
Data	₱43,058,894	₱10,287,868	₱53,346,762
Voice	32,274,474	3,490,350	35,764,824
SMS	23,149,293	-	23,149,293
Broadband	-	15,644,974	15,644,974
	98,482,661	29,423,192	127,905,853
Nonservice revenues:			
External customers	7,103,490	271,388	7,374,878
Segment revenues	105,586,151	29,694,580	135,280,731
EBITDA	46,412,954	6,912,717	53,325,671
Depreciation and amortization	(14,719,797)	(12,792,892)	(27,512,689)
EBIT	31,693,157	(5,880,175)	25,812,982
NET INCOME (LOSS) BEFORE TAX	27,495,220	(5,953,518)	21,541,702
Provision for income tax	(4,965,817)	(1,491,672)	(6,457,489)
NET INCOME (LOSS)	₱22,529,403	(₱7,445,190)	₱15,084,213
Core net income after tax			₱13,546,018
Intersegment revenues	(₱3,796,463)	(₱1,678,432)	(₱5,474,895)
Interest income	112,222	27,359	139,581
Financing cost	(5,234,518)	(17,174)	(5,251,992)
Equity in net losses of associates and joint ventures	(846,177)	-	(846,177)
Impairment losses and others	(5,326,363)	(97,003)	(5,423,366)
Total additions to property and equipment and intangible assets	39,553,734	11,878,600	51,432,334
Cost of inventories sold	(12,625,881)	(387,556)	(13,013,437)
Operating expenses	(46,567,834)	(22,373,725)	(68,941,559)
Cash Flows			
Net cash from (used in):			
Operating activities	₱34,396,520	₱15,907,742	₱50,304,262
Investing activities	(55,344,717)	(77,298)	(55,422,015)
Financing activities	7,814,350	-	7,814,350

The reconciliation of the EBITDA to income before income tax presented in the consolidated statements of comprehensive income is shown below:

	Notes	2019	2018	2017
<i>(In Thousand Pesos)</i>				
EBITDA		P76,031,433	P65,127,115	P53,325,671
Depreciation and amortization	26	(34,143,541)	(30,421,721)	(27,512,689)
Financing costs	27	(6,802,861)	(6,195,225)	(5,251,692)
Equity in net losses of associates and joint ventures	15	(2,554,782)	(1,249,603)	(846,177)
Foreign exchange gain (loss) - net	24	848,394	(900,430)	214,191
Gain (loss) on derivative instruments	24	(809,540)	1,004,171	(127,708)
Interest income	23	500,437	391,030	139,581
Remeasurement loss on investment in associate	28	(470,653)	-	-
Gain on sale of Investment in associate	24	240,000	-	-
Gain on disposal of property and equipment - net		43,012	73,088	38,455
Impairment of goodwill	28	-	(140,403)	-
Gain on fair value of retained interest		-	-	1,889,901
Other items		(54,523)	(74,706)	(327,831)
Income before income tax		P32,827,376	P27,613,316	P21,541,702

The reconciliation of core net income after tax (core NIAT) to NIAT is shown below:

	2019	2018	2017
<i>(In Thousand Pesos)</i>			
Core NIAT	P22,450,847	P18,734,587	P13,546,018
Gain (loss) on derivatives instruments	(566,678)	702,919	(89,396)
Foreign exchange gains (losses)	593,876	(630,301)	149,934
Remeasurement loss on investment in associate	(432,975)	-	-
Gain on sale of Investment in associate	240,000	-	-
Impairment of goodwill	-	(140,403)	-
Gain on fair value of retained interest	-	-	1,794,237
Others	(1,313)	(40,859)	(316,580)
NIAT	P22,283,757	P18,625,943	P15,084,213

34.1 Mobile Communications Services

This reporting segment is made up of digital cellular telecommunications services that allow subscribers to make and receive local, domestic long distance and international long distance calls, international roaming calls and other value added services (VAS) in any place within the coverage areas.

34.1.1 Mobile communication voice net service revenues include the following:

- Pro-rated monthly service fees on postpaid plans;
- Charges for intra-network and outbound calls in excess of the consumable minutes for various Globe Postpaid plans, including currency exchange rate adjustments (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 365 days after activation of prepaid load credit net of (i) bonus credits and (ii) prepaid reload discounts;
- Revenues generated from inbound international and national long distance calls and international roaming calls; and
- Mobile service revenues of GTI.

34.1.2 Mobile SMS service revenues consist of local and international revenues from VAS such as inbound and outbound SMS and MMS, and infotext, subscription fees on unlimited and bucket prepaid SMS services, net of any payouts to content providers.

34.1.3 Mobile communication data net service revenues consist of local and international revenues from value-added services such as mobile internet browsing and content downloading, mobile commerce services, other add-on VAS net of payouts to content providers.

34.1.4 Globe Telecom offers its wireless 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.

34.2 Wireline Communications Services

This reporting segment is made up of fixed line telecommunications services which offer subscribers local, domestic long distance and international long distance voice services in addition to broadband and a number of VAS in various areas covered by the Certificate of Public Convenience and Necessity (CPCN) granted by the NTC.

34.2.1 Wireline voice service revenues consist of the following:

- Monthly service fees including CERA of voice-only subscriptions;
- Revenues from local, international and national long distance calls made by postpaid and prepaid wireline subscribers, as well as broadband customers who have subscribed to data packages bundled with a voice service. Revenues are net of prepaid call card discounts;
- Revenues from inbound local, international and national long distance calls from other carriers terminating on Globe Telecom'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 one-time 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.



34.2.2 Wireline 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.

34.2.3 Broadband service revenues consist of the following:

- Monthly service fees of wired, fixed wireless and bundled voice and data subscriptions;
- Browsing revenues from all postpaid and prepaid wired, fixed wireless in excess of allocated free browsing minutes and expiration of unused value of prepaid load credits;
- Value-added services such as games; and
- Installation charges and other one-time fees associated with the service.

34.2.4 The Globe Group provides wireline voice communications (local, national and international long distance), data and broadband and data services to consumers, corporate and SME clients in the Philippines.

- *Consumers* - the Globe Group's postpaid voice service provides basic landline services including toll-free NDD calls to other Globe landline subscribers for a fixed monthly fee. For wired broadband, consumers can choose between broadband services bundled with a voice line, or a broadband data-only service. The Globe Group offers broadband packages bundled with voice, or broadband data-only service. For subscribers who require full mobility, Globe Broadband service come in postpaid and prepaid packages and allow them to access the internet via LTE, 3G with HSDPA, Enhanced Data rate for GSM Evolution (EDGE), General Packet Radio Service (GPRS) or WiFi at hotspots located nationwide.
- *Corporate/SME clients* - for corporate and SME enterprise clients wireline voice communication needs, the Globe Group offers postpaid service bundles which come with a business landline and unlimited dial-up internet access. The Globe Group also provides a *full* suite of telephony services from basic direct lines to Integrated Services Digital Network (ISDN) services, 1-800 numbers, International Direct Dialing (IDD) and National Direct Dialing (NDD) access as well as managed voice solutions such as Voice Over Internet Protocol (VOIP) and managed Internet Protocol (IP) communications. Value-priced, high speed data services, wholesale and corporate internet access, data center services and segment-specific solutions customized to the needs of vertical industries.

35 Agreements and Commitments

35.1 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 2019, 2018 and 2017 amounted to ₱3,982.87 million, ₱5,677.38 million and ₱7,852.34 million, respectively.

Net traffic settlement receivables amounted to ₱1,904.98 million and ₱2,868.40 million while net traffic settlement payables amounted to ₱993.03 million and ₱1,102.41 million as of December 31, 2019 and 2018, respectively (see [Notes 6 and 17](#)).

35.2 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, 2019 and 2018 included in the “Trade payables and accrued expenses” account in the consolidated statements of financial position amounted to ₱12,558.73 million and ₱19,172.96 million, respectively (see [Note 17](#)). The settlement of these liabilities is dependent on the payment terms and project milestones agreed with the suppliers and contractors. As of December 31, 2019 and 2018, the unapplied advances made to suppliers and contractors relating to purchase orders issued amounted to ₱10,449.60 million and ₱9,459.24 million, respectively (see [Note 10](#)).

35.3 Network Sharing Arrangement with ABS-CBN Convergence Inc.

On May 27, 2013, Globe Telecom, Innove and ABS-CBN Convergence Inc. (ABS-C) entered into a network sharing arrangement to provide capacity and coverage for new mobile telephony, data and value-added services to be offered by ABS-C nationwide to its subscribers using shared network and interconnect assets of the parties.

This arrangement will enable Globe Telecom, Innove and ABS-C to improve public service by enhancing utility, capacity, inter-operability and quality of mobile and local exchange telephone and data services to the public and allow ABS-C to modernize its existing service and expand to a retail base on top of its existing subscriber base.

On May 31, 2013, NTC approved the network sharing agreement and co-use of the number blocks assigned to Globe Telecom.

On November 30, 2018, ABS-C discontinued its mobile phone services business and terminated the mobile network sharing arrangement with Globe Telecom.



35.4 Agreements with Huawei International, Pte. Ltd., Huawei Technology Co. Ltd and Huawei Technology Phils.

In 2014, Globe Telecom and Innove engaged Huawei for a period of ten (10) years to perform the design, engineering, manufacture, assembly and delivery of certain equipment and all its ancillary equipment and related software and documentation, and to provide services, including subsequent training and technical support, in an end-to-end full-turn key outcome based technical solution. Globe Telecom's payments to Huawei as of December 31, 2019 totaled ₱37,646.36 million for the services and ₱1,214.57 million and USD1,311.68 million for the equipment.

35.5 Agreements with Premium Content Providers

The Globe Group has entered into various content and license distribution agreements with various developers for periods ranging from 2 to 5 years. Under the agreements, the developers granted the Globe Group the right to market, reproduce and distribute the premium content in the form of portable music streaming, videos, movies or other forms of content to its subscribers. The agreement also provides for the Globe Group to provide advertising and/or promotions support at certain agreed amounts.

In consideration of the agreements, Globe agreed to pay royalty or service fees based on its net revenues or active subscribers.

36 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 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 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.

- 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. 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 PLDT's 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.

37 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. 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.



38 Events After Reporting Period

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 will be payable on March 4, 2020.

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 clearinghouse for the three mobile operators to ensure the smooth implementation of number porting services.

SUPPLEMENTAL WRITTEN STATEMENT OF AUDITORS

The Stockholders and the Board of Directors
GLOBE TELECOM, INC.
The Globe Tower, 32nd Street corner 7th Avenue
Bonifacio Global City, Taguig City

Gentlemen:

In connection with our audit of the consolidated statement of financial position of Globe Telecom, Inc. and Subsidiaries as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for each of the three years in the period ended December 31, 2019, we wish to state that the Company is listed with the Philippine Stock Exchange.

Navarro Amper & Co.
BOA Registration No. 0004, valid from November 12, 2018 to July 16, 2021
SEC Accreditation No. 0001-FR-5, issued on January 15, 2019; effective until January 14, 2022, Group A
TIN 005299331

By:

Wilfredo A. Baltazar
Wilfredo A. Baltazar
Partner

CPA License No. 0078498
SEC A.N. 0723-AR-3, issued on August 24, 2017; effective until August 23, 2020, Group A
TIN 115858485
BIR A.N. 08-002552-10-2017, issued on June 8, 2017; effective until June 8, 2020
PTR No. A-4689427, issued on January 2, 2020, Taguig City

Taguig City, Philippines
February 3, 2020



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULE

The Stockholders and the Board of Directors
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. and Subsidiaries (the "Globe Group") as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, in accordance with Philippine Standards on Auditing (PSA), on which we have rendered an unqualified opinion dated February 3, 2020.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on the attached schedules showing the list of all effective accounting standards and interpretations, the reconciliation of retained earnings available for dividend declaration, the map showing the relationships between and among Globe Telecom, Inc. and Subsidiaries and its related parties, and the other supplementary information shown in Schedules A to H as at December 31, 2019, as required by the Philippine Securities and Exchange Commission under the SRC Rule 68, as amended, are presented for purposes of additional analysis and are not a required part of the basic financial statements. These information are the responsibility of Management and have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Navarro Amper & Co.
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TIN 005299331

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Taguig City, Philippines
February 3, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
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. and Subsidiaries ("Globe Group") as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated February 3, 2020. 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 the Group's 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 Securities Regulation Code 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 Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

Navarro Amper & Co.
BOA Registration No. 0004, valid from November 12, 2018 to July 16, 2021
SEC Accreditation No. 0001-FR-5, issued on January 15, 2019; effective until January 14, 2022, Group A
TIN 005299331

By:

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Taguig City, Philippines
February 3, 2020





GLOBE TELECOM, INC. AND SUBSIDIARIES

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Schedule 2 - Financial Soundness Indicators

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Schedule 1
**SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER THE PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS)
DECEMBER 31, 2019**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Conceptual Framework for Financial Reporting Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement 1 Management Commentary				✓
PFRSs Practice Statement 2 Making Materiality Judgments				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	<i>First-time Adoption of Philippine Financial Reporting Standards</i>			✓
	Amendments to PFRS 1 and PAS 27: <i>Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>			✓
	Amendments to PFRS 1: <i>Additional Exemptions for First-time Adopters</i>			✓
	Amendment to PFRS 1: <i>Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters</i>			✓
	Amendments to PFRS 1: <i>Severe Hyperinflation and Removal of Fixed Date for First-time Adopters</i>			✓
	Amendments to PFRS 1: <i>Government Loans</i>			✓
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PFRS 1: <i>First-Time Adoption of PFRS</i>			✓
	Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PFRS 1: <i>First-time Adoption of International Financial Reporting Standards (Changes to the Basis for Conclusions only)</i>			✓
	Annual Improvements to PFRSs 2014-2016 Cycle - Amendments to PFRS 1: <i>Deletion of short-term exemptions for first-time adopters</i>			✓
PFRS 2	<i>Share-based Payment</i>	✓		
	Amendments to PFRS 2: <i>Vesting Conditions and Cancellations</i>	✓		
	Amendments to PFRS 2: <i>Group Cash-settled Share-based Payment Transactions</i>			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 2: <i>Definition of Vesting Condition</i>	✓		
	<i>Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions</i>	✓		
PFRS 3 (Revised)	<i>Business Combinations</i>	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 3: <i>Accounting for Contingent Consideration in a business combination</i>	✓		
	Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PFRS 3: <i>Scope of Exception for Joint Ventures</i>	✓		
	Annual Improvements to PFRSs 2015-2017 Cycle - Amendments to PFRS 3: <i>Previously held interest in a joint operation</i>			✓
	Amendments to PFRS 3: <i>Definition of a Business</i>	✓		
PFRS 4	<i>Insurance Contracts</i>			✓
	Amendments to PAS 39 and PFRS 4: <i>Financial Guarantee Contracts</i>			✓
	Amendments to PFRS 4: Applying PFRS 9, <i>Financial Instruments</i> with PFRS 4, <i>Insurance Contracts</i>			✓
PFRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations</i>			✓
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PFRS 5: <i>Changes in methods of disposal</i>			✓
PFRS 6	<i>Exploration for and Evaluation of Mineral Resources</i>			✓
PFRS 7	<i>Financial Instruments: Disclosures</i>	✓		
	Amendments to PAS 39 and PFRS 7: <i>Reclassification of Financial Assets</i>	✓		
	Amendments to PAS 39 and PFRS 7: <i>Reclassification of Financial Assets - Effective Date and Transition</i>	✓		
	Amendments to PFRS 7: <i>Improving Disclosures about Financial Instruments</i>	✓		
	Amendments to PFRS 7: <i>Disclosures - Transfers of Financial Assets</i>	✓		
	Amendments to PFRS 7: <i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: <i>Mandatory Effective Date of PFRS 9 and Transition Disclosures</i>	✓		
	Amendments to PFRS 7: <i>Hedge Accounting Disclosures</i>	✓		
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PFRS 7: <i>Servicing contracts and Applicability of the amendments to PFRS 7 to condensed interim financial statements</i>			✓
PFRS 8	<i>Operating Segments</i>	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 8: <i>Aggregation of Operating Segments and Reconciliation of the reportable segments' assets to the entity's assets</i>	✓		
PFRS 9	<i>Financial Instruments (2014)</i>	✓		
	Amendments to PFRS 9: <i>Prepayment Features with Negative Compensation</i>			✓
PFRS 10	<i>Consolidated Financial Statements</i>	✓		
	Amendments to PFRS 10: <i>Consolidated Financial Statement: Transition Guidance</i>			✓
	Amendments to PFRS 10: <i>Transition Guidance and Investment Entities</i>			✓
	Amendments to PFRS 10: <i>Sales or contributions of assets between an investor and its associate/joint venture</i>			✓
	Amendments to PFRS 10: <i>Investment Entities: Applying the Consolidation Exception</i>			✓
PFRS 11	<i>Joint Arrangements</i>	✓		
	Amendments to PFRS 1: <i>Joint Arrangements: Transition Guidance</i>			✓
	Amendments to PFRS 11: <i>Accounting for Acquisitions of Interests in Joint Operations</i>			✓
	Annual Improvements to PFRSs 2015-2017 Cycle - Amendments to PFRS 11: <i>Previously held interest in a joint operation</i>			✓
PFRS 12	<i>Disclosure of Interests in Other Entities</i>	✓		
	Amendments to PFRS 12: <i>Disclosure of Interests in Other Entities: Transition Guidance</i>	✓		
	Amendments to PFRS 12: <i>Transition Guidance and</i>			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	<i>Investment Entities</i>			
	Amendments to PFRS 12: <i>Investment Entities: Applying the Consolidation Exception</i>			✓
	Annual Improvements to PFRSs 2014-2016 Cycle - Amendments to PFRS 12: <i>Clarification of the scope of the standard</i>	✓		
PFRS 13	<i>Fair Value Measurement</i>	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PFRS 13: <i>Fair Value Measurement (Amendments to the Basis of Conclusions only, with consequential amendments to the Bases of Conclusions of other standards)</i>	✓		
	Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PFRS 13: <i>Portfolio Exception</i>	✓		
PFRS 14	<i>Regulatory Deferral Accounts</i>			✓
PFRS 15	<i>Revenue from Contracts with Customers</i>	✓		
	Amendments to PFRS 15: <i>Clarifications to PFRS 15</i>	✓		
PFRS 16	<i>Leases</i>	✓		
PFRS 17	<i>Insurance Contracts</i>			✓
Philippine Accounting Standards				
PAS 1 (Revised)	<i>Presentation of Financial Statements</i>	✓		
	Amendment to PAS 1: <i>Capital Disclosures</i>	✓		
	Amendments to PAS 32 and PAS 1: <i>Puttable Financial Instruments and Obligations Arising on Liquidation</i>			✓
	Amendments to PAS 1: <i>Presentation of Items of Other Comprehensive Income</i>	✓		
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 1: <i>Comparative Information</i>	✓		
	Amendments to PAS 1: <i>Disclosure Initiative</i>	✓		
	Amendments to PAS 1: <i>Definition of Material</i>	✓		
PAS 2	<i>Inventories</i>	✓		
PAS 7	<i>Statement of Cash Flows</i>	✓		
	Amendments to PAS 7: <i>Disclosure Initiative</i>	✓		
PAS 8	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 8: <i>Definition of Material</i>	✓		
PAS 10	<i>Events after the Reporting Period</i>	✓		
PAS 12	<i>Income Taxes</i>	✓		
	Amendment to PAS 12: <i>Deferred Tax: Recovery of Underlying Assets</i>	✓		
	Amendment to PAS 12: <i>Recognition of Deferred Tax Assets for Unrealized Losses</i>	✓		
	Annual Improvements to PFRSs 2015-2017 Cycle - Amendments to PAS 12: <i>Income tax consequences of payments on financial instruments classified as equity</i>			✓
PAS 16	<i>Property, Plant and Equipment</i>	✓		
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 16: <i>Servicing Equipment</i>	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PAS 16: <i>Revaluation Method - Proportionate Restatement of Accumulated Depreciation</i>			✓
	Amendments to PAS 16: <i>Clarification of Acceptable Methods of Depreciation</i>	✓		
	Amendments to PAS 16: <i>Agriculture: Bearer Plants</i>			✓
PAS 19 (Amended)	<i>Employee Benefits (2011)</i>	✓		
	Amendments to PAS 19: <i>Defined Benefit Plans: Employee Contributions</i>	✓		
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PAS 19: <i>Discount rate: regional market issue</i>	✓		
	Amendments to PAS 19: <i>Plan Amendment, Curtailment or Settlement</i>			✓
PAS 20	<i>Accounting for Government Grants and Disclosure of Government Assistance</i>			✓
PAS 21	<i>The Effects of Changes in Foreign Exchange Rates</i>	✓		
	Amendment to PAS 21: <i>Net Investment in a Foreign Operation</i>	✓		
PAS 23 (Revised)	<i>Borrowing Costs</i>	✓		
	Annual Improvements to PFRSs 2015-2017 Cycle - Amendments to PAS 23: <i>Borrowing costs eligible for capitalization</i>	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 24 (Revised)	<i>Related Party Disclosures</i>	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PAS 24: <i>Key Management Personnel</i>	✓		
PAS 26	<i>Accounting and Reporting by Retirement Benefit Plans</i>			✓
PAS 27 (Amended)	<i>Separate Financial Statements</i>			✓
	Amendments to PAS 27: <i>Transition Guidance and Investment Entities</i>			✓
	Amendments to PAS 27: <i>Equity Method in Separate Financial Statements</i>			✓
PAS 28 (Amended)	<i>Investments in Associates and Joint Ventures</i>	✓		
	Amendments to PAS 28: <i>Investment Entities: Applying the Consolidation Exception</i>			✓
	Amendments to PAS 28: <i>Sales or contributions of assets between an investor and its associate/joint venture</i>	✓		
	Annual Improvements to PFRSs 2014-2016 Cycle - Amendments to PAS 28: <i>Measuring an associate or joint venture at fair value</i>	✓		
	Amendments to PAS 28: <i>Long-term Interests and Joint Ventures</i>	✓		
PAS 29	<i>Financial Reporting in Hyperinflationary Economies</i>			✓
PAS 32	<i>Financial Instruments: Disclosure and Presentation</i>	✓		
	Amendments to PAS 32 and PAS 1: <i>Puttable Financial Instruments and Obligations Arising on Liquidation</i>			✓
	Amendment to PAS 32: <i>Classification of Rights Issues</i>	✓		
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 32: <i>Tax Effect of Equity Distributions</i>	✓		
	Amendments to PAS 32: <i>Offsetting Financial Assets and Financial Liabilities</i>	✓		
PAS 33	<i>Earnings per Share</i>	✓		
PAS 34	<i>Interim Financial Reporting</i>			✓
	Annual Improvements to PFRSs 2009-2011 Cycle - Amendments to PAS 34: <i>Interim Reporting of</i>			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	<i>Segment Assets</i>			
	Annual Improvements to PFRSs 2012-2014 Cycle - Amendments to PAS 34: <i>Disclosure of information 'elsewhere in the interim financial report'</i>			✓
PAS 36	<i>Impairment of Assets</i>	✓		
	Amendments to PAS 36: <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	✓		
PAS 37	<i>Provisions, Contingent Liabilities and Contingent Assets</i>	✓		
PAS 38	<i>Intangible Assets</i>	✓		
	Annual Improvements to PFRSs 2010-2012 Cycle - Amendments to PAS 38: <i>Revaluation Method - Proportionate Restatement of Accumulated Amortization</i>			✓
	Amendments to PAS 38: <i>Clarification of Acceptable Methods of Amortization</i>	✓		
PAS 40	<i>Investment Property</i>	✓		
	Annual Improvements to PFRSs 2011-2013 Cycle - Amendments to PAS 40: <i>Clarifying the Interrelationship of PFRS 3 and PAS 40 When Classifying Property as Investment Property or Owner-Occupied Property</i>	✓		
	Amendments to PAS 40: <i>Transfers of Investment Property</i>	✓		
PAS 41	<i>Agriculture</i>			✓
	Amendments to PAS 41: <i>Agriculture: Bearer Plants</i>			✓
Philippine Interpretations				
IFRIC 1	<i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	✓		
IFRIC 2	<i>Members' Share in Co-operative Entities and Similar Instruments</i>			✓
IFRIC 5	<i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 12	<i>Service Concession Arrangements</i>			✓
IFRIC 14	<i>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	✓		
	<i>Amendments to Philippine Interpretations IFRIC- 14: Prepayments of a Minimum Funding Requirement</i>	✓		
IFRIC 16	<i>Hedges of a Net Investment in a Foreign Operation</i>			✓
IFRIC 17	<i>Distributions of Non-cash Assets to Owners</i>			✓
IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>			✓
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>			✓
IFRIC 21	<i>Levies</i>	✓		
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i>	✓		
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>	✓		
SIC-7	<i>Introduction of the Euro</i>			✓
SIC-10	<i>Government Assistance - No Specific Relation to Operating Activities</i>			✓
SIC-25	<i>Income Taxes - Changes in the Tax Status of an Entity or its Shareholders</i>			✓
SIC-29	<i>Service Concession Arrangements. Disclosures</i>			✓
SIC-32	<i>Intangible Assets - Web Site Costs</i>	✓		
PIC Q&A No. 2006-02	<i>Clarification of criteria for exemption from presenting consolidated financial statements [Amended by PIC Q&A No. 2013-02 and PIC Q&A No. 2017-01]</i>			✓
PIC Q&A No. 2007-03	<i>Valuation of Bank Real and Other Properties Acquired (ROPA)</i>			✓
PIC Q&A No. 2008-01 (Revised)	<i>Rate used in discounting post-employment benefit obligations [Amended by PIC Q&A No. 2016-01]</i>	✓		
PIC Q&A No. 2009-01	<i>Financial statements prepared on a basis other than going concern [Amended by PIC Q&A No. 2013-02 and PIC Q&A No. 2018-13]</i>			✓
PIC Q&A No. 2010-02	<i>Basis of preparation of financial statements [Amended by PIC Q&A No. 2017-01 and PIC Q&A</i>	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	<i>No. 2018-13]</i>			
PIC Q&A No. 2010-03	<i>Current/non-current Classification of a Callable Term Loan</i>			✓
PIC Q&A No. 2011-02	<i>Common Control Business Combinations</i>			✓
PIC Q&A No. 2011-03	<i>Accounting for Inter-company Loans [Amended by PIC Q&A No. 2015-01 and PIC Q&A No. 2018-13]</i>	✓		
PIC Q&A No. 2011-04	<i>Costs of Public Offering of Shares [Amended by PIC Q&A No. 2018-13]</i>	✓		
PIC Q&A No. 2011-05	<i>Fair Value or Revaluation as Deemed Cost [Amended by PIC Q&A No. 2016-01 and PIC Q&A No. 2018-13]</i>			✓
PIC Q&A No. 2011-06	<i>Acquisition of Investment Properties – Asset Acquisition or Business Combination?</i>			✓
PIC Q&A No. 2012-01	<i>Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements [Amended by PIC Q&A No. 2015-01 and PIC Q&A No. 2018-13]</i>			✓
PIC Q&A No. 2012-02	<i>Cost of a New Building Constructed on Site of a Previous Building</i>			✓
PIC Q&A No. 2013-02	<i>Conforming Changes to PIC Q&As - Cycle 2013</i>	✓		
PIC Q&A No. 2013-03 (Revised)	<i>Accounting for Employee Benefits under a Defined Contribution Plan Subject to Requirement of Republic Act (RA) 7641: The Philippine Retirement Law</i>			✓
PIC Q&A No. 2015-01	<i>Conforming Changes to PIC Q&As - Cycle 2015</i>	✓		
PIC Q&A 2016-01	<i>Conforming changes to PIC Q&As – Cycle 2016</i>	✓		
PIC Q&A No. 2016-02	<i>Accounting Treatment of Club Shares Held by an Entity [Amended by PIC Q&A No. 2018-13]</i>	✓		
PIC Q&A No. 2016-03	<i>Accounting for Common Areas and the Related Subsequent Costs by Condominium Corporations [Amended by PIC Q&A No. 2018-13]</i>			✓
PIC Q&A 2016-04	<i>Application of PFRS 15 “Revenue from Contracts with Customers” on Sale of Residential Properties under Pre-completion Contract</i>			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PIC Q&A No. 2017-01	<i>Conforming Changes to PIC Q&As – Cycle 2017</i>	✓		
PIC Q&A No. 2017-02	<i>Capitalization of operating lease cost as part of construction costs of a building</i>			✓
PIC Q&A No. 2017-03	<i>Elimination of profits and losses resulting from transactions between associates and/or joint ventures</i>	✓		
PIC Q&A No. 2017-04	<i>Related party relationships between parents, subsidiary, associate and non-controlling shareholder</i>	✓		
PIC Q&A No. 2017-05	<i>Frequently asked questions on the disclosure requirements of financial instruments under PFRS 7, Financial Instruments: Disclosures [Amended by PIC Q&A No. 2018-13]</i>	✓		
PIC Q&A No. 2017-06	<i>Accounting for collector's items</i>			✓
PIC Q&A No. 2017-07	<i>Accounting for reciprocal holdings in associates and joint ventures</i>			✓
PIC Q&A No. 2017-08	<i>Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture</i>			✓
PIC Q&A No. 2017-09	<i>Accounting for payments between and among lessors and lessees</i>			✓
PIC Q&A No. 2017-10	<i>Separation of property and classification as investment property</i>			✓
PIC Q&A No. 2017-11	<i>Transaction costs incurred to acquire outstanding non-controlling interest or to sell non-controlling interest without a loss of control</i>			✓
PIC Q&A No. 2017-12	<i>Subsequent Treatment of Equity Component Arising from Intercompany Loans</i>			✓
PIC Q&A No. 2018-01	<i>Voluntary changes in accounting policy</i>			✓
PIC Q&A No. 2018-02	<i>Non-controlling interests and goodwill impairment test</i>	✓		
PIC Q&A No. 2018-03	<i>Fair value of property, plant and equipment and depreciated replacement cost</i>			✓
PIC Q&A No. 2018-04	<i>Inability to measure fair value reliably for biological assets within the scope of PAS 41, Agriculture</i>			✓
PIC Q&A	<i>Liability arising from maintenance requirement of</i>			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
No. 2018-05	<i>an asset held under a lease</i>			
PIC Q&A No. 2018-06	<i>Cost of investment in subsidiaries in separate financial statements when pooling is applied in consolidated financial statements</i>			✓
PIC Q&A No. 2018-07	<i>Cost of an associate, joint venture, or subsidiary in separate financial statements [Amended by PIC Q&A No. 2018-13]</i>			✓
PIC Q&A No. 2018-08	<i>Accounting for the acquisition of a non-wholly owned subsidiary that is not a business</i>			✓
PIC Q&A No. 2018-09	<i>Classification of deposits and progress payments as monetary or nonmonetary items</i>	✓		
PIC Q&A No. 2018-10	<i>Scope of disclosure of inventory write-downs</i>	✓		
PIC Q&A No. 2018-11	<i>Classification of land by real estate developer</i>			✓
PIC Q&A No. 2018-12	<i>PFRS 15 implementation issues affecting the real estate industry</i>			✓
PIC Q&A No. 2018-13	<i>Conforming Changes to PIC Q&As – Cycle 2018</i>	✓		
PIC Q&A No. 2018-14	<i>Accounting for Cancellation of Real Estate Sales</i>			✓
PIC Q&A No. 2018-15	<i>Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current</i>	✓		
PIC Q&A No. 2018-16	<i>Level of fair value hierarchy of government securities using Bloomberg's standard rule on fair value hierarchy</i>	✓		



Schedule 2

FINANCIAL SOUNDNESS INDICATORS	December 31 2019	December 31 2018
FINANCIAL RATIOS		
Interest Coverage Ratio	9.53	9.34
Debt to Equity (D/E Ratio)	1.68	2.03
Total Asset to Equity Ratio	3.75	4.09
Current Ratio	0.73	0.86
Solvency Ratio	0.27	0.23
PROFITABILITY MARGINS		
EBITDA Margins	51%	49%
Net Profit Margin	15%	14%
Return on Equity	29%	27%



Schedule 3

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS OF DECEMBER 31, 2019

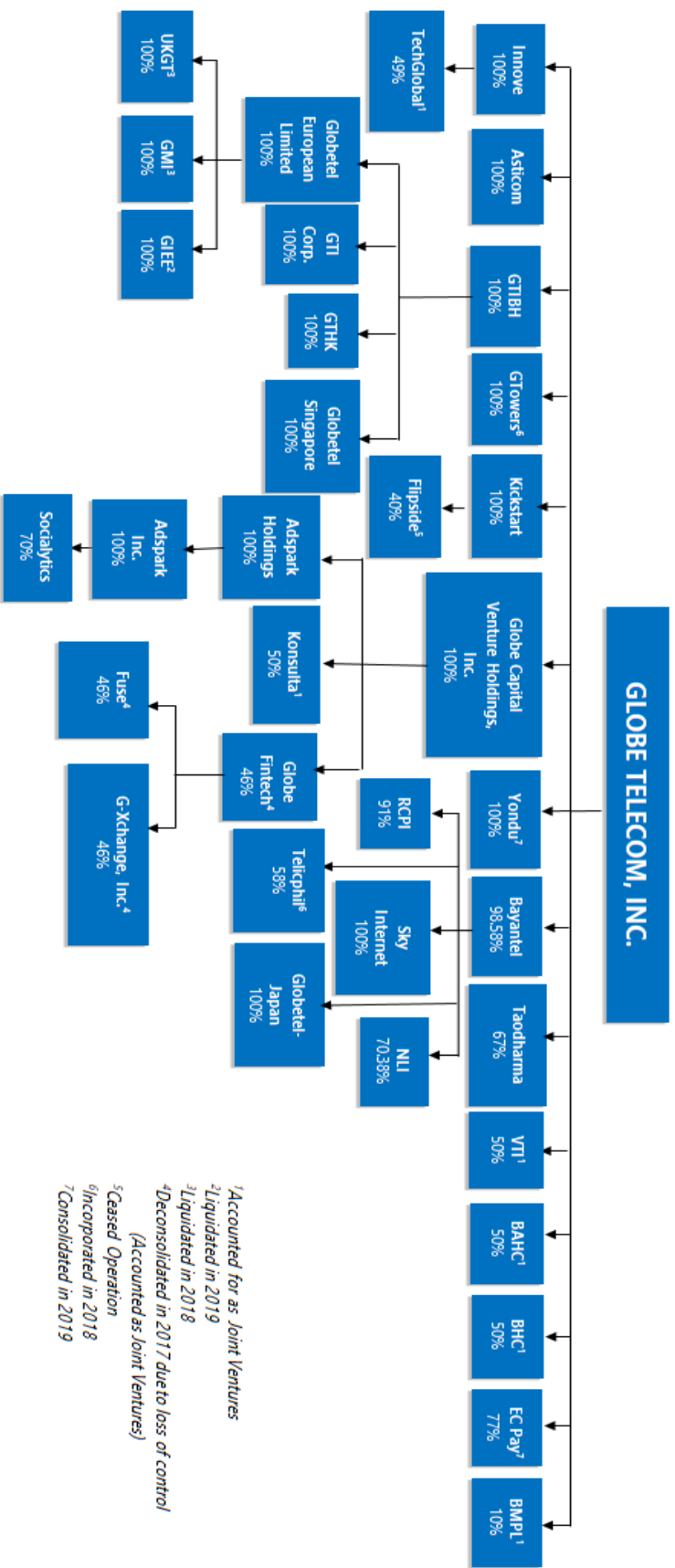
Items	Amount (In thousands)
Unappropriated Retained Earnings, beginning	₱18,824,996
Adjustments	(8,221,965)
Unappropriated Retained Earnings, as adjusted, beginning	10,603,031
Net income during the period closed to Retained Earnings	20,855,819
Less: Non-actual/unrealized income net of tax	
Unrealized foreign exchange gain net of previously recognized accumulated unrealized loss reversed during the year	(1,229,343)
Unrealized fair value loss on derivative financial instruments during the year to the extent of previously recognized accumulated unrealized gain	297,132
Deferred tax assets realized during the year	139,222
Net income actually earned/realized during the period	20,062,830
Add (Less):	
Dividend during the period	(12,688,158)
Effects of transition adjustments	294,350
Forfeiture of stock options	9,884
Unappropriated Retained Earnings, as adjusted, ending	18,281,937



Schedule 4

MAP OF THE RELATIONSHIP OF THE COMPANIES WITHIN THE GROUP
AS OF DECEMBER 31, 2019

Globe Telecom, Inc. and Subsidiaries



¹Accounted for as Joint Ventures
²Liquidated in 2019
³Liquidated in 2018
⁴Deconsolidated in 2017 due to loss of control
⁵Ceased Operation
⁶Incorporated in 2018
⁷Consolidated in 2019



Schedule 5

**SCHEDULE OF PREFERRED SHARES OFFERING PROCEEDS
AS OF DECEMBER 31, 2019**

Preferred Shares Offering Proceeds	P-
Not Applicable	
Balance of Proceeds as at December 31, 2019	P-



SCHEDULE 6A – FINANCIAL ASSETS
DECEMBER 31, 2019

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
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Not Applicable



SCHEDULE 6B – 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 (January 1, 2019)		Amounts collected		Balance at the end of period (December 31, 2019)	
		Additions		Current	Not-current	
Education Loan	₱78,281,603	₱145,940,589	₱136,847,208	₱87,374,984		₱87,374,984
Hospitalization Loan	14,734,113	27,232,024	3,687,401	38,278,736		38,278,736
Housing and Renovation Loan	43,036,162	64,408,331	65,058,170	42,386,323		42,386,323
Medical and Health Related Loan	27,526,378	9,004,336	7,666,512	28,864,202		28,864,201
Others	2,114,967	24,767,240	25,250,572	1,631,635		1,631,636
Total	₱165,693,223	₱271,352,520	₱238,509,863	₱198,535,880		₱198,535,880



Schedule 6C - Trade & Other Receivables Eliminated During Consolidation

Creditor	Creditor's Relationship	Account Type	Beginning Balance (January 1, 2019)	Net Movement	Outstanding Balance (December 31, 2019)
Globe	Parent	Traffic receivable	330,275,374	(23,800,435)	306,474,939
	Parent	Trade Receivables	3,211,162	480,349,040	483,560,202
	Parent	Other Receivables	7,501,886,749	4,168,403,330	11,670,290,079
	Parent	Dividends Receivables	1,516,335,234	(1,516,335,234)	-
Innove	Subsidiary	Traffic receivable	128,844,461	57,874,666	186,719,127
	Subsidiary	Trade Receivables	93,820,806	14,236,185	108,056,991
	Subsidiary	Other Receivables	575,520,565	3,451,596,122	4,027,116,687
	Co-Subsidiary	Trade Receivables	57,031,152	31,600,095	88,631,247
	Co-Subsidiary	Other Receivables	114,787,033	123,152,947	237,939,980
	Co-Subsidiary	Traffic receivable	10,911,921	1,173,585	12,085,506
Asticom	Subsidiary	Trade Receivables	301,852,486	(301,852,486)	-
	Co-Subsidiary	Trade Receivables	14,473,621	(14,473,621)	-
BTI	Subsidiary	Other Receivables	1,681,757,193	414,721,669	2,096,478,862
	Subsidiary	Traffic receivable	134,642,411	12,093,200	146,735,611
	Subsidiary	Trade Receivables	32,898,700	10,887,852	43,786,552
	Co-Subsidiary	Trade Receivables	40,179,398	13,451,837	53,631,235
	Co-Subsidiary	Traffic receivable	14,969,880	13,838,464	28,808,344
	Co-Subsidiary	Other Receivables	5,804,812,599	(28,505,989)	5,776,306,610

(forward)



Creditor	Creditor's Relationship to the Reporting Co. (Subsidiary or Parent)	Account Type	Beginning Balance (January 1, 2019)	Net Movement	Outstanding Balance (December 31, 2019)
GCVH	Subsidiary	Trade Receivables	291,328,643	64,492,041	355,820,684
	Subsidiary	Other Receivables	119,764,367	(119,764,367)	-
	Co-Subsidiary	Other Receivables	8,484,280	58,511	8,542,791
	Co-Subsidiary	Trade Receivables	51,375,838	73,687,132	125,062,970
	Subsidiary	Other Receivables	107,198,789	(5,506,782)	101,692,007
GTI	Co-Subsidiary	Other Receivables	538,417,937	173,657,775	712,075,712
TAOD	Subsidiary	Other Receivables	866,506	(60,114)	806,392
Yondu	Subsidiary	Other Receivables	-	19,466,514	19,466,514
	Co-Subsidiary	Trade Receivables	-	8,000,000	8,000,000
EC Pay	Subsidiary	Trade Receivables	-	20,089,108	20,089,108
	Co-Subsidiary	Trade Receivables	-	28,325,116	28,325,116
Gtowers	Subsidiary	Other Receivables	-	138,815	138,815
TOTAL			19,475,647,105		26,646,642,081



SCHEDULE 6D - INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2019
In Thousand Pesos

Description	Beginning balance (Jan. 01, 2019)	Acquired on acquisition of a subsidiary	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions/ (deductions)	Ending balance (Dec. 31, 2019)
Application Software and Licenses	₱11,366,882	₱32,852	₱48,532	(₱5,549,460)	₱5,352,483	₱-	₱11,251,289
Goodwill	1,140,248	1,759,071	-	-	-	-	2,899,319
Other Intangible Assets	1,191,139	453,040	-	(241,690)	-	-	1,402,489
Total Intangible Assets and Goodwill	₱13,698,269	₱2,244,963	₱48,532	(₱5,791,150)	₱5,352,483	₱-	₱15,553,097



SCHEDULE 6E – LONG TERM DEBT
DECEMBER 31, 2019

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			
Title of issue and type of obligation	Amount authorized by indenture	Amount	Interest rates	Maturity dates	
Term Loans:					
Dollar	\$474,600,172	₱6,577,724,209	₱15,622,335,134	2.51% to 6.00%	2020-2027
Peso	₱110,000,000,000	2,346,908,722	104,351,081,339	3.70% to 7.91%	2020-2031
Retail Bonds	₱12,500,000,000	3,995,264,575	2,969,420,645	4.89% to 6.00%	2020-2023
		₱12,919,897,506	₱122,942,837,118		



SCHEDULE 6F – INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

DECEMBER 31, 2019

Name of Related Party	Balances at beginning of period	Balance at end of period
Not Applicable		



SCHEDULE 6G – GUARANTEE OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2019

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
Not Applicable				

SCHEDULE 6H - CAPITAL STOCK
DECEMBER 31, 2019

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	133,208,407	8,936,062	103,825,723	565,595	28,817,089
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	24,700	19,947,500

Aging Analysis of Accounts Receivable

The table below shows the aging analysis of the Globe Group's trade receivables as of December 31, 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>						
Wireless subscribers receivables:						
Consumer	₱3,347,339	₱2,085,328	₱448,365	₱270,006	₱2,521,895	₱8,672,933
Key corporate accounts	21,599	46,456	51,400	69,131	1,526,579	1,715,165
Other corporations and SME	275,740	205,863	56,232	24,765	159,882	722,482
	3,644,678	2,337,647	555,997	363,902	4,208,356	11,110,580
Wireline subscribers receivables:						
Consumer	858,350	258,475	137,399	154,000	2,465,048	3,873,272
Key corporate accounts	134,683	355,388	527,892	521,891	5,933,122	7,472,976
Other corporations and SME	139,249	118,875	52,740	13,498	773,677	1,098,039
	1,132,282	732,738	718,031	689,389	9,171,847	12,444,287
Total subscribers receivables	4,776,960	3,070,385	1,274,028	1,053,291	13,380,203	23,554,867
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
Total traffic receivables	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
	₱8,971,771	₱3,608,096	₱1,784,119	₱1,346,724	₱15,145,728	₱30,856,438