

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES.

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NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATIONS UNDER THE SECURITIES ACT.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. ANY INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THE FINAL TERMS AND CONDITIONS OF THE NOTES AND THE INFORMATION CONTAINED IN AN OFFERING CIRCULAR THAT WILL BE DISTRIBUTED TO YOU ON OR PRIOR TO THE ISSUE DATE AND NOT ON THE BASIS OF THE ATTACHED DOCUMENTS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED THEREIN.

Confirmation of Your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the notes, investors must not be located in the United States. This Offering Circular is being sent at your request and by accepting the electronic mail and accessing this Offering Circular, you shall be deemed to have represented to us that the electronic mail address that you gave us and to which this electronic mail has been delivered is not located in the United States and that you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Offering Circular to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the notes.

The materials relating to any offering of notes to which this Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that such offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer (as defined in the Offering Circular) in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Lead Managers, the Trustee and the Agents (each as defined in the Offering Circular) or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them accepts any liability or responsibility whatsoever in respect of any difference between this Offering Circular distributed to you in electronic format and the hard copy version available to you on request from any of the Joint Lead Managers.

Actions that You May Not Take: If you receive this document by electronic mail, you should not reply by electronic mail to this electronic transmission, and you may not purchase any notes by doing so. Any reply electronic mail communication, including those you generate by using the “Reply” function on your electronic mail software, will be ignored or rejected.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



Globe Telecom, Inc.

(incorporated with limited liability in the Republic of the Philippines)

U.S.\$300,000,000 2.50 per cent. Senior Notes due 2030

ISSUE PRICE: 99.807 per cent.

U.S.\$300,000,000 3.00 per cent. Senior Notes due 2035

ISSUE PRICE: 99.140 per cent.

The U.S.\$300 million 2.50 per cent. senior notes due 2030 (the “**2030 Notes**”) and the U.S.\$300 million 3.00 per cent. senior notes due 2035 (the “**2035 Notes**”), and together with the 2030 Notes, the “**Notes**”, and each a “**series**” or a “**series of Notes**”) will be issued by Globe Telecom, Inc. (the “**Issuer**”). The 2030 Notes will mature on 23 July 2030, and the 2035 Notes will mature on 23 July 2035.

The 2030 Notes will bear Interest (as defined in the Terms and Conditions) from and including the Issue Date (as defined in the Terms and Conditions) at the rate of 2.50 per cent. per annum, payable in equal instalments of U.S.\$12.50 per U.S.\$1,000 in principal amount of Notes semi-annually in arrear on 23 January and 23 July each year, commencing on 23 January 2021. The 2035 Notes will bear Interest (as defined in the Terms and Conditions) from and including the Issue Date (as defined in the Terms and Conditions) at the rate of 3.00 per cent. per annum, payable in equal instalments of U.S.\$15.00 per U.S.\$1,000 in principal amount of Notes semi-annually in arrear on 23 January and 23 July each year, commencing on 23 January 2021. Payments on the Notes will be made without deduction for or on account of taxes imposed or levied by the Philippines to the extent described in “*Terms and Conditions of the 2030 Notes – Taxation and Gross-up*” and “*Terms and Conditions of the 2035 Notes – Taxation and Gross-up*”, respectively.

At any time or from time to time on or after 23 April 2030 for the 2030 Notes and 23 April 2035 for the 2035 Notes (being the date that is three months prior to the maturity of each series of Notes), the Issuer will have the right to redeem the Notes, in whole or in part, by giving notice as provided in Condition 12 of the Terms and Conditions, at a redemption price equal to 100 per cent. of the outstanding principal amount of the Notes to be redeemed, plus accrued but unpaid Interest (if any) on the principal amount of the Notes to be redeemed to, but excluding, the relevant redemption date. The Notes may also be redeemed, in whole but not in part, at the option of the Issuer at the Redemption Price (as defined in the Terms and Conditions) upon the occurrence of a Gross-Up Event (as defined in the Terms and Conditions). In addition, upon a Change of Control Event (as defined in the Terms and Conditions), each Noteholder will have the right, at its option, to require the Issuer to repurchase all (but not some only) of its Notes on the Change of Control Event Put Date (as defined in the Terms and Conditions) at 101 per cent. of the outstanding principal amount of the Notes, plus any accrued but unpaid Interest to, but excluding, the redemption date. See “*Terms and Conditions – Redemption and Purchase*”.

For a more detailed description of the Notes, see “*Terms and Conditions of the 2030 Notes*” and “*Terms and Conditions of the 2035 Notes*”, respectively.

The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3.1 of the Terms and Conditions of the 2030 Notes and the Terms and Conditions of the 2035 Notes, respectively unsecured obligations of the Issuer and (subject as stated above) will at all times rank *pari passu* without any preference among themselves and with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights.

Approval-in-principle has been received from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed, or reports contained herein. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer or the Notes. The Notes will be traded on the SGX-ST in a minimum board lot size of U.S.\$200,000 for as long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”). The Notes are being offered in offshore transactions outside the United States in reliance on Regulation S under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

Each series of the Notes will be evidenced by a global certificate (each, a “**Global Certificate**”) in registered form which will be registered in the name of a nominee of, and deposited with, a common depository for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”). Beneficial interests in each Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg and their respective accountholders. Except in limited circumstances set out in the relevant Global Certificate, definitive certificates for Notes of the relevant series will not be issued in exchange for beneficial interests in the Global Certificate for that series. See “*The Global Certificates*”. It is expected that delivery of the Global Certificate for each series of Notes will be made on 23 July 2020 or such later date as may be agreed (the “**Issue Date**”) by the Issuer and the Joint Lead Managers (as defined in “*Subscription and Sale*”).

This Offering Circular is not a prospectus for the purpose of Regulation (EU) 2017/1129.

Investing in the Notes involves certain risks. See “*Risk Factors*” beginning on page 18.

*Joint Global Coordinators
(in alphabetical order)*

HSBC

J.P. Morgan

Joint Lead Managers and Joint Bookrunners

BPI Capital Corporation

HSBC

J.P. Morgan

Offering Circular dated 16 July 2020.

In this Offering Circular, references to the “**Issuer**”, the “**Company**” or “**Globe**” are references to Globe Telecom, Inc., and references to the “**Group**” are references to Globe Telecom, Inc. and its consolidated subsidiaries, as the context requires.

The Issuer, having made all reasonable enquiries, confirms that: (i) this Offering Circular contains all information with respect to the Group and the issue of the Notes, which is material in the context of the issue and offering of the Notes; (ii) the statements contained in it relating to the Issuer and the Group are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Group or the Notes, the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material respect; and (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements. In addition, the Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning the Group or the Notes other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, The Hongkong and Shanghai Banking Corporation Limited and J.P. Morgan Securities plc (the “**Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners**”), BPI Capital Corporation, (a “**Joint Lead Manager and Joint Bookrunner**” and together with the Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners, the “**Joint Lead Managers**”), Citicorp International Limited as Trustee (the “**Trustee**”), Citibank, N.A., London Branch in various capacities as the Agents (as defined in the Terms and Conditions) or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Group since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of, the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them to subscribe for or purchase any of the Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

The Joint Lead Managers, the Trustee and the Agents and their respective directors, officers, employees, agents, representatives, advisers and affiliates and each person who controls any of them have not separately verified all the information contained in this Offering Circular. Accordingly, no representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them, and no responsibility or liability is accepted by the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them as to the accuracy or completeness of the information contained in this Offering Circular or any other information in connection with the Notes, their distribution or the offering of the Notes. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them that any recipient of this Offering Circular should purchase the Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary. Investors may not reproduce or distribute this Offering Circular in whole or in part, and investors may not disclose any of the contents of this Offering Circular or use any information herein for any purpose other than considering an investment in the Notes. Investors agree to the foregoing by accepting delivery of this Offering Circular.

This Offering Circular has been prepared by the Issuer solely for use in connection with the proposed offering of the Notes described in this Offering Circular. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes

are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Subject to certain exceptions, the Notes may not be offered or sold within the United States. No action is being taken to permit a public offering of the Notes or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the European Economic Area and the United Kingdom, Japan, Singapore, the Philippines and Hong Kong, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and distribution of this Offering Circular, see “*Subscription and Sale*”.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET — Solely for the purposes of a manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer’s target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer’s target market assessment) and determining appropriate distribution channels.

PRIIPs REGULATION: The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area or in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Securities or otherwise making them available to retail investors in the European Economic Area or in the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the European Economic Area or in the United Kingdom may be unlawful under the PRIIPs Regulation.

SINGAPORE SFA PRODUCT NOTIFICATION: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

THE NOTES BEING OFFERED OR SOLD HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION (THE “PHILIPPINE SEC”) UNDER THE SECURITIES REGULATION CODE OF THE PHILIPPINES AND ITS IMPLEMENTING RULES AND REGULATIONS (THE “SRC”). ANY FUTURE OFFER OR SALE OF THE NOTES WITHIN THE PHILIPPINES IS SUBJECT TO THE REGISTRATION REQUIREMENTS UNDER THE SRC UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.

The contents of this Offering Circular have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer and sale of the Notes. If you are in any doubt about any of the contents of this Offering Circular, you should obtain independent professional advice.

In making an investment decision, investors must rely on their own examination of the Group and the terms of the offering, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Notes.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision.

IN CONNECTION WITH THE DISTRIBUTION OF THE NOTES, THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED (THE “STABILISING MANAGER”) OR ANY PERSON ACTING ON THEIR BEHALF MAY (TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND RULES) OFFERS NOTES IN EXCESS OF THE AGGREGATE PRINCIPAL AMOUNT TO BE ISSUED OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR ANY PERSONS ACTING ON THEIR BEHALF) WILL UNDERTAKE ANY STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

Forward-Looking Statements

This Offering Circular contains forward-looking statements and other information that involves risks, uncertainties and assumptions. Forward-looking statements are statements that concern plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact, including, but not limited to, those that are identified by the use of words such as “anticipates”, “believes”, “estimates”, “expects”, “intends”, “plans”, “predicts”, “projects” and similar expressions. Such forward-looking statements include, without limitation, statements relating to expansion plans, the competitive environment in which the Group operates, general economic and business conditions, political, economic and social developments in the Philippines, changes in prices of telecoms services, changes in governmental regulations relating to the telecoms industry, the cost and availability of adequate insurance coverage and financing, changes in interest rates and other factors beyond the Group’s control. Risks and uncertainties that could affect the Group include, without limitation:

- outbreak of communicable diseases, such as the ongoing COVID-19 pandemic;
- difficulties in obtaining and maintaining licenses, permits and other authorizations necessary for the roll out of telecommunications infrastructure;
- changes in regional and global economic trends;
- instability in the social, political and economic conditions in the Philippines;
- increased competition by other telecoms companies;
- changes in regulations or Government policies or differing interpretations of such regulations or policies;
- difficulties in raising additional financing to fund future capital expenditures, acquisitions and other general corporate activities;
- inability to adapt to technology shifts and address changing consumer demand;
- reliance by the Group on key personnel;
- fluctuation in exchange rates;
- cybersecurity concerns and data privacy breaches;
- system failures;
- exposure to unforeseen catastrophic events over which the Group has little or no control;
- insufficient insurance coverage;
- controlling shareholder risk; and

- other risks related to the business, the industry or the regions in which the Group operates.

Should one or more of such risks and uncertainties materialise, or should any underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated in the applicable forward-looking statements. Any forward-looking statement or information contained in this Offering Circular speaks only as of the date the statement was made.

All of the Group's forward-looking statements made herein and elsewhere are qualified in their entirety by the risk factors discussed in "*Risk Factors*". These risk factors and statements describe circumstances that could cause actual results to differ materially from those contained in any forward-looking statement in this Offering Circular.

The Issuer, the Joint Lead Managers, the Trustee and the Agents and each of their respective directors, officers, employees, agents, representatives, advisers and affiliates and each person who controls any of them assume no obligation to update any of the forward-looking statements after the date of this Offering Circular to conform those statements to actual results, subject to compliance with all applicable laws. The Issuer, the Joint Lead Managers, the Trustee and the Agents and each of their respective directors, officers, employees, agents, representatives, advisers and affiliates and each person who controls any of them assume no obligation to update any information contained in this Offering Circular or to publicly release any revisions to any forward-looking statements to reflect events or circumstances, or to reflect that the Issuer became aware of any such events or circumstances, that occur after the date of this Offering Circular.

Industry and Market Data

Market data and certain industry forecasts used throughout this Offering Circular were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information are not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them make any representation as to the accuracy or completeness of that information.

Certain Defined Terms and Conventions

In this Offering Circular, references to "U.S.\$" and "U.S. dollars" are to the lawful currency of the United States of America; and references to "**Philippine Pesos**" or "**P**" are to the lawful currency of the Republic of the Philippines. References to the "**BSP**" are to the *Bangko Sentral ng Pilipinas*, the central bank of the Philippines. The Company publishes its financial statements in Philippine Pesos.

This Offering Circular contains translations of certain amounts into U.S. Dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Philippine Peso amounts represent such U.S. dollar amounts or could be, or could have been, converted into U.S. dollars at the rates indicated or at all. Unless otherwise indicated, all translations from Philippine Pesos to U.S. dollars have been made at a rate of P51.044 = U.S.\$1.00, on 31 March 2020 for the purchase of U.S. dollars with Philippine Pesos published in the Reference Exchange Rate Bulletin by the BSP.

All references to dates and times are to Manila dates and times, unless otherwise specified.

The Issuer's audited consolidated financial statements as of and for the financial years ended 31 December 2017, 2018 and 2019 (the "**Audited Consolidated Financial Statements**") included in this Offering Circular have been prepared in accordance with the Philippine Financial Reporting Standards ("**PFRS**") and the unaudited interim condensed consolidated financial statements as of 31 March 2020 and for each of the three months in the periods ended 31 March 2019 and 2020 (the "**Unaudited Interim Condensed Consolidated Financial Statements**") included in this Offering Circular have been prepared in accordance with the Philippine Accounting Standards no. 34, *Interim Financial Reporting*.

Effective 1 January 2019, the Group adopted PFRS 16, Leases ("**PFRS 16**"), which resulted in significant changes in the Group's accounting policy for leases. In adopting PFRS 16, the Group applied the modified retrospective approach wherein the cumulative effect of the initial application of the standards was recognized as of 1 January 2019, and the comparative periods were not restated. Please see note 3.1 of the Audited Consolidated Financial

Statements beginning on page F-102 of this Offering Circular for more details of the impact of the adoption of PFRS 16 on the Group's financial statements.

All references in this Offering Circular to the “**Government**” are to the government of the Republic of the Philippines and all references to the “**Philippines**” are to the Republic of the Philippines. References to “**management**”, “**Directors**” and “**executive officers**” refer to the management, Directors and executive officers of the Issuer. References to the “**Articles of Incorporation**” refer to the Articles of Incorporation of the Issuer, as amended.

References to “**financial year**” in this Offering Circular are to the Group's financial year ended or ending 31 December.

References to the “**United States**” or “**U.S.**” in this Offering Circular shall be to the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

In this Offering Circular, references to the “**Terms and Conditions**”, unless otherwise indicated or the context requires, shall refer collectively to the terms and conditions of the 2030 Notes (the “**Terms and Conditions of the 2030 Notes**”) and the terms and conditions of the 2035 Notes (the “**Terms and Conditions of the 2035 Notes**”).

In this Offering Circular, where information has been presented in percentages, thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of thousand million units.

Non-PFRS Financial Measures

The term “**Adjusted EBITDA**” refers to earnings before interest expenses, taxes, depreciation and amortisation. The Group calculates Adjusted EBITDA by taking service revenues less subsidy (comprising non-service revenues less cost of sales, mostly on sales on handsets/SIM packs, accessories and gadgets), operating expenses and other income and expenses (operating expenses do not include any property and equipment-related gains and losses, equity share in net earnings (losses) of associates and joint ventures and financing costs). This measure provides useful information regarding a company's ability to generate cash flows, incur and service debt, finance capital expenditures and working capital changes. As the Group's method of calculating Adjusted EBITDA may differ from other companies, it may not be comparable to similarly titled measures presented by other companies.

The term “**EBIT**” refers to earnings before interest, property and equipment-related gains and losses, income taxes, other non-operating charges such as the equity share from joint ventures and associates, foreign exchange differences and derivative gains and losses. The Group calculates EBIT by deducting depreciation and amortisation from Adjusted EBITDA. The Group's method of calculating EBIT may differ from other companies and, hence, may not be comparable to similar measures presented by other companies.

Adjusted EBITDA and EBIT are supplemental measures of the Group's performance and liquidity that are not required by, or presented in accordance with, PFRS. Further, neither EBIT nor Adjusted EBITDA is a measurement of the Group's financial performance or liquidity under PFRS and should not be considered as an alternative to net income, gross revenues or any other performance measure derived in accordance with PFRS or as an alternative to cash flow from operations or as a measure of the Group's liquidity.

The Group believes that EBIT and Adjusted EBITDA facilitate operating performance comparisons from period to period and from company to company by eliminating potential differences caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation of tangible assets (affecting relative depreciation expense). In particular, EBIT eliminates potential differences caused by interest and tax expenses and Adjusted EBITDA further eliminates non-cash depreciation expenses that arise from the capital-intensive nature of the Group's business. The Group also believes that EBIT and Adjusted EBITDA are supplemental measures of its ability to meet debt service requirements. Finally, the Group presents EBIT and Adjusted EBITDA because it believes they are frequently used by securities analysts and investors in the evaluation of companies in its industry.

“Core net income after tax” is measured as the Group’s net income, excluding mark-to-market gains or losses such as gains or losses on derivative instruments, foreign exchange gains or losses – net, and the impact of non-recurring charges or one-time gains or losses such as remeasurement loss on investment in associate, gain on sale of investment in associate, impairment of goodwill, and gain on value of retained interest. Core net income after tax results are monitored by management for purposes of making decisions about resource allocation and performance assessment. Core net income after tax should not be considered as an alternative to income before income tax or net income determined in accordance with PFRS as an indicator of the Group’s performance. Unlike net income, core net income after tax does not include foreign exchange gains and losses, mark-to-market gains or losses, and other non-recurring gains or charges. The Group compensates for these limitations by using core net income after tax as only one of several comparative tools, together with PFRS-based measurements, to assist in the evaluation of operating performance. Such PFRS-based measurements include income before income tax and net income. The Group’s calculation of core net income after tax may be different from the calculation methods used by other companies and, therefore, affect the comparability of such financial metric against similarly named financial metrics of other companies.

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SUMMARY

The following summary is qualified in its entirety, and is subject to, the more detailed information and the financial information contained or referred to elsewhere in this Offering Circular. The meanings of terms not defined in this summary can be found elsewhere in this Offering Circular.

OVERVIEW

Globe Telecom, Inc. (“**Globe**” or the “**Issuer**”) is a leading full-service telecommunications company in the Philippines, serving the telecommunications and technology needs of consumers and businesses across an entire suite of products and services including mobile, fixed, broadband, data connectivity, internet and managed services. Globe and its subsidiaries (the “**Group**”) also have major interests in financial technology, digital marketing solutions, venture capital funding for startups and virtual healthcare.

The Group has two primary business segments: (i) its mobile business, which includes mobile and fully mobile broadband, and (ii) its fixed line and home broadband business, with home broadband comprising both fixed wireless and wired broadband. The Group’s mobile business offers SMS, voice and data services, while its fixed line and home broadband offers home broadband, corporate data and fixed line voice services. The Group’s holding in Tori Spectrum Telecom, Inc. (“**Spectrum**”) allows the Group to provide telecommunications services using technology ranging from GSM to 5G.

As of 31 March 2020, the Group is supported by 8,160 employees and over 1.28 million AutoloadMax (“**AMAX**”) retailers, distributors, suppliers, and business partners nationwide. As of 31 March 2020, the Group had approximately 89.3 million mobile subscribers (including fully mobile broadband) and 2.3 million home broadband customers, and over 1.4 million landline subscribers.

The Issuer’s principal shareholding groups are Ayala Corporation (“**AC**”) and Singapore Telecom International Pte. Ltd. (“**STI**”), acknowledged industry leaders in the Philippines and across Asia. 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 the Group 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 Issuer aims to contribute to the UN Sustainable Development Goals by promoting innovation and technology for greater social impact. Together with business growth, the Group actively participates 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” is the corporate social responsibility arm of the Group, 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 the Group’s key stakeholders.

Globe has been consistently recognized both locally and internationally for its corporate governance practices. In 2019, Globe received recognition as a top-performing publicly listed company in the Philippines under the ASEAN Corporate Governance Scorecard, presented by the country’s Institute of Corporate Directors (ICD). Globe was the only telecommunications company recognized among six other publicly listed companies in the main award category. Globe also received recognition for the Best Investor Relations Company in the Philippines from the 9th Asian Excellence Awards of Corporate Governance Asia in July 2019. In August 2019, Globe received recognition as a Winner by Country (Philippines), placed second in the Best CFO category and was recognized as a Most Honored Company in Institutional Investor Magazine’s All-Asia (ex-Japan) Executive team rankings for the Emerging Markets. It has been listed on the Philippine Stock Exchange since 1975 under the ticker symbol GLO. As of 31 March 2020, Globe had a market capitalization of approximately U.S.\$5.1 billion.

Globe recorded total revenues of ₱149,010 million (U.S.\$2,919 million), and net income attributable to equity holders of Globe of ₱22,269 million (U.S.\$436.3 million), for the year ended December 31, 2019. For the three months ended March 31, 2020, Globe recorded total revenues of ₱36,882 million (U.S.\$723 million) and net income attributable to equity holders of Globe of ₱6,581 million (U.S.\$129 million).

STRENGTHS

Exposure to large and attractive markets driven by favorable industry and social-economic dynamics

The Philippine telecommunications industry has seen a shift in recent years, with the advent of data and the Internet of things changing customer behavior and the manner in which telecommunications firms operate. In the mobile segment, consumers are increasingly favoring data for their communication needs, causing a shift away from traditional voice and SMS services towards mobile data. This trend is illustrated by the growth in the Group's data traffic, which increased by 41% year-on-year to 522 petabytes for the three months ended 31 March 2020.

For the broadband market, based on regional surveys, the Philippines has one of the lowest broadband connectivity rates in Southeast Asia at just 23% according to Analysys Mason. Driven by low penetration rates and a sustained demand for home broadband connectivity, the fixed broadband market in the Philippines provides the Group with an opportunity for near-term growth.

In respect of corporate data and ICT, there is an opportunity to capitalize on the continued shift by corporates (including both enterprise and small business clients) away from manual processes towards automated and digitized processes, which will require reliable data connectivity.

Finally, the strong long-term Philippine economic outlook is also expected to drive the Group's growth. According to the "Digital 2019: The Philippines" report by we are social and Hootsuite, the Philippines has a relatively young (below 24 years of age on average) data-centric population comprising 49% of the total population of the Philippines, with such young demographic projected to continue to grow over the next three decades. According to the "Digital 2020: The Philippines report" by we are social and Hootsuite, there were approximately 73 million social media users in the Philippines, spending almost 10 hours per day on the Internet and almost four hours per day on social media in January 2020.

Leading and preferred telecommunications provider in the Philippines

Globe is one of two major telecommunications providers in the Philippines, with the other being PLDT. The Group has steadily grown its market share in recent years – from holding 32% of mobile subscribers in 2012 to a market leadership position of 55% as of 31 March 2020.

The Group believes that its 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. The Group has also focused on bringing innovations and partnerships with leading content creators across entertainment, music, social networking and e-sports to respond to trends and demands among its data users. Among the Group's partners are global brands such as *Netflix*, *Fox*, *Spotify* and the *NBA*.

As of 31 March 2020, the Group had approximately 89.3 million mobile subscribers (including fully mobile broadband), 2.3 million home broadband customers, supported by 8,160 employees and over 1.28 million AMAX retail, distribution and business partners nationwide. For 2019, the Group's consolidated service revenues reached ₱149,010 million (U.S.\$2,919 million), a growth of 12% from consolidated services recorded in 2018. For the three months ended 31 March 2020, the Group recorded total revenues of ₱36,882 million (U.S.\$723 million). This growth was fueled by gains across mobile data, home broadband and corporate data service revenues.

The Group has consistently delivered a corporate culture built around the customer and innovation, enabled by highly engaged employees. Globe has scored highly in sustainable engagement scores – registering 91% in 2018 and was named as the Best Company to Work for in Asia by HR Asia in 2019. Globe has continued to be recognized by the awards community, including by *Finance Asia* ("Best Managed Companies") in 2015 and 2017 and *The Asset Corporate Awards* ("The Asset Platinum Award for Excellence in Environmental, Social, and Corporate Governance (ESG)") in 2017 and 2018.

Offers innovative service offerings to cater to the emerging needs of customers

The Group supports its market-leading position and future growth with prudent investments into digital platforms. As the Group continues to evolve from traditional telecommunications services operator, it believes that investing early in adjacent digital spaces will drive further growth in customer engagement, and provide the potential to realize value from these non-core services. The Group's current investments into digital companies include:

- **Financial Services** – Mynt through GCash aims to address financial inclusion by providing users with a mobile wallet and micro-loan platform. GCash is the fastest growing e-wallet in the Philippines with over 20 million customers, 75,000 partner merchants and 400 partner billers.
- **Telehealth** – KonsultaMD delivers healthcare to marginalized and underserved customers via its 24/7 health hotline service, which connects users to licensed doctors.
- **Mobile Advertising** – Adspark provides a full-service, data driven agency that allows for customized digital and mobile advertising solutions for the SME market.

The Group believes that its brand positioning and roots in the Philippine digital economy give it an advantage against both existing competitors and new entrants, who would need to invest considerable resources and time in order to develop comparable brands targeted at similar segments of the market.

Track record of resilient and profitable growth

With a long-standing track record of success in the Philippines, Globe is one of the most recognized brands in the local market. The Group considers this strong brand recognition a critical advantage in securing and growing market share, and significantly enhances the Group's ability to cross-sell and market its other product and service offerings.

The Group believes that its superior execution and focus on a differentiated customer experience reinforce its resilient and profitable growth. Total operating revenues hit a record high of ₱166,660 million in 2019 – having grown at a CAGR of 9.4% since 2011. Profitability has also continuously increased and the Group recorded an Adjusted EBITDA of ₱76,031 million for the year ended 31 December 2019, reflecting a CAGR of 10.1% since 2011.

Continuously reinvests profits back into network enhancements to solidify market leading position

The Group continues to invest heavily in its Philippine network, incurring a record capital expenditure of ₱51.0 billion for the year ended 31 December 2019, of which 79% was allocated to further improve data and network infrastructure. As of 31 December 2019, Globe had 139% more cell sites and 69% more base stations compared to year-end 2018, and recorded 1,699 petabytes in mobile data traffic, compared to 956 petabytes in 2018.

The Group has continued to lead investments in its network, including accelerating the roll-out of LTE services across the Philippines using acquired spectrum frequencies, and entering into memorandums of understanding with leading global telecom tower providers such as ISOC-edotco and American Towers to accelerate the buildout of IT infrastructure in the Philippines.

Strong balance sheet with prudent capital management

The Group believes that its financial position remains strong with ample liquidity and gearing comfortably within lender covenants. As of 31 March 2020, the Group had total gross debt of ₱144.7 billion. The Group's consolidated gross debt to equity ratio stood at 1.7x and is well within the 3.0x maximum gross debt to equity limit under its existing covenants. As of 31 March 2020, the Group's leverage had comfortable headroom, with the Group's last twelve months' ("LTM") of gross debt to Adjusted EBITDA measuring 2.0x, which was within the prescribed maximum debt to Adjusted EBITDA of 3.5x. The Group was also compliant with its debt service coverage ratio ("DSCR"), with its LTM DSCR as of 31 March 2020 of 4.6x, which was higher than the minimum DSCR of 1.3x required under the Group's loan covenants. The Group's DSCR is defined as the ratio of Adjusted EBITDA to required debt service, where debt service includes subordinated debt but excludes shareholder loans.

Furthermore, the Group believes it had a well-managed and evenly spread debt maturity profile as of 31 March 2020:

Year	Principal (in ₱ billions)⁽¹⁾
2020	12.0
2021	7.9
2022	15.0
2023	18.0
2024	16.9
2025	14.6
2026	13.3
2027	16.0
2028	17.3
2029	0.2
2030	4.7
2031	9.5
Total	145.3

⁽¹⁾ Principal amount prior to debt issuance costs.

The Group 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.

Strong management team and reputable shareholders

The Group believes it has a strong management team, composed of industry professionals with significant experience in the mobile and fixed-line telecommunications markets in the Philippines and abroad, with the proven ability to execute on its business plan and achieve positive results. The Group believes that its top management team is a highly stable group with majority of C-suite executives having been with the Group for more than a decade. With its continued expansion, the Group has been able to attract and retain senior managers from the telecommunications, consumer goods and finance industries with experience in managing large scale and complex operations. The Group believes that its executives are able to quickly adapt to changes in the market, including the continuing developments in the competitive landscape and technological evolution.

Globe's principal shareholders are AC and 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. Globe's principal shareholders are committed to their investment and have prepared a robust corporate governance framework in order to facilitate the implementation of the Group's business plan.

STRATEGIES

For a highly penetrated mobile market such as the Philippines, the prevalence of affordable data plans and smart devices is further driving the demand for data. Based on the Digital 2020 Report, using social media, watching television and online videos, listening to music streaming services, and playing games are the top activities for Filipinos on the Internet in January 2020. Other than entertainment, Filipinos have also used mobile data to avail of shopping applications, map applications, and banking applications, as well as transport network services, and online food delivery, navigation services among others. This trend towards a digital lifestyle is mirrored in the Group's data traffic numbers – with its per capita data figures rising by 37% year-on-year to 4.77 GB for the first three months ended 31 March 2020.

The fixed line industry is also seeing an increase in demand for data. At home, smart televisions and gaming consoles enable the consumption of bandwidth intensive multimedia content such as high definition videos and network gaming. More customers are now taking advantage of free multi-media content and paid video streaming services which are encroaching on cable TV service. Beyond connectivity, corporate and enterprise clients are looking to service providers, including telecommunications operator partners, to provide solutions to help businesses grow, generate more revenue, and safeguard vital business information and corporate assets.

With the aim to capitalize on the increasing demand for data and connectivity and rapid digitalization, the Group intends to implement the following strategies in the near-term.

Accelerate network rollout

The Group intends to accelerate construction of its cell sites to keep pace with demand and increase its wired footprint in order to address serviceability. Further, the Group is committed to providing best- in-class internet connectivity, and targets to:

- ramp up capital expenditures of up to ₱63 billion, an increase from ₱51.0 billion in full year 2019 for its network expansion and improvement in its network and telecommunications equipment;
- deliver internet services to more Filipino households through wireless home broadband and constantly improve overall network experience;
- provide seamless internet connectivity services to more households and consistently deliver improved customer experience; and
- launch relevant 5G offers for the home and central business districts.

Increase Household Penetration

The Group intends to continue offering and improving its wired and fixed wireless broadband services across various technologies and connectivity speeds for its residential customers. In particular, as part of its network improvement and expansion initiatives in 2020, the Group intends to deepen its household penetration through the extended reach of its *Globe Home Broadband*, *Globe At Home AirFiber 5G*, and *Globe At Home Prepaid WiFi* products and other innovative products and services. The Group also continues to analyze the market to determine the most appropriate product or channel applicable to its customer base and intends to extend LTE coverage to the entire Philippines while strategically rolling out its 5G services.

Pursue continuous customer experience improvements

The Group aims to continue to improve its customer's experience by adapting to new technologies and delivering content. The Group believes it is positioned to be a leader of the Filipino digital lifestyle by providing world-class technologies for entertainment, education, engagement and rewards designed to address customers' needs. In particular, the Group intends to:

- continue to forge partnerships and create innovative content-driven experiences for customers;
- establish an "e-sports center" as a base for e-sports thought leadership;
- continue deployment of GoWiFi and Community WiFi at strategic locations;
- transform its customers' trade and distribution experience, beyond traditional telecommunications-products;
- transform prepaid customers' end-to-end experience to a digital lifestyle;
- improve customer experience through targeted and personalized rewards;
- continuously improve digital sales and care channels for its customers;
- use multiple and integrated channels that create cohesive and personalized customer experience;
- create delightful customer experiences across complementing digital and traditional channels that cohesively serve customer needs; and
- deliver seamless, frictionless, immersive and consistent customer digital experience.

Develop new information and communications technology capabilities

The Group is seeking to establish itself as a trusted digital transformation partner of large and small enterprise customers by providing compelling information and communications technology services. The Group intends to continue to offer its various products and solutions across mobility, voice, connectivity, cloud, data center, cyber security and business applications to its enterprise customers through its various network technologies, as well as responding to specific or bespoke solutions required by its customers particularly with the increased connectivity demands, remote working requirements and business continuity plans of enterprises post the outbreak of COVID-19.

Create new and profitable revenue streams and develop new information and communications technology capabilities

The Group aims to create value in digital technology, lifestyle and entertainment through investments that complement its core telecommunications operations. In the future, the Group seeks to empower the local economy in its digital transformation by helping businesses flourish through the right technology, infrastructure, solutions and know-how. The Group had over 1.28 million AMAX retailers, distributors, suppliers, and business partners nationwide as of 31 March 2020 and the Group aims to enable its retail network and other business owners to offer more products and services to stimulate the e-commerce industry and the digital economy through EC Pay. The Group acquired a 77% ownership stake in EC Pay in 2019, through which the Group aims to achieve its goal to integrate and digitalize the Filipino consumer's prepaid mobile, Internet products and bill payments, among others.

Continue to build an agile workforce

The Group aims to build an agile organization with a deep understanding of, and ability to be responsive to, its customers' needs. The Group intends to create a high-performance organization with a purpose-driven workforce with a culture of empowerment, collaboration and innovation. In particular, the Group aims to:

- pioneer the transformation of the service delivery engine to “simple, digital, agile” to shorten time to market, increase delivery efficiency, increase effectiveness of cost management measures, and improve collaboration;
- continue organizational focus on customer-centricity through agile competency-building and work processes;
- empower leadership with a focus on clarity, collaboration and succession planning;
- continue to enrich lives of its employees, customers and shareholders through the Group's “Circle of Happiness”, “Globe of Good” purpose and high overall organizational health; and
- value people and to continue to implement universal sustainability principles by promoting innovation and technology for greater social impact.

RECENT DEVELOPMENTS

Response to the COVID-19 Outbreak

As outlined in its business continuity plan, the Group recognizes the risks that emerging infectious disease such as COVID-19 for the Group's operations. As such, in view of the outbreak of COVID-19, the Group immediately addressed critical aspects of its operations such as workforce health and safety, supply chain disruption and the continuous need of its customers for seamless connectivity.

Employees, Vendor Partners and Support Staff

As early as January 2020, the Group initiated precautionary measures for a COVID-19 free workplace for all the Group's offices nationwide. In particular, the Group implemented (i) thermal scanning at all entry points in various offices of the Group, nationwide; (ii) deployment of hand sanitizers throughout common areas in the Group's office premises; (iii) adjustments the Group's policies to restrict travel to high risk countries; (iv) mandatory visitor disclosure and screening and; (v) continuing awareness drives to keep all of the Group's employees well informed on the developments relating to COVID-19.

On 7 March 2020, immediately after the Philippine Department of Health's announcement of Alert Level Code Red Sublevel 1, the Group implemented tighter policies and plans to protect its employees, partners, staff and operations, including (i) sanitizing of all floors of the Group's corporate offices; (ii) discontinuing acceptance of guests at offices and technical sites, nationwide; (iii) shifting to virtual and online meetings; and (iv) partnering with major health providers to screen, admit and provide care for the Group's employees who exhibit flu-like symptoms while inside office premises.

On 16 March 2020, the Group implemented full work-from-home operations, to minimize possible exposure of its employees to the COVID-19 disease. The Group also maintained a critical skeleton workforce of approximately 4,000 employees nationwide on rotating shifts and with appropriate contingency teams to ensure minimal disruptions to the Group's operations and to maintain network service levels. To protect and support its employees

who continued to work-on-site, the Group provided personal protective equipment (“PPE”), hazard pay, food allowance, transportation, accommodation, insurance and medical expense assistance to such personnel who formed part of the critical skeleton workforce. As of the date of this Offering Circular, approximately 85% of the Group’s employees were working from home, and approximately 15% of employees formed part of the critical skeleton workforce.

In May 2020, the Group started weekly rapid antibody testing of all its critical skeleton workforce with a second wave of employee testing taking place in June 2020 to ensure that both the workforce and the Group’s stakeholders are protected from COVID-19 spread and infection. The testing covered both regular and partner employees working within the Group’s offices and sites. Rapid antibody testing operations were concluded on 30 June 2020 with the Group’s testing strategy currently focusing on systematic testing based on daily employee health declarations. The Group has also equipped its critical skeleton workforce with its GC19 application, which triggers red flags prior to entry into Globe’s offices. This change in strategy was a result of the number of false positives resulting from rapid testing which caused undue anxiety to the Group’s employees and partners.

The Group has also pledged ₱1.3 billion to support vendor partners, retail stores support staff, frontliners and the public in response to the pandemic.

The Group continues to engage its workforce to ensure that employees remain motivated and productive throughout the duration of work-from-home operations. The Group also recognizes the importance of mental and physical wellness and regularly holds online seminars and discussions on various topics. The Group will continue to observe strict health protocols as mandated by government guidelines in respect of employees that are returning to work. As of the date of this Offering Circular, all 210 Globe Stores nationwide were operational.

Network

During the imposition of various levels of community quarantine measures in the Philippines, and particularly in Luzon and Metro Manila, the Group maintained normal network operations. The Group has also been working with the Government to provide continued network access at the local government unit level.

Customers

To support its customers’ connectivity needs at such critical time, the Group offered assistance to all its customers, including offering 60 days credit payment extensions to all postpaid customers, including enterprise customers. Globe and TM users who subscribed to KonsultaMD were able to call doctors via KonsultaMD’s telehealth hotline without any mobile call charges. Mobile prepaid customers who subscribed to GoSurf50 were given an increased data allocation from 1 GB to 2 GB (applicable to all websites), valid for three days from 25 March to 25 April 2020. An additional 8 GB of data allocation was also provided to prepaid customers who subscribed to HomeSurf199, bringing up data allocation from 22 GB to 30 GB (23 GB open access data + 1 GB of Youtube daily) valid for seven days until 21 April 2020). Discounts were likewise given with free installation to all new *Globe At Home* postpaid customers during the Luzon-wide lockdown. The Group also supported its enterprise customers by ensuring ample supply chain capacity to serve all the orders especially since there was increased demand for broadband connectivity from enterprise customers who required subscriptions for their employees who were working from home.

To help customers manage their resources during the outbreak of COVID-19 and the implementation of enhance community quarantine measures by the Government, the Group also suspended collections on overdue bills for a total of 60 days and offered an installment payment program to its customers.

Frontliners and the Community

Beyond its business operations, the Group has strived to do its part to support the nation in this time of uncertainty. The Group has provided free access to reliable and verified news and information sources, offered free and unlimited GoWiFi service in major hospitals, selected supermarkets in Metro Manila and key cities nationwide, and at NAIA terminals 1 to 3. The Group has also led fundraising and donations efforts in the fight against COVID-19, raising close to ₱84 million, including ₱36 million in cash donations from loyal Globe customers who donated their Globe Rewards Points to partner medical institutions to provide PPEs for health workers and frontliners; over ₱27.5 million raised by employees from a fundraising initiative primarily aimed at providing much-needed PPEs such as face shields and face masks to healthcare workers in 50 hospitals across the country; and donations in kind for hospitals and frontliners, ranging from medical supplies to 1,500 mobile phones

preloaded with 45 days' unlimited call and text. The #OneGlobeVsCOVID project of the Group's workforce of 8,160 employees realized total employee donations of ₱13.79 million which was 100% matched by Singtel and Globe.

Other initiatives put in place by the Group since March 2020 to address the challenges posed by COVID-19 include the following: (i) donation of surgical masks valued at ₱5 million to the Philippine Red Cross; (ii) provision of free access to the official websites of DOH and the National Disaster Risk Reduction and Management Council to keep the public abreast of the latest COVID-19 advisories; (iii) provision of free and unlimited Internet connection via the Group's GoWiFi services at select hospitals in Metro Manila and nationwide until 15 April 2020 to help frontliners and patients and their family members to remain connected; (iv) suspension of credit actions on 15 March 2020 for all postpaid customers, including enterprise customers nationwide, for a period of 30 days from the due date; (v) donation of ₱14 Million to the PGH Medical Foundation, Inc.; and (vi) an increase in the data allowance of *Globe At Home Prepaid WiFi*'s HomeSURF199 to assist families needing more data for office work or managing businesses, taking classes online, learning new skills, or connecting with friends and loved ones.

Impact on Operations

As a telecommunications company, Globe was deemed to be an essential business and continued to provide telecommunication services to its subscribers during the implementation of community quarantine measures in the Philippines. Nonetheless, the Group experienced business disruptions brought about by the various levels of community quarantine measures, which included full work-from-home operations with critical skeleton force in place, suspension of Globe Store operations, limitations in employee resources, slowdown in wireless and wireline network build activities, and supply chain disruptions, among others. As of the date of this Offering Circular, the Group's buildout capacity was approximately at 80% to 90% of pre-enhanced community quarantine levels.

Since the adoption of the various community quarantine measures, the Group saw a shift in traffic from central business districts to residential areas in addition to an overall increase in traffic. Globe's network performance indicators remain at good levels and the Group has established multiple network monitoring centers to ensure continuous monitoring of network health. Data usage by the Group's customers continues to grow due to new customer behavior such as the faster adoption of a digital lifestyle due to the COVID-19 outbreak. By the end of May 2020, the Group's mobile data traffic saw a 174% increase compared to levels seen prior to the COVID-19 outbreak. In addition, monthly mobile top-ups improved under the general community quarantine measures and are trending towards the levels seen prior to the implementation of enhanced community quarantine measures. The Group has also experienced increased demand for *Globe At Home Prepaid WiFi* during the imposition of enhanced community quarantine measures in Metro Manila and other parts of Luzon, and observed an increase in demand in mobile top-ups and service activations accompanying the easing of enhanced community quarantine measures to general community quarantine measures. Further, the Group believes that the industry outlook remains positive, with opportunities from increased mobile data usage, higher reliance on digital solutions and online services, increased demand for home broadband solutions and greater bandwidth, acceleration of uptake of digitalization and value-added services by corporates, and increased scale and faster rollout of network infrastructure, as consumers and businesses adjust to the lifestyle and work trends arising from the pandemic.

Trends Anticipated for the Second Quarter of 2020

Globe anticipates that there will be a quarter-on-quarter decline in its revenue for the three months ended 30 June 2020, particularly driven by the softening demand for mobile top-ups, consistent with the Group's expectations that customers are saving their disposable income during the community quarantine period. On the other hand, the Group is experiencing increased sales and usage of its *Globe At Home Prepaid WiFi* product; however, these increases are not expected to offset the decline in revenues in respect of mobile services. As Metro Manila and the rest of the Philippines moved into "general community quarantine" measures in June, the Group saw an improvement in mobile top-up levels and continuing demand for its *Globe At Home Prepaid WiFi* product as businesses reopened, employees returned to work and public transportation became available.

The Group anticipates that its Adjusted EBITDA Margin for the second quarter of 2020 to slightly decline, as an expected decline in revenues is anticipated accompanied by increases in the Group's operating expenses related to the enhanced community quarantine, partially offset by savings made in respect of travel expenses. There has been a decline in the Group's anticipated capital expenditures due delays in the Group's network rollout primarily due to a reduction in vendor and subcontractor personnel. The Group's site acquisitions have also been affected primarily due to delays in permitting, as local government units focused their efforts on responding to the COVID-

19 outbreak. However, availability of network personnel has increased and site acquisitions have also resumed since the easing of community quarantine measures in Metro Manila and the rest of the country.

The Group expects that its provisioning for bad debts will significantly increase for the second quarter of 2020 due to the economic impact of the community quarantine measures that were in place in the Philippines during such period. However, the Group also observed that a large number of its subscribers availed of its installment payment program for both consumer and corporate customers in May. The Group also observed that a significant percentage of transactions at its reopened Globe Stores were for bill payments.

While the Group expects that the continuing COVID-19 outbreak will cause further interruptions, the extent to which it may impact the results of operations, financial condition, and cash flows of the Group cannot be ascertained as of the date of this Offering Circular, as such impact depends on future developments which are highly uncertain.

CORPORATE INFORMATION

The Issuer is incorporated under the laws of the Philippines. It maintains its principal executive offices at The Globe Tower, 32nd Street corner 7th Avenue, Bonifacio Global City, Taguig, Philippines. The telephone number at that address is +63-2-7730-2000. The Issuer's website is at www.globe.com.ph. Information on its website or websites is not incorporated by reference into this Offering Circular and should not be relied on for the purposes of the Offering.

SUMMARY FINANCIAL INFORMATION AND OTHER DATA

The summary historical consolidated statements of financial position as of 31 December 2018 and 2019 and summary historical consolidated statements of comprehensive income and summary historical consolidated statements of cash flows for the years ended 31 December 2017, 2018 and 2019 set forth below have been derived from, and should be read in conjunction with, the Audited Consolidated Financial Statements and, including the notes thereto, included elsewhere in this Offering Circular. Navarro Amper & Co., an affiliate of Deloitte Asia Pacific Limited and part of the Deloitte Network, has audited the Audited Consolidated Financial Statements in accordance with Philippine Standards on Auditing.

The summary historical consolidated statements of financial position as of 31 March 2020 and summary historical consolidated statements of comprehensive income and summary historical consolidated statements of cash flows for the three months ended 31 March 2019 and 2020 have been derived from, and should be read in conjunction with, the Unaudited Interim Condensed Consolidated Financial Statements, which Isla Lipana & Co., PwC Philippines, a member firm of PricewaterhouseCoopers International Limited, has reviewed in accordance with the Philippine Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Potential investors should read the following data together with the more detailed information contained in the Audited Consolidated Financial Statements and related notes and the Unaudited Interim Condensed Consolidated Financial Statements and related notes included elsewhere in this Offering Circular. The following data is qualified in its entirety by reference to all of that information.

Effective 1 January 2019, the Group adopted PFRS 16, Leases ("PFRS 16"), which resulted in significant changes in the Group's accounting policy for leases. In adopting PFRS 16, the Group applied the modified retrospective approach wherein the cumulative effect of the initial application of the standards was recognized as of 1 January 2019, and the comparative periods were not restated. Please see note 3.1 of the Audited Consolidated Financial Statements beginning on page F-102 of this Offering Circular for more details of the impact of the adoption of PFRS 16 on the Group's financial statements.

	For the year ended 31 December				For the three months ended 31 March		
	2017	2018	2019		2019	2020	
	(Audited)	(Audited)	(Audited)	(Unaudited) ¹	(Unaudited)	(Unaudited)	(Unaudited) ¹
	(in ₱)	(in ₱)	(in ₱)	(in U.S.\$)	(in ₱)	(in ₱)	(in U.S.\$)
CONSOLIDATED STATEMENTS OF INCOME							
REVENUES							
Service revenues.....	127,905.8	132,875.3	149,010.0	2,919.2	36,003.1	36,882.0	722.6
Nonservice revenues	7,374.9	18,297.5	17,650.4	345.8	4,633.0	4,309.4	84.4
	<u>135,280.7</u>	<u>151,172.8</u>	<u>166,660.3</u>	<u>3,265.0</u>	<u>40,636.1</u>	<u>41,191.4</u>	<u>807.0</u>
INCOME (LOSSES)							
Equity share in net losses of associates and joint ventures	(846.2)	(1,249.6)	(2,554.8)	(50.0)	(516.8)	(708.2)	(13.9)
Interest income	139.6	391.0	500.4	9.8	195.6	73.3	1.4
Gain on disposal of property and equipment - net	38.4	73.1	43.0	0.8	17.4	42.0	0.8
Gain on fair value of retained interest	1,889.9	-	-	-	-	-	-
Other income - net	701.7	695.4	1,047.0	20.5	124.4	396.3	7.8
	<u>1,923.4</u>	<u>(90.1)</u>	<u>(964.3)</u>	<u>(18.9)</u>	<u>(179.4)</u>	<u>(196.6)</u>	<u>(3.9)</u>
COSTS AND EXPENSES							
General, selling and administrative expenses.....	56,608.9	57,742.1	64,471.4	1,263.0	14,295.6	15,178.1	297.3
Depreciation and amortization	27,512.7	30,421.7	34,143.5	668.9	7,995.9	8,639.5	169.3
Costs of inventories sold.....	13,013.4	18,645.3	18,554.8	363.5	4,615.6	4,530.4	88.8
Interconnect costs.....	7,852.3	5,677.4	3,982.9	78.0	806.8	303.6	5.9
Financing costs.....	5,251.7	6,195.2	6,802.9	133.3	1,797.3	1,655.9	32.4
Impairment and other losses	5,423.4	4,787.7	4,913.1	96.3	1,149.5	1,051.1	20.6
	<u>115,662.4</u>	<u>123,469.4</u>	<u>132,868.6</u>	<u>2,603.0</u>	<u>30,660.7</u>	<u>31,358.6</u>	<u>614.3</u>
INCOME BEFORE INCOME TAX	21,541.7	27,613.3	32,827.4	643.1	9,796.0	9,636.2	188.8
PROVISIONS FOR INCOME TAX							
Current	6,005.4	7,260.0	8,488.6	166.3	2,062.6	2,162.4	42.4
Deferred	452.1	1,727.4	2,055.0	40.2	1,003.6	879.2	17.2
	<u>6,457.5</u>	<u>8,987.4</u>	<u>10,543.6</u>	<u>206.5</u>	<u>3,066.2</u>	<u>3,041.6</u>	<u>59.6</u>

	For the year ended 31 December				For the three months ended 31 March		
	2017	2018	2019		2019	2020	
	(Audited)	(Audited)	(Audited)	(Unaudited) ¹	(Unaudited)	(Unaudited)	(Unaudited) ¹
	(in ₱)	(in ₱)	(in ₱)	(in U.S.\$)	(in ₱)	(in ₱)	(in U.S.\$)
NET INCOME	₱15,084.2	₱18,625.9	₱22,283.8	U.S.\$436.6	₱6,729.8	₱6,594.6	U.S.\$129.2
Net Income attributable to:							
Equity holders of Globe	15,065.8	18,640.7	22,269.3	436.3	6,732.6	6,581.2	128.9
Non-controlling interest	18.4	(14.8)	14.4	0.3	(2.8)	13.4	0.3
	₱15,084.2	₱18,625.9	₱22,283.8	U.S.\$436.6	₱6,729.8	₱6,594.6	U.S.\$129.2
EARNINGS PER SHARE⁽²⁾							
Basic	₱109.22	₱135.91	₱163.00	U.S.\$3.19	₱49.54	₱48.34	U.S.\$0.95
Diluted	₱109.01	₱135.40	₱162.20	U.S.\$3.18	₱49.33	₱48.08	U.S.\$0.94

Notes:

- (1) Translations were made at the exchange rate of ₱51.044 per U.S.\$1.00, being the BSP Rate as of 31 March 2020.
(2) Rounded to the nearest ₱1.00.

	As of 31 December			As of 31 March	
	2018	2019		2020	2020
	(Audited)	(Audited)	(Unaudited) ¹	(Unaudited)	(Unaudited) ¹
	(in ₱)	(in ₱)	(in millions) (in U.S.\$)	(in ₱)	(in U.S.\$)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION					
ASSETS					
Current Assets					
Cash and cash equivalents.....	23,226.4	8,298.1	162.6	14,519.1	284.4
Trade receivables – net	20,652.5	21,139.0	414.1	22,903.1	448.7
Contract assets and deferred contract costs – net.....	8,471.6	8,339.2	163.4	7,927.4	155.3
Inventories and supplies - net	4,854.9	4,713.6	92.3	3,742.7	73.3
Derivative assets - current	63.2	301.6	5.9	305.4	6.0
Prepayments and other current assets	16,254.8	18,948.0	371.2	22,285.9	436.7
Total Current Assets	73,523.4	61,739.5	1,209.5	71,683.6	1,404.4
Noncurrent Assets					
Property and equipment - net	169,393.7	182,662.5	3,578.5	186,498.9	3,653.7
Intangible assets and goodwill- net.....	13,698.3	15,553.1	304.7	15,818.5	309.9
Right of use assets - net.....	-	3,566.3	69.9	3,687.5	72.2
Investments in associates and joint ventures	34,426.8	34,473.9	675.4	33,758.9	661.4
Deferred income tax assets - net	2,075.0	1,866.6	36.6	1,884.2	36.9
Derivative assets – net of current portion	2,300.2	125.3	2.5	413.5	8.1
Deferred contract costs – net of current portion.....	315.7	289.7	5.6	246.4	4.8
Other noncurrent assets	3,765.0	4,013.9	78.6	4,183.7	82.0
Total Noncurrent Assets	225,974.7	242,551.3	4,751.8	246,491.6	4,829.0
Total Assets	₱299,498.1	₱304,290.7	U.S.\$5,961.3	₱318,175.2	U.S.\$6,233.4
LIABILITIES AND EQUITY					
Current Liabilities					
Trade payables and accrued expenses	56,219.4	56,979.3	1,116.3	55,906.9	1,095.3
Contract liabilities and deferred revenues - current	8,044.3	8,764.8	171.7	9,548.2	187.1
Loans payable - current	16,758.2	12,919.9	253.1	18,531.4	363.0
Derivative liabilities - current	285.8	547.0	10.7	570.5	11.2
Lease liabilities - current	-	981.8	19.2	1,059.3	20.8
Provisions	2,549.4	2,622.3	51.4	2,644.2	51.8
Income tax payable	1,608.6	1,762.0	34.5	2,268.2	44.4
Total Current Liabilities	85,465.7	84,577.1	1,656.9	90,528.7	1,773.6
Noncurrent Liabilities					
Loans payable - net of current portion....	131,523.7	122,942.8	2,408.6	126,158.4	2,471.5
Contract liabilities - net of current portion.....	53.6	49.9	1.0	71.3	1.4
Deferred income tax liabilities – net	3,918.5	5,057.6	99.1	6,070.9	118.9
Derivative liabilities - net of current portion.....	25.9	291.3	5.7	197.7	3.9
Lease liabilities – non-current.....	-	2,681.8	52.5	2,765.2	54.2
Pension liabilities	-	3,738.4	73.2	4,004.6	78.5
Other long-term liabilities	5,367.2	3,704.7	72.6	3,788.5	74.2
Total Noncurrent Liabilities	140,888.9	138,466.6	2,712.7	143,056.6	2,802.6

	As of 31 December			As of 31 March	
	2018	2019		2020	2020
	(Audited)	(Audited)	(Unaudited) ¹	(Unaudited)	(Unaudited) ¹
	(in ₱)	(in ₱)	(in millions) (in U.S.S)	(in ₱)	(in U.S.S)
Total Liabilities	₱226,354.6	₱223,043.7	U.S.\$4,369.6	₱233,585.3	U.S.\$4,576.2
Equity					
Capital stock	8,445.2	8,453.0	165.6	8,453.0	165.6
Additional paid in capital	36,528.3	36,808.8	721.1	36,808.7	721.1
Cost of share based payments	417.3	447.6	8.8	510.3	10.0
Other reserves	561.1	(1,766.6)	(34.6)	(1,465.2)	(28.7)
Retained earnings	27,167.4	37,169.6	728.2	40,135.1	786.3
Equity attributable to equity holders of Globe	73,119.3	81,112.4	1,589.1	84,441.9	1,654.3
Non-controlling interests	24.2	134.6	2.6	148.0	2.9
Total Equity	73,143.5	81,247.0	1,591.7	84,589.9	1,657.2
Total Liabilities and Equity	₱299,498.1	₱304,290.7	U.S.\$5,961.3	₱318,175.2	U.S.\$6,233.4

Notes:

(1) Translations were made at the exchange rate of ₱51.044 per U.S.\$1.00, being the BSP Rate as of 31 March 2020.

CONSOLIDATED STATEMENTS OF CASH FLOWS	For the years ended 31 December				For the three months ended 31 March		
	2017	2018	2019 ¹		2019	2020 ¹	2020 ¹
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(in ₱)	(in ₱)	(in ₱)	(in millions) (in U.S.S)	(in ₱)	(in ₱)	(in U.S.S)
Net cash flows from (used in) operating activities	50,304.3	57,850.5	74,042.2	1,450.6	18,116.5	13,751.8	269.4
Net cash flows from (used in) investing activities	(55,422.0)	(42,651.8)	(55,030.8)	(1,078.1)	(9,420.8)	(10,322.2)	(202.2)
Net cash flows from (used in) financing activities	7,814.3	(3,435.0)	(33,257.4)	(651.5)	(15,383.4)	2,930.7	57.4
Net increase (decrease) in cash and cash equivalents	2,696.6	11,763.7	(14,245.9)	(279.0)	(6,687.7)	6,360.3	124.6
Net foreign exchange difference on cash and cash equivalents	(107.2)	240.5	(682.4)	(13.4)	20.4	(139.3)	(2.7)
Cash and cash equivalents at beginning of period	8,632.8	11,222.2	23,226.4	455.0	23,226.4	8,298.1	162.6
Cash and cash equivalents at end of period	11,222.2	23,226.4	8,298.1	162.6	16,559.1	14,519.1	284.5

Notes:

(1) Translations were made at the exchange rate of ₱51.044 per U.S.\$1.00, being the BSP Rate as of 31 March 2020.

OTHER FINANCIAL DATA

Average Revenue Per Subscriber (ARPU) ² (₱)	For the years ended 31 December				For the three months ended 31 March		
	2017	2018	2019 ¹		2019	2020 ¹	2020 ¹
	(in ₱)	(in ₱)	(in ₱)	(in U.S.S)	(in ₱)	(in ₱)	(in U.S.S)
Globe Postpaid	1,173 ³	919	907	17.8	889	858	16.8
Adjusted EBITDA (in millions)	53,325.7	65,127.1	76,031.4	1,489.5	19,919.4	20,475.7	401.1
Core Net Income after Tax (in millions)	13,546.0	18,734.6	22,450.8	439.8	6,732.0	6,559.9	128.5

Notes:

(1) Translations were made at the exchange rate of ₱51.044 per U.S.\$1.00, being the BSP Rate as of 31 March 2020.

(2) 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.

(3) Prior to adoption of PFRS.

ADJUSTED EBITDA RECONCILIATION

	For the years ended 31 December				For the three months ended 31 March		
	2017	2018	2019 ¹		2019	2020 ¹	
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>(in millions)</i>						
	<i>(in ₱)</i>	<i>(in ₱)</i>	<i>(in ₱)</i>	<i>(in U.S.\$)</i>	<i>(in ₱)</i>	<i>(in ₱)</i>	<i>(in U.S.\$)</i>
ADJUSTED EBITDA	53,325.7	65,127.1	76,031.4	1,489.6	19,919.4	20,475.7	401.1
Depreciation and amortisation	(27,512.7)	(30,421.7)	(34,143.5)	(668.8)	(7,995.9)	(8,639.5)	(169.3)
Financing costs	(5,251.7)	(6,195.2)	(6,802.9)	(133.3)	(1,797.3)	(1,655.9)	(32.4)
Equity in net losses of associates and joint ventures	(846.2)	(1,249.6)	(2,554.8)	(50.1)	(516.8)	(708.2)	(13.9)
Foreign exchange gain/(loss) - net..	214.2	(900.4)	848.4	16.6	(26.6)	84.5	1.7
Gain/(loss) on derivative instruments	(127.7)	1,004.2	(809.5)	(15.9)	25.3	(35.0)	(0.7)
Interest income	139.6	391.0	500.4	9.8	195.7	73.3	1.4
Remeasurement loss on investment in associate	-	-	(470.7)	(9.2)	-	-	-
Gain on sale of investment in associate	-	-	240.0	4.7	-	-	-
Gain on disposal of property and equipment - net	38.5	73.1	43.0	0.8	17.4	42.1	0.8
Impairment of goodwill	-	(140.4)	-	-	-	-	-
Gain on value of retained interest ...	1,889.9	-	-	-	-	-	-
Other items	(327.9)	(74.8)	(54.6)	(1.1)	(25.2)	(0.8)	(0.1)
INCOME BEFORE INCOME TAX	<u>21,541.7</u>	<u>27,613.3</u>	<u>32,827.4</u>	<u>643.1</u>	<u>9,796.0</u>	<u>9,636.2</u>	<u>188.8</u>

Notes:

(1) Translations were made at the exchange rate of ₱51.044 per U.S.\$1.00, being the BSP Rate as of 31 March 2020.

RECONCILIATION OF CORE NET INCOME AFTER TAX

	For the years ended 31 December				For the three months ended 31 March		
	2017	2018	2019 ¹		2019	2020 ¹	
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>(in millions)</i>						
	<i>(in ₱)</i>	<i>(in ₱)</i>	<i>(in ₱)</i>	<i>(in U.S.\$)</i>	<i>(in ₱)</i>	<i>(in ₱)</i>	<i>(in U.S.\$)</i>
Core Net Income after Tax	13,546.0	18,734.6	22,450.8	439.8	6,732.0	6,559.9	128.5
Gain/(loss) on derivative instruments	(89.4)	702.9	(566.7)	(11.1)	17.7	(24.5)	(0.5)
Foreign exchange gain/(loss) - net..	149.9	(630.3)	593.9	11.6	(18.6)	59.2	1.2
Remeasurement loss on investment in associate	-	-	(433.0)	(8.5)	-	-	-
Gain on sale of investment in associate	-	-	240.0	4.7	-	-	-
Impairment of goodwill	-	(140.4)	-	-	-	-	-
Gain on value of retained interest ...	1,794.2	-	-	-	-	-	-
Others	(316.5)	(40.9)	(1.2)	(0.1)	(1.3)	-	-
NET INCOME	<u>15,084.2</u>	<u>18,625.9</u>	<u>22,283.8</u>	<u>436.6</u>	<u>6,729.8</u>	<u>6,594.6</u>	<u>129.2</u>

Notes:

(1) Translations were made at the exchange rate of ₱51.044 per U.S.\$1.00, being the BSP Rate as of 31 March 2020.

SUMMARY OF THE OFFERING

This is a summary of the Terms and Conditions and is qualified in its entirety by the remainder of this Offering Circular. Please refer to “Terms and Conditions of the 2030 Notes” and “Terms and Conditions of the 2035 Notes” for a detailed description of Terms and Conditions of the 2030 Notes and the Terms and Conditions of the 2035 Notes. Some of the terms described below are subject to important limitations and exceptions. Phrases used in this summary and not otherwise defined shall have the meanings given to them in “Terms and Conditions of the 2030 Notes” and “Terms and Conditions of the 2035 Notes”.

Issuer	Globe Telecom, Inc., a company incorporated with limited liability under the laws of the Republic of the Philippines. (LEI: 254900GPWI1816YIM923)
Joint Global Coordinators	The Hongkong and Shanghai Banking Corporation Limited and J.P. Morgan Securities plc.
Joint Lead Managers and Joint Bookrunners	BPI Capital Corporation, The Hongkong and Shanghai Banking Corporation Limited and J.P. Morgan Securities plc.
Issue	U.S.\$300,000,000 aggregate principal amount of 2.50 per cent. senior notes due 2030 (the “ 2030 Notes ”) and U.S.\$300,000,000 aggregate principal amount of 3.00 per cent. senior notes due 2035 (the “ 2035 Notes ”), and together with the 2030 Notes, the “ Notes ”).
Issue Price	2030 Notes: 99.807 per cent. 2035 Notes: 99.140 per cent.
Issue Date	23 July 2020
Maturity Date	Unless previously redeemed or purchased and cancelled, the 2030 Notes will be redeemed on 23 July 2030 at 100 per cent. of their principal amount in U.S. dollars plus any accrued and unpaid Interest. Unless previously redeemed or purchased and cancelled, the 2035 Notes will be redeemed on 23 July 2035 at 100 per cent. of their principal amount in U.S. dollars plus any accrued and unpaid Interest.
Interest	The 2030 Notes will bear Interest (as defined in the Terms and Conditions of the 2030 Notes) from and including the Issue Date at the rate of 2.50 per cent. per annum, payable in equal instalments of U.S.\$12.50 per U.S.\$1,000 in principal amount of Notes semi-annually in arrears on 23 January and 23 July of each year, commencing on 23 January 2021. See “ <i>Terms and Conditions of the 2030 Notes</i> ”. The 2035 Notes will bear Interest (as defined in the Terms and Conditions of the 2035 Notes) from and including the Issue Date at the rate of 3.00 per cent. per annum, payable in equal instalments of U.S.\$15.00 per U.S.\$1,000 in principal amount of Notes semi-annually in arrear on 23 January and 23 July of each year, commencing on 23 January 2021. See “ <i>Terms and Conditions of the 2035 Notes</i> ”.
Form and Denomination	The Notes of each series will be issued in registered form in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. Each series of the Notes will be represented on issue by a global certificate (each, a “ Global Certificate ”) which will be registered in the name of a nominee of, and deposited with, a common depository for

	<p>Euroclear and Clearstream, Luxembourg on or about the Issue Date. For so long as the Notes of a series are represented by the Global Certificate for that series, the purchase, sale and transfer of the Notes of that series may only be effected through records maintained by Euroclear and Clearstream, Luxembourg and their respective accountholders. The Global Certificate for a series of Notes will be exchangeable for definitive Certificates for that series of Notes in the limited circumstances set out in it. See “<i>The Global Certificates</i>”.</p>
Status of the Notes	<p>The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3.1 of the Terms and Conditions) unsecured obligations of the Issuer and (subject as stated above) will at all times rank <i>pari passu</i> without any preference among themselves and with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights.</p>
Negative Pledge	<p>So long as any Note of a series remains outstanding (as defined in the Trust Deed), (a) the Issuer will not, and the Issuer will ensure that none of its Material Subsidiaries will, create or permit to subsist any mortgage, lien, pledge, charge, security interest, encumbrance or claim of any kind or nature, whatsoever, upon the whole or any part of the property, assets or revenues, present or future, of the Issuer or any Material Subsidiary, respectively, to secure any Relevant Indebtedness or to secure any guarantee of or indemnity in respect of, any Relevant Indebtedness unless, at the same time or prior thereto, the Issuer’s obligations under the Notes of that series and the Trust Deed (i) are secured equally and rateably therewith, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders of that series, and (b) the Issuer will not create or permit to subsist any preference or priority in respect of any other Relevant Indebtedness of the Issuer pursuant to Article 2244(14) of the Civil Code of the Philippines, or any successor Philippine law providing for preferences or priority in respect of notarised Relevant Indebtedness, unless amounts payable under the outstanding Notes of that series are granted preference or priority equally and rateably therewith. See “<i>Terms and Conditions of the 2030 Notes—Negative Pledge</i>” and “<i>Terms and Conditions of the 2035 Notes—Negative Pledge</i>”.</p>
Events of Default	<p>Events of Defaults under the Notes of each series will include, among others, non-payment of any principal, premium or Interest due in respect of the Notes of that series, and in the case of premium (if any) or Interest only, the default continues for a period of 14 days, each as described in Condition 10 of the Terms and Conditions. For a description of events that would permit acceleration of repayment of principal and Interest on the Notes, see “<i>Terms and Conditions of the 2030 Notes—Events of Default</i>” and “<i>Terms and Conditions of the 2035 Notes—Events of Default</i>”.</p>
Taxation and Additional Amounts	<p>All payments of principal, premium (if applicable) and Interest by or on behalf of the Issuer in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“Taxes”) imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of such Taxes is required by law. Subject to certain exceptions, in the event the Issuer is required to make a deduction or withholding by the Relevant Jurisdiction, the Issuer shall pay such additional amount (“Additional Amounts”) as will result in receipt by the Noteholders of such amounts as would have been received</p>

	by them had no such withholding or deduction been required. See Condition 7.1 of the Terms and Conditions.
Optional Redemption at Par	At any time or from time to time on or after (i) in the case of the 2030 Notes, 23 April 2030 (being the date that is three months prior to the maturity of the 2030 Notes) or (ii) in the case of the 2035 Notes, 23 April 2035 (being the date that is three months prior to the maturity of the 2035 Notes), the Issuer will have the right to redeem the Notes of the relevant series, in whole or in part, on giving at least 30 days' but not more than 60 days' prior notice to the Noteholders of that series, in accordance with Condition 12 of the Terms and Conditions, and to the Trustee and the Principal Paying Agent in writing at a redemption price equal to 100 per cent. of the outstanding principal amount of the Notes of that series to be redeemed plus accrued but unpaid Interest (if any) on the principal amount of the Notes of that series to be redeemed to, but excluding, the redemption date (subject to the right of the Holders of record of that series on the relevant Record Date (as defined below) to receive Interest on the relevant redemption date).
Early Redemption due to a Gross-up Event	The Notes of a series may be redeemed at the option of the Issuer, in whole but not in part, at any time at the Redemption Price on the giving of not less than 30 and not more than 60 calendar days' irrevocable notice of redemption to the Noteholders of that series in accordance with Condition 12.1 of the Terms and Conditions and to the Trustee and the Principal Paying Agent in writing. See Condition 5.3 of the Terms and Conditions
Early Redemption due to a Change of Control Event	Upon the occurrence of a Change of Control Event, each Noteholder will have the right, at its option, to require the Issuer to repurchase all, but not part, of its Notes on the Change of Control Event Put Date at 101 per cent. of the outstanding principal amount of the Notes plus any accrued but unpaid Interest to but excluding the relevant redemption date. See Condition 5.4 of the Terms and Conditions.
Trust Deed	The Notes will be constituted by a Trust Deed to be dated on or about 23 July 2020 between the Issuer and Citicorp International Limited (the "Trustee").
Governing Law	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by and construed in accordance with English law.
Trustee	Citicorp International Limited
Principal Paying Agent, Registrar and Transfer Agent	Citibank, N.A., London Branch
Listing and Trading	Approval-in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed, or reports contained herein. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Group or the Notes. The Notes of each series will be traded on the SGX-ST in a minimum board lot size of U.S.\$200,000 for as long as the Notes of that series are listed on the SGX-ST and the rules of the SGX-ST so require.
Use of Proceeds	The net proceeds from the issue of the Notes, which will be approximately U.S.\$595 million (after the deduction of commissions,

	documentary stamp taxes and estimated expenses), will be used to finance the Issuer’s capital expenditures, maturing and/or existing obligations and for general corporate requirements. See “ <i>Use of Proceeds</i> ”.
Risk Factors	For a discussion of certain risk factors that should be considered in evaluating an investment in the Notes, see “ <i>Risk Factors</i> ”.
Selling Restrictions	The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Notes are being offered and sold outside of the United States in reliance on Regulation S under the Securities Act (“ Regulation S ”). The Notes may be sold in other jurisdictions (including the United Kingdom, the European Economic Area, Hong Kong, Singapore and the Philippines) only in compliance with applicable laws and regulations. See “ <i>Subscription and Sale</i> ”.
Clearing Systems	Euroclear and Clearstream, Luxembourg
ISIN	2030 Notes: XS2207510319 2035 Notes: XS2207510582
Common Code	2030 Notes: 220751031 2035 Notes: 220751058

RISK FACTORS

The Group believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are described below.

The Group believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

Risks Relating to the Group's Business

The outbreak, or threatened outbreak, of any severe communicable disease, such as the ongoing COVID-19 pandemic, could have a material adverse effect on the Group's business, financial condition and results of operations.

The outbreak of COVID-19, which was declared a global pandemic by organisations such as the World Health Organisation, in the first quarter of 2020, has severely affected and continues to seriously affect the global economy. On 16 March 2020 the Philippine government declared an enhanced community quarantine covering the whole of Luzon, including the National Capital Region ("NCR"), in view of COVID-19. Several nations and territories, including the Philippines and other areas where the Group operates, have imposed strict quarantine measures, social distancing rules, closure of work sites, restaurants, bars and non-essential services, and even complete lock-downs of certain populations or areas. Although many governments have introduced stimulus packages to mitigate the effect of the outbreak of COVID-19 on their respective economies, there is no assurance that such packages are sufficient or that such measures will successfully improve business sentiments in the affected economies in the short term.

The COVID-19 pandemic has also affected the liquidity of the Group's customers, in turn reducing demand for the Group's products, which could materially and adversely affect the Group's business, financial condition and results of operations. Furthermore, any further outbreak in the jurisdictions or areas where the Group operates would likely restrict the level of economic activity in affected areas, which would in turn adversely affect the Group's business and operating results. Moreover, if any of the Group's employees, contractors, partners, visitors or employees of other institutions or entities working in the same building or vicinity as members of the Group contract or are suspected of contracting an epidemic disease, this could require the affected member of the Group to quarantine some or all of these employees and disinfect or even temporarily shut down the facilities used for its operations, which could in turn result in service disruption or additional costs. As outlined in its business continuity plan, the Group recognizes the risks from emerging infectious diseases such as COVID-19 for the Group's operations. As such, in view of the outbreak of COVID-19, the Group immediately addressed critical aspects of its operations such as workforce health and safety, supply chain disruption and the continuous need of its customers for seamless connectivity. See "*Business – Recent Developments*" for more information.

While the Group believes it currently has sufficient liquidity, the continuation or worsening of current conditions in the markets in which the Group operates or the effects on its ability to provide its services may adversely affect its liquidity. The Group may enter into additional credit facilities to bolster liquidity and provide additional financial flexibility in light of current uncertainty in the global economy resulting from the COVID-19 pandemic. Other than COVID-19, the outbreak, or continued or threatened outbreak, of any other severe communicable disease, such as Middle East Respiratory Syndrome-Coronavirus, avian influenza (commonly known as bird flu), H1N1 or another similar disease (such as Zika) could materially and adversely affect overall business sentiment and environment, particularly if such outbreak is inadequately controlled. In addition, the Group's revenue and profitability could be materially reduced to the extent that a natural disaster, health epidemic or other outbreak harms the Philippine and global economy in general.

There can also be no assurance that the policies and controls for outbreak prevention and disease recurrence or any stimulus packages introduced by governments, will be successful in preventing disease outbreaks or

recurrences or that any actual or suspected outbreak of COVID-19 or other contagious disease affecting the Philippines or elsewhere will not occur. There can also be no assurance that any future outbreak of contagious diseases will not have a material adverse effect on the Group's business, financial condition, and results of operations.

The telecommunications industry in the Philippines is highly competitive.

Competition remains intense in the Philippine telecommunications industry amidst a maturing mobile market and high growth data business, as current operators seek to increase market share with aggressive offerings while potential new entrants continue to further heighten the competitive dynamics. The Philippine telecommunications industry remains to be a two-player market with the PLDT Group (composed of Philippine Long Distance Telephone Company (“**PLDT**”), Smart Communications, Inc. (“**Smart**”), and Digitel Telecommunications Philippines, Inc. (“**Digitel**”)) continuing to be the Group's principal competitor.

In November 2018, the Department of Information and Communications Technology (“**DICT**”) and the National Telecommunications Commission (“**NTC**”) approved the entry of DITO Telecommunity Corporation (“**DITO**”) (a consortium comprised of Mindanao Islamic Telephone Inc., Udenna Corporation, Chelsea Logistics Holdings and China Telecom) as a new major telecommunications player. In July 2019, DITO was given its permit to operate in the Philippines. Based on news reports from July 2020, DITO's commercial operations have been delayed with operations expected to commence in March 2021. As of the date of this Offering Circular, DITO is reportedly rolling out its network but has not yet commenced commercial operations.

The competitiveness of the industry is further underlined by cheap alternatives to communication such as instant messaging, social network services and voice over internet protocol. These alternatives are also driven by proliferation of affordable smartphones and internet-capable mobile devices. The Group's ability to adequately address intense competition may impact its business, revenues, and net income.

The continued expansion and development of the Group's business portfolio is critical to maintaining its market competitiveness. On 17 August 2018, the Group incorporated GTowers, Inc. (“**GTowers**”) as a fully owned subsidiary. GTowers is expected to focus on the construction and deployment of cellular towers in the Philippines as the spin-off of the Group's existing cellular tower operations. As of the date of this Offering Circular, GTowers has yet to commence operations as DICT's common tower policy was recently finalized on 29 May 2020.

Further, it is essential for the Group to maintain a favourable reputation among its customers in order to compete in the highly competitive telecommunications industry. Any inability of the Group to predict and respond to the changing needs and demands of its customers will affect its competitive position relative to other telecommunications companies, and its ability to capture value from the digital transformation process. In addition, any failure by the Group to maintain a favourable perception among its customers could have an adverse effect on its business, financial condition, results of operations or cash flows.

The Group's business is regulated by Government agencies that continuously evolve and whose directives are subject to interpretation and inconsistent application.

The Group is regulated by the NTC, an attached agency of the DICT, for its telecommunications business, and by the SEC for other aspects of its business. In addition, the PCC has oversight of the Group's potential mergers, acquisitions, and other similar transactions, as it is tasked to effectively level the playing field among businesses and penalise anti-competitive agreements and abuse of market dominance.

The current administration is implementing major changes to the telecommunications industry that will have an impact on the Group's business, including pressuring operators to improve network performance, requiring the sharing of networks and facilities across operators, providing portability of mobile numbers, zero interconnection rate, and permitting the entry of foreign telecommunications players. Further, in light of the COVID-19 pandemic, the Government enacted Republic Act No. 11469 (the “**Bayanihan Act**”) that gave the Government the authority to direct the operations or private entities to facilitate the Government's COVID-19 response activities. On 25 June 2020, the Bayanihan Act expired; however, several bills to replace the Bayanihan Act have been filed with and remain pending in Congress. While the Bayanihan Act specifically covered the medical and hospitality industries, there is no assurance that any law passed to replace the Bayanihan Act will not contain measures allowing the Government to intervene in the telecommunications industry as it deems necessary.

Changes in regulations or Government policies or differing interpretations of such regulations or policies have affected, and will continue to affect the Group's business, financial condition and results of operation. No assurance can be given that the regulatory environment in the Philippines will remain consistent or open. Current or future policies may affect the business and operations of the Group.

Inability to adapt to technology shifts and address changing consumer demand may negatively impact the Group's competitiveness and customer experience.

The telecommunications industry is subject to rapid and significant changes in technology and requires the introduction of new products and services. In order to remain competitive, the Group must anticipate and adapt, in a timely manner, to constant technological changes, changes in customer preferences that are taking place in the industry, as well as economic, political and social circumstances. Like other operators, Globe cannot predict the effect of technological changes on its business. New services and technological advances may offer additional opportunities for competitors to compete against the Group on the basis of cost, quality or functionality.

Mobile data applications and the rising popularity of smartphones and mobile and connected devices are key contributors to the exponential growth of data traffic in recent years. This phenomenon may strain the Group's network capacity as well as the supporting back-end systems, negatively impacting customer experience. Although Globe recently launched its 5G service on a commercial pilot basis in June 2019, there is no assurance that future technological innovations will not spur further requirements for infrastructure upgrade in communications technologies.

In addition, the Group offers mobile payment and remittance services under the "GCASH" brand using its network as the communications backbone. The emergence of web- and app-based fintech companies providing similar services has significantly increased competition in this respect.

Any inability on the part of the Group to recognise and quickly respond to changes in customer preferences by upgrading its existing infrastructure and systems may impact its competitiveness in the marketplace. Further, if the Group chooses technology or equipment that is not as effective or attractive to consumers as that employed by its competitors, if it fails to employ technologies desired by consumers before its competitors do, or if it fails to execute its technology initiatives effectively, its businesses and results of operations could be adversely affected.

The Group operates in a capital intensive business and it may not be able to obtain future financing to fund its capital expenditure, on favourable terms or at all.

The telecommunications industry is capital intensive. The pace at which new technologies are developed is rapid, and companies operating in the telecommunications industry need to keep up with these changes in order to remain competitive. This requires constant investment in updating technologies and corresponding funding needs. The Group has made, and intends to continue to make, capital investments to develop, launch and enhance its service offerings. For the years ended 31 December 2017, 2018 and 2019, the Group incurred cash capital expenditures of ₱42,541 million, ₱43,259 million, and ₱51,024 million (U.S.\$999.6 million), respectively. Additionally, the Group incurred liabilities related to the acquisition of property and equipment amounting to ₱27,792 million, ₱20,098 million and ₱13,494 million (U.S.\$264.4 million) for the years ended 31 December 2017, 2018 and 2019. For the remainder of 2020, the Group anticipates that it will incur approximately ₱63 billion (U.S.\$1.2 billion) of capital expenditures. However, this figure may change based on ongoing assessments due to the impact of COVID-19.

The Group has in the past and will continue to source funding from various sources, including cash flow from operations and debt and equity financings. The Group's continued access to debt and equity financing as a source of funding its capital expenditure is subject to a number of factors, including: (i) Philippine regulations limiting bank exposure (including single borrower limits) to a single borrower or related group of borrowers; (ii) the Group's compliance with existing debt covenants; (iii) the ability of the Group to service new debt; (iv) the macroeconomic fundamentals driving credit ratings of the Philippines; and (v) perceptions in the capital markets regarding Globe and the telecommunications industry and other factors, some of which may be outside of the Group's control, including general conditions in the debt and equity capital markets, political instability, an economic downturn, social unrest, changes in the Philippine regulatory environment or the bankruptcy of an unrelated company operating in the telecommunications industry. Any of these factors could increase the Group's borrowing costs or restrict its ability to obtain debt or equity financing to fund its capital expenditure requirements, on favourable terms or at all.

Furthermore, any debt financing, if available, may involve restrictive covenants being imposed on the Group and would also increase the Group's leverage, which would have a negative impact on the Group's ability to meet its obligations. If the Group is unable to borrow the amounts required on favourable terms or at all, it may be unable to pursue its planned strategies, which would, in turn, have a material adverse impact on the Group's results of operations. There can be no assurance that future conditions in the financial markets will not adversely affect the Group's ability to finance its operations, particularly if it and other telecommunications companies seek increasingly large amounts of capital financing.

The Group's digital transformation initiatives may not achieve their expected results.

The Group is in the process of transforming its businesses and with changes in its network, IT systems and supporting processes. The Group is pursuing changes in the network infrastructure to improve network quality, anticipate the surge in data traffic, decrease total cost of ownership and enhance network resilience to meet future needs. IT transformation programs are set to reengineer IT systems and key processes to enhance the Group's ability to deliver superior customer experience and understand customers' needs, while preserving capacity to roll out products to the market in a more efficient and effective manner. There is no assurance that the Group's network infrastructure expenditures and complex transformation programs will yield expected returns and outcome. Ultimately, the Group may lose market share and experience liquidity concerns should this risk materialize.

Inability to manage subscriber churn may generally decrease the Group's profitability.

Subscriber churn arises as a result of personal economic factors, and to a lesser extent, changes in consumers' media consumption preference and competitive influences. In addition, churn tends to be cyclical as certain quarters of a year have a higher rate of subscriber disconnections. The Group's ability to manage churn in the future will likely be dependent on its ability to execute targeted retention programmes, procure and create relevant content or provide differentiated customer service. Trends with respect to increase in subscriber churn have corresponded to increase in subscriber acquisitions costs. The intense competition may also make it more difficult for the Group to gain new or win back past subscribers. Any increase in subscriber churn may lead to an increase in costs in retaining or acquiring subscribers, and a reduction in revenue, which could have a material and adverse effect on the Group's results of operations and financial position.

The Group may be unable to fulfil the terms and conditions of licenses, permits and other authorizations.

The Group is required to obtain and maintain licenses, permits and other authorizations, including local business permits, and permits necessary for the roll out of telecommunications infrastructure from several government agencies such as the NTC, DICT, Department of Interior and Local Government ("DILG"), Department of Trade and Industry ("DTI"), Department of Public Works and Highways ("DPWH"), Department of Human Settlements and Urban Development ("DHUSD"), and the Civil Aviation Authority of the Philippines ("CAAP"). The Group's licenses, permits and other authorizations contain various requirements that must be complied with to keep such licenses, permits and other authorizations valid. If the Group fails to meet the terms and conditions of any of the Group's licenses, permits or other authorizations necessary for its operations, these may be suspended or terminated, leading to suspension of activities or other adverse consequences. In addition, as a public telecommunications entity, the Company may not operate without a legislative franchise, which can only be granted through the passage of law duly passed by the Philippine Congress and approved by the Philippine President. The Group currently has three valid and subsisting legislative franchises: R.A. 7633, R.A. 7229 and R.A. 11151, which will expire in 2021, 2030 and 2045, respectively, unless renewed by Congress.

Further, in report released in early July 2020, Fitch Solutions warned of heightened investment risks in the Philippine media and telecommunications industries, citing the "politicization" of such industries amid the Government's orders to shut down Sky Direct and ABS-CBN Corp. and the non-renewal of the legislative franchise of ABS-CBN Corp. Fitch Solutions cited the NTC's apparent ability to be influenced by the Government as a key impediment to foreign investor sentiment, and has also made the telecommunications landscape difficult for both new entrants and existing players. On 10 July 2020, an overwhelming majority of a committee of the House of Representatives voted to deny the renewal of the legislative franchise of ABS-CBN Corp.

There can be no assurance that the Group will continue to be able to secure or renew, as the case may be, its franchise or the necessary licenses, permits and other authorizations for the Group's operations as necessary or that such licenses, permits and other authorizations will not be revoked. If the Group is unable to obtain or renew them or are only able to do so on unfavorable terms, the Group may lose its spectrum and authority to offer

services, which would materially and adversely affect the Group's business, financial condition and results of operations.

A part of the Group's debt, revenues and operating expenditures are in U.S. dollars which may pose some foreign exchange risk.

The Group's revenues are predominantly denominated in Philippine Pesos, while some investment initiatives and certain expenses, including debt obligations, are denominated in other currencies (principally U.S. dollars). Foreign exchange risks are managed by the Group such that U.S. dollar inflows from operations (transaction exposures) are balanced or offset by the net U.S. dollar liability position of the Group (translation exposures). Transactional exposures are comprised of foreign currency linked revenues and expenses. Consolidated foreign currency-linked revenues amounted to 7% and 8% of total gross service revenues for the three month periods ended 31 March 2020 and 2019, respectively. In contrast, the Group's foreign-currency linked expenses were at 15% and 13% of total operating expenses for the three month periods ended 31 March 2020 and 2019, respectively. The Group's foreign exchange translation exposures result primarily from movements of the Philippine Peso against the U.S. dollar with respect to U.S. dollar-denominated financial liabilities and certain U.S. dollar-denominated revenues.

In addition, as of 31 March 2020, 19% of the Group's total debt (excluding the effect of any swap or hedges) is denominated in U.S. dollars. Although the Group enters into currency swaps and hedges to limit its exposure to currency fluctuations, there can be no assurance that declines in the value of the Philippine Peso will not occur in the future or that the availability of foreign exchange will not be limited. The occurrence of these conditions may adversely affect the Group's financial condition and results of operations.

The Group is exposed to financial risks related to fluctuations in interest rates.

The Group is exposed to financial risk related to fluctuations in interest rates and variations in purchasing power. Interest rates are highly sensitive to many factors beyond the Group's control, including monetary policies and domestic and international economic and political conditions. An increase in interest rates may increase the Group's financial expenses. The Group seeks to manage its interest rate risk by using a mix of fixed and variable rate debt that is meant to achieve a balance between cost and volatility.

Where appropriate, the Group seeks to minimise its interest rate risk exposure by entering into interest rate swap contracts to exchange the floating interest rate to a fixed interest rate over the duration of its borrowings. There can be no assurance that any of the strategies implemented by the Group to manage its debt profile will be successful and any failure by the Group to manage interest rate risk could have a material adverse effect on its results of operations and financial condition.

Inability to manage increasing credit exposures from Group's subscribers

The Group is exposed to credit risks particular to its subscribers and the environment within which it operates. With the conditions brought by the COVID-19 pandemic, reduced consumer spending and unemployment hindered consumer account settlements. Restrictions of economic activities in affected areas had obstructed the capacity of enterprise clients to meet its obligations to the Group. The Group analyses its subscriber receivables and contract assets based on an internal credit risk rating. In response to the COVID-19-related credit default risk, the Group seeks to mitigate this risk by implementing an instalment payment program that will enable customers to fully settle their outstanding bills over a period of time while enabling them to manage their resources, thus reducing the risk of default. The Group is also implementing stringent standard credit evaluation and verification upon account application. The Group continuously reviews credit policies and processes and implements various credit actions to minimise credit exposure. The Group monitors its accounts on a regular basis and applies credit treatments at various stages of delinquency. There can be no assurance that these mitigation strategies implemented by the Group to manage its credit risks will be successful. Any failure by the Group to manage its credit risk could have a material adverse effect on its cash flows and financial health.

The Group's debt leverage will increase following the issue of the Notes.

Following the issue of the Notes, the Group's indebtedness on a consolidated basis, will increase, and its debt-to-equity ratio will likewise increase. The increase in the level of outstanding debt will increase the Group's exposure to a number of risks associated with debt financing, including the risk that cash flows from the Group's operations will be insufficient to meet required payments of principal, the risk that the repayment of the Group's foreign

currency loans may be adversely affected if the Philippine Peso depreciates against the U.S. dollar, the risk that the Group will become more vulnerable to general adverse economic and industry conditions and the risk that it may not be possible to obtain refinancing on favourable terms when required or if at all. Although the Group anticipates that it will be able to repay or refinance existing debt and any other indebtedness when it matures, there can be no assurance that it will be able to do so.

Cybersecurity threats or other breaches of network or IT security could have an adverse effect on the Group's business.

The cybersecurity landscape is rapidly evolving, and users are heavily relying on digitised information and sharing vast amounts of data across complex and inherently vulnerable networks. New technologies and systems being installed in the name of advanced capabilities and processing efficiencies may introduce new risks which could outpace the Group's ability to properly identify, assess and address such risks. Furthermore, new business models that rely heavily on global digitization, use of cloud, big data, mobile and social media may expose the Group to even more cyber-attacks.

These new technologies and systems increase the Group's exposure to various forms of cybersecurity threats, which could result in disruption of business operations, damage to reputation, legal and regulatory fines and customer claims. Cybersecurity threats may include gaining unauthorised access to the Group's systems or inserting computer viruses or malicious software in its systems to misappropriate consumer data and other sensitive information, corrupt the Group's data or disrupt its operations. Unauthorised access may also occur through traditional means such as the theft of laptop computers, data devices and mobile phones and intelligence gathering on employees with access. Further, the Group's employees or other persons may have unauthorised or authorised access to the Group's systems and/or take actions that affect the Group's networks in a manner which is inconsistent with its policies or otherwise adversely affects the Group's ability to adequately process internal information.

As of the date of this Offering Circular, the Group has not been the subject of any cybersecurity breaches or threats that have resulted in major losses, business disruption or damage to the Group's reputation. However, any significant cyber-attack or data leakage from either known or unknown threat vectors that could not be mitigated by existing tools and capabilities may result in a material adverse effect on the Group's results of operations, reputation and financial condition. Although the Group telecommunication's business has insurance policies that may cover these types of incidents, there can be no assurance that these policies will be sufficient to cover all possible monetary losses in the event of any material and unaddressed cybersecurity breach or threat.

The Group is susceptible to data privacy breaches.

In the course of regular business, the Group acquires personal information of its customers and retains the same either electronically or via hard copies. In addition, the Group's networks carry and store large volumes of confidential, personal and business data, through both voice and data traffic. Existing laws require that these information be adequately protected against unauthorised 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. The Group may be found liable for any loss, transfer, or inappropriate modification of the customer data or general public data stored on its servers or transmitted through its networks, any of which could have an adverse impact on the Group's reputation, or lead to legal claims and liabilities that are difficult to measure in advance. As of the date of this Offering Circular, the Group has not experienced any data privacy breaches. However, if any such breaches occur, the Group may be subject to fines and penalties under the Data Privacy Law, which could result in a material adverse effect on the Group's results of operations and financial condition.

The Group is susceptible to business disruptions arising from natural and man-made disasters, including severe weather conditions.

The quality and continued delivery of the Group's services are highly dependent on the quality, stability, resilience and robustness of the network and IT infrastructure, which are vulnerable to damage caused by extreme weather disturbances, natural calamities, fire, acts of terrorism, intentional damage, malicious acts and other similar events, which could negatively impact the Group's revenue targets and reputation. Power and technology disruptions and severe weather events, such as typhoons and flooding, have impacted the Group's services, products and properties from time to time in the past and will continue to have an impact in the future. The occurrence of these events and other natural catastrophes may cause damage to the terminals and result in a material disruption of

service, a reduction in the Group's customer base and in large expenditures to repair or replace the damaged properties, products, services, networks or information systems to protect them from similar events in the future. Sustained or significant disruption to the Group's services may also significantly impact its reputation with its customers. Any such events could materially disrupt and adversely affect the business, operations, and financial condition of the Group or lead to litigation and disaster recovery plans put in place and/or insurance policies taken out by the Group with respect to some or all of these risks may not be sufficient to mitigate the potential losses and damages.

The Group's complex IT systems and network infrastructure could lead to revenue leakage.

The telecommunications industry is inherently vulnerable to revenue leakage, with the dynamic changes in networks and IT systems and the multitude of service/bundle/plan offerings. Given the pace at which new offers are launched in the market and the speed of technological innovations being adopted by the Group to support such offers, the need to identify and plug revenue leakages becomes an even more important capability in maximizing revenues and returns. Any inability to identify and plug revenue leakages may adversely impact the Group's results of operations and financial condition.

The Group is vulnerable to fraudulent schemes due to the popularity of its products and services.

The Group is at 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 to defraud The Group's customers. With the increased complexity of technologies, network elements and IT infrastructure, new types of fraud that are more difficult to detect or combat may also arise. Employees may also execute irregular transactions or activities for personal gain. Failure to detect or prevent fraud may result in losses or have an adverse effect on the Group's reputation.

The Group depends on its suppliers in the provision of its services, and any failure of a key supplier to provide services to the Group could have an adverse effect on its business.

The Group relies on third party suppliers with respect to many aspects of its business, such as network infrastructure, as fibre, switch and network equipment, smartphones, cable communications licenses, wireless devices information systems or handsets. Accordingly, the Group's operations and reputation could be affected by such third party suppliers or their supply chain failing to perform their obligations, or failing to operate in line with increased expectations of key stakeholders such as the regulators and/or customers on a broadening set of environmental, social and governance issues. These suppliers may, among other things, extend delivery times, raise prices and limit supply due to their own stock shortfalls and business requirements. If these suppliers fail to deliver products and services to the Group on a timely basis, it could jeopardise the Group's network deployment and expansion plans, which in some cases could adversely affect The Group's ability to satisfy its license terms and requirements.

The Group notes that some countries, including the U.S., and telecommunications service providers have banned or limited the use of information and communications technologies of Huawei Technologies, Co ("HTC") and 114 of its affiliates for different reasons. While HTC is a major supplier and technology partner of the Group, management has assessed, considering various scenarios, the impact of the U.S. ban on the Group's business and operations is manageable. In response to this risk, the Group has also implemented contingency plans and is closely monitoring the developments relating to HTC.

There can be no assurance that the Group will be able to continue to obtain the necessary equipment from one or more of its suppliers. Any discontinuation or interruption in the availability of equipment from its suppliers for any reason or any inability of the Group to obtain the equipment needed for its networks in a timely manner or at all may have an adverse effect on its business, financial condition, results of operations and cash flows.

The Group may be unable to attract new talent and retain skilled personnel in a competitive job market.

The Group is exposed to risks in staffing its critical functions with competent management and technical expertise. The Group believes its greatest asset is its people and its success is largely dependent on its ability to attract highly skilled personnel and to retain and motivate its best employees. Any loss of key personnel or any inability of the Group to attract and retain skilled personnel may adversely impact the Group's ability to provide products and services to its customers. Losses of trained personnel could also result in the Group incurring additional expenses in hiring and training replacement personnel and it may take time for these new personnel to reach the level of technical skill and expertise of the personnel they are replacing. Any of the foregoing could have a material

adverse effect on the Group's business, financial condition and results of operations. In addition, the Group has relied and will continue to rely significantly on the continued individual and collective contributions of its senior management team. If any of the Group's key personnel are unable or unwilling to continue in their present positions, or if they join a competitor or form a competing business, the Group may not be able to replace them easily, and its business may be significantly disrupted and its business, financial condition, results of operations and prospects could be materially and adversely affected.

Damage to reputation or brand erosion arising from internal or external factors may negatively affect the Group's business.

The Group is exposed to various reputational risks, from those which may result directly from the Group's actions or those of its competitors, indirectly from actions of the Group's employees or consequently through actions of outsourced partners, suppliers or joint venture partners. Damage to the Group's reputation and erosion of brand equity may also be triggered by any inability to swiftly and adequately address negative social media sentiments on the Group's products and services, which may in turn be triggered by various factors such as unfavourable customer experience, among others. Any inability to preserve brand equity and reputation may adversely impact the Group's results of operations and financial condition.

Transactions conducted by the Group may be subject to review under the Philippine Competition Act.

Republic Act ("R.A.") No. 10667, the Philippine Competition Act (the "PCA") became effective on 8 August 2015. The PCA prohibits and penalises anti-competitive agreements and abuse of dominance; however, it provides that administrative, civil and criminal penalties may only be imposed if violations are not cured upon the expiration of two years after the effectivity of the PCA. This transition period ended on 8 August 2017. Under the PCA, there is a rebuttable presumption of dominance when an entity has a market share of 50% or more. To the extent the Group possesses a market share of 50% or more, it is proscribed under the PCA from committing any of the acts listed as abuse of dominance. As of 31 March 2020, the Group's share of revenues in the wireless industry, based on its internal analysis using public information, was 53.6%. The Group has evaluated its contracts and practices in light of the PCA and believes that it is compliant with the provisions of the PCA. There can be no assurance that the Group's existing or future businesses or strategies will not be subject to PCA scrutiny, and the result of any such scrutiny, whether in terms of review, penalties or any conditions imposed on the Group, may have a material adverse effect on its business and strategies. Criminal penalties for entities that enter into anti-competitive agreements, as defined, include: (a) a fine of not less than ₱50 million but not more than ₱250 million; and (b) imprisonment for two to seven years for directors and management personnel who knowingly and wilfully participate in such criminal offenses. Administrative fines of ₱100 million to ₱250 million may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities. See "*The Group may be subject to adverse rulings by the Competition Commission*" and "*Business— Legal Proceedings — Globe Telecom, Inc. vs. Philippine Competition Commission*".

In addition, the PCA authorises the Philippine Competition Commission ("PCC") to review mergers and acquisitions to ensure compliance with the PCA. The PCA, its Implementing Rules and Regulations ("IRR"), as amended, and the Rules on Merger Procedure (collectively "**Merger Rules**") provides for mandatory notification to the PCC of any merger or acquisition within 30 days of signing any definitive agreement relating to the transaction, where the value of such transaction exceeds ₱2.4 billion, where the size of the ultimate parent entity of either party exceeds ₱6 billion and other prescribed thresholds are met. The parties may not consummate the transaction prior to receiving PCC approval or the lapse of the period stated in the Merger Rules. A merger or acquisition that meets the thresholds under the Merger Rules but was not notified to the PCC, or notified but consummated, in whole or in part, prior to the expiration of the waiting period, is considered void, and will subject the parties to a fine between 1.00% to 5.00% of the value of the transaction. See "*Business— Legal Proceedings — Globe Telecom, Inc. vs. Philippine Competition Commission*". As the Group continues its strategy of acquisitions and joint ventures and given the usual volume of the Group's transactions, mergers or acquisitions undertaken by the Group would likely meet the notification threshold under the PCA and its IRR.

The Group may be subject to adverse rulings by the PCC.

Under the PCA, the PCC has original and primary jurisdiction over the enforcement and implementation of the provisions of the PCA and its implementing rules and regulations. The PCC has the following powers and functions, among others:

- conduct inquiry, investigate, and hear and decide on cases involving any violation of the PCA and other existing competition laws or upon receipt of a verified complaint from an interested party or upon referral by the concerned regulatory agency, and institute the appropriate civil or criminal proceedings;
- review proposed mergers and acquisitions, determine thresholds for notification, determine the requirements and procedures for notification, and upon exercise of its powers to review, prohibit mergers and acquisitions that will substantially prevent, restrict, or lessen competition in the relevant market;
- monitor and undertake consultation with stakeholders and affected agencies for the purpose of understanding market behaviour;
- upon finding, based on substantial evidence, that an entity has entered into an anticompetitive agreement or has abused its dominant position after due notice and hearing, stop or redress the same, by applying remedies, such as, but not limited to, issuance of injunctions, requirement of divestment, and disgorgement of excess profits under such reasonable parameters that shall be prescribed by the rules and regulations implementing the PCA;
- conduct administrative proceedings, impose sanctions, fines or penalties for any noncompliance with or breach of the PCA and its implementing rules and regulations and punish for contempt;
- issue subpoena to require the production of books, records, or other documents or data which relate to any matter relevant to the investigation and personal appearance before the PCC, summon witnesses, administer oaths, and issue interim orders such as show cause orders and cease and desist orders after due notice and hearing in accordance with the rules and regulations implementing the PCA;
- upon order of the court, undertake inspections of business premises and other offices, land and vehicles, as used by the entity, where it reasonably suspects that relevant books, tax records, or other documents which relate to any matter relevant to the investigation are kept, in order to prevent the removal, concealment, tampering with, or destruction of the books, records, or other documents; and
- issue adjustment or divestiture orders including orders for corporate reorganization or divestment in the manner and under such terms and conditions as may be prescribed in the rules and regulations implementing the PCA.

In May 2016, the Group, along with PLDT, acquired Vega Telecom and all of its frequencies, licenses and assets from San Miguel Corporation. The acquisition was notified to the PCC under Memorandum Circular No. 16-002 (“MC 16-002”), which provides that transactions notified as prescribed in the MC 16-002 are “deemed approved” and may not be challenged, except on the basis of fraud or false material information. The PCC sought the issuance of a temporary restraining order and/or preliminary injunction from the Court of Appeals to enjoin the Group and PLDT from consummating the acquisition. The Court of Appeals denied the PCC’s prayer for a temporary restraining order and/or preliminary injunction, however, it has yet to decide on the “deemed approved” status of the acquisition. Consequently, the Group has not been prohibited from making use of the frequencies of the acquired companies. The PCC has appealed the decision of the Court of Appeals to the Supreme Court, which has yet to issue a decision. Pursuant to MC 16-002, the acquisition would be “deemed approved” upon notification. The Group believes that the PCC’s own rule precludes further review of the acquisition and that the notification was validly submitted, as it contained no false or fraudulent information. The dispute as to whether the PCC can validly review the transaction is now before the courts of the Philippines at various stages.

In the event that current legal proceedings currently pending before various courts in the Philippines are finally resolved against the Group, the effect of such judgements may grant PCC the ability to review the acquisition and determine its effect on competition. Although it is unclear what such judgments may include, the Group may, in such a case be subject to fines ranging between 1% to 5% of the transaction value; changes imposed by the PCC to the acquisition’s terms; relinquishment or curtailment of the use of certain frequencies; or a declaration that the acquisition be considered void. In a scenario where the acquisition is declared null and void, the Group may be required to cease and desist from implementing its acquisition of the SMC telecommunications assets; undo all acts consummated pursuant to said acquisition; and pay the appropriate administrative penalties that may be imposed by the PCC for the illegal consummation of said acquisition. No assurance can be provided either as

regards how the courts may rule or specific steps the PCC may take. However, if the acquisition is deemed void, the Group should be entitled to the return of the purchase price from the seller. Furthermore, the PCC's decision would be subject to appeal by further court proceedings by any of the parties. See "*Business — Legal Proceedings*".

The Group is subject to risks related to litigation and administrative proceedings that could adversely affect its business and financial performance in the event of an unfavourable ruling.

The nature of the Group's business exposes it to litigation relating to product liability claims, labor, health and safety matters, regulatory, tax and administrative proceedings, governmental investigations, tort claims and contract disputes. Litigation is inherently costly and unpredictable, making it difficult to accurately estimate the outcome among other matters. Currently, as in the past, the Group is subject to proceedings or investigations of actual or potential litigation. Although the Group establishes provisions as it deems necessary, the amounts that the Group reserves could vary significantly from any amounts the Group actually pays due to the inherent uncertainties in the estimation process. There can be no assurance that these or other legal proceedings will not materially affect the Group's business or otherwise affect its reputation. See "*Business— Legal Proceedings*."

The Group is controlled by the Controlling Shareholders, whose interests may not be the same as those of other shareholders or the holders of the Notes.

The Ayala Group, through direct or indirect control of Asiacom Philippines, Inc. ("**Asiacom**") and AC, is a significant shareholder in Globe, along with STI, a subsidiary of Singapore Telecom (together with the Ayala Group, the "**Controlling Shareholders**"). As of 31 March 2020, the Controlling Shareholders effectively control Globe; in aggregate they held 50.85% of the outstanding voting preferred shares through Asiacom, and 33.30% of the common shares of Globe, respectively. Accordingly, as of 31 March 2020, the Controlling Shareholders effectively are able to elect members of the Board of Directors of Globe (the "**Board**") and pass shareholder resolutions (including special resolutions, which require a two-thirds majority), which under the By-laws generally require a majority vote by its shareholders. If the interests of the Controlling Shareholders conflict with the interests of other shareholders of Globe or Noteholders, there can be no assurance that the Controlling Shareholders would not cause Globe to take action in a manner which might differ from the interests of other shareholders or the Noteholders.

Members of the Group enter into numerous transactions with related parties.

In the ordinary course of business, the Group transacts with its related parties, such as its subsidiaries and affiliates, and members of the Group enter into transactions with each other. These transactions have principally consisted of consultancy, advisory and management services, roaming service contracts, loans and sharing of value-added services. Although the Group has instituted internal policies with respect to related party transactions, including establishing a board committee to oversee such matters, and believes that all past related party transactions have been conducted at arm's length on commercially reasonable terms, these transactions may involve conflicts of interest, which, although not contrary to law, may negatively impact the Group.

For further information on the Group's related party transactions, see "*Related Party Transactions*".

The Group may not be able to obtain appropriate insurance coverage on reasonable commercial terms or at all.

The Group takes out insurance policies to insure its properties, assets and projects in accordance with industry practices. Certain assets and some types of losses, such as losses resulting from wars, acts of terrorism or natural disasters, generally are not insured because they are either uninsurable or it is not economically practical to obtain insurance. There can be no assurance that the Group will be able to obtain appropriate insurance on commercially reasonable terms, or at all. Failure to obtain insurance could reduce the Group's ability to access funding from banks and other financing for future construction projects and other commercial activities and may cause the Group to potentially incur significant financial loss upon the occurrence of a major uninsurable event. The inability of the Group to obtain or renew insurance coverage at a reasonable cost, or at all, may cause the Group's operating costs to increase significantly and may have an adverse effect on its financial condition and results of operations.

The Group depends on its trademarks and proprietary rights and any failure to protect such intellectual property rights could have a material adverse effect on the Group's ability to market its services and its results of operations.

The Group owns, or has pending applications for the registration of, intellectual property rights for various trademarks associated with its products and corporate names and logos to operate its business. Protection of these intellectual property rights is important to maintaining the Group's distinctive corporate and market identities. If third parties use counterfeit versions or otherwise look confusingly similar to the Group's brands, consumers may mistake its products with those that they consider to be inferior. This could negatively affect the brand image, operations and profitability of the Group. In addition, the Company has been granted numerous trademark registrations covering its brands and products, and has filed, and expects to continue to file, trademark applications seeking to protect newly developed brands and products.

There is no assurance that third parties will not challenge, invalidate or circumvent any existing or future trademarks issued to, or licensed by, the Company and its subsidiaries. There is no assurance that it will be able to successfully protect its proprietary rights and any failure to protect such proprietary rights could harm its competitive position, which could materially and adversely affect the business, financial condition, results of operations, prospects and reputation of the Company.

The Group may be adversely affected by the imposition and enforcement of more stringent environmental regulations.

The Group is subject to environmental laws, regulations and ordinances in the Philippines. See "*Regulatory and Environmental Matters*". There can be no assurance that environmental laws, regulations and ordinances will not change in the future in a manner that could materially and adversely affect the Group. Environmental laws, regulations and ordinances may impose upon the Group obligations to investigate and remedy or pay for the investigation and remediation of environmental conditions, and to compensate public and private parties for related damages. Any such liability in connection with facilities or properties currently owned or operated by the Group could materially and adversely affect the Group. It is also possible that existing environmental laws, regulations and ordinances could become more stringent in the future. Non-compliance with or changes in these environmental laws, regulations and ordinances could adversely affect the Group and may have a material adverse effect on the Group's results or operations.

Any failure by the Group to pay rental amounts due in respect of towers or cell sites may result in eviction from such site.

The Group leases most of the land or property where its towers or cell sites are located. Although the Group endeavours to pay its leases on time, in the event of any delayed rental payment or dispute with the landlord, the Group faces the risk of eviction and may be forced to incur additional costs to find suitable replacement sites. In the event that the Group is forced to cease operating a particular cell site, or is evicted by the landlord, or is unable to find suitable replacement land or sites on time (or at all), the Group's business, quality of service and reputation will be materially and adversely affected.

Labor disputes, including failure to maintain satisfactory labor relations, or changes in employment laws may disrupt the Company's operations and could adversely affect its business, prospects, financial condition and results of operations.

As of 31 March 2020, approximately 4% of the regular employees of the Group were covered under a collective bargaining agreement. See "*Business – Employees and Labor Relations*". The Group generally considers its labor relations to be good and harmonious. However, there can be no assurance that it will not experience future disruptions to its operations due to labor disputes or other issues with employees, which could materially and adversely affect its business, financial condition and results of operations.

Various labor laws govern the Group's relationship with its employees and affect operating costs. These laws include minimum wage requirements, mandatory health benefits, overtime compensation, and other terms and conditions of employment. These and significant changes in labor regulations, for example, in respect of outsourcing services to independent third party contractors, could materially affect the Group's business, financial condition, operating results or cash flow. Engagement of third party service providers carries with it certain inherent risks including potential actions from employees of its third-party service providers who may claim an employee-employer relationship with it and the risk that third party contracting arrangements in place may be

found by the DOLE to be “labor-only contracting”, which could have a significant impact on its labor costs. In addition, a labor dispute involving a substantial number or all of the Company’s employees may harm its reputation, disrupt its operations and reduce its revenues, and resolution of disputes may increase its costs. See “*Regulation and Environmental Matters*”.

The Company is also exposed to litigation risk from employees of its various third party contractors, who may implead it as party to their labor cases and labor disputes against these third party contractors.

The Group is exposed to perceived risks associated with electromagnetic energy.

Concerns have been expressed relating to possible adverse health consequences associated with the operation of mobile communications devices or mobile transmission equipment due to exposure to electromagnetic energy. While the Group is not aware of any substantiated evidence of public health risks from exposure to the levels of electromagnetic energy typically emitted from mobile communications devices or exposures from mobile base station equipment, there is a risk that an actual or perceived health risk could result in litigation against the Group, restrictions on the ability of the Group to deploy its mobile communications networks as a result of, or increased costs to comply with, government environmental controls which exist or may be introduced to address these perceived risks, which could, in turn, have a material adverse effect on the Group’s financial performance and results of operations.

Risks Relating to the Philippines

Substantially all of the Group’s business activities are conducted in the Philippines and a significant portion of its infrastructure assets are located in the Philippines, which exposes the Group to risks associated with the Philippines, including the performance of the Philippine economy.

Historically, the Group has derived substantially all of its revenues and operating profits from the Philippines and its business is dependent on the state of the Philippine economy. Demand for the Group’s services are directly related to the strength of the Philippine economy (including overall growth and income levels) and the overall levels of business activity in the Philippines.

In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of its currency and the imposition of exchange controls.

Other factors that may adversely affect the Philippine economy include:

- reduced business, industrial, manufacturing or financial activity in the Philippines or elsewhere in Southeast Asia;
- scarcity of credit or other financing available to the Government, corporations or individuals in the Philippines;
- fluctuations in currency exchange rates and interest rates or prolonged periods of inflation or deflation;
- levels of employment, consumer confidence and income;
- Government budget deficits;
- public health epidemics or outbreaks of diseases, such as the outbreak of COVID-19 in the Philippines or in other countries in Southeast Asia;
- significant changes to the Government’s economic, social or tax policies; natural disasters, including tsunamis, typhoons, earthquakes, fires, floods and similar events;
- geopolitical tensions between the Philippines and other claimant countries concerning disputed territories in the West Philippine Sea;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally;

- a downgrade in the long-term foreign and local currency sovereign credit ratings of the Philippines or the related outlook for such ratings; and
- other regulatory, political or economic developments in or affecting the Philippines.

Any deterioration in economic conditions in the Philippines as a result of these or other factors could materially and adversely affect the Group or its consumers, customers and contractual counterparties. This, in turn, could materially and adversely affect the Group's business, financial condition and results of operations and its ability to implement its business strategy.

Political instability in the Philippines could destabilise the country and may have a negative effect on the Group.

The growth and profitability of the Group may be influenced by the overall political and economic situation of the Philippines. The Philippines has, from time to time, experienced political and military instability, including acts of political violence. In the last decade, there has been political instability in the Philippines, including extrajudicial killings, alleged electoral fraud, impeachment proceedings against two former presidents and a chief justice of the Supreme Court of the Philippines, the removal of another chief justice of the Supreme Court of the Philippines, and public and military protests arising from alleged misconduct by previous administrations. In addition, a number of officials of the Philippine government are currently under investigation or have been indicted on corruption charges stemming from allegations of misuse of public funds, extortion, bribery, or usurpation of authority. There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy.

In June 2020, journalist Maria Ressa was convicted by the Regional Trial Court for violations of anti-dummy law and cyber libel. Her conviction elicited concern from the international community and has been criticized by various groups as an attempt by the government to silence critical press coverage against President Rodrigo Duterte and his administration. In December 2018, Senator Antonio Trillanes III was ordered arrested in connection with a libel case filed by presidential son Paolo Duterte. In February 2017, Senator Leila de Lima was arrested after charges were filed in court accusing her of orchestrating a drug-trafficking ring during her term as Secretary of the Department of Justice from 2010 to 2015. Senator Trillanes and Senator de Lima are outspoken critics of the Duterte administration. In May 2018, the Supreme Court of the Philippines ousted Chief Justice Maria Lourdes Sereno by ruling in a quo warranto proceeding that her appointment was invalid. The removal of Chief Justice Sereno became controversial because it was not coursed through the constitutionally mandated process of impeachment. On June 2018, former President Benigno Aquino III was indicted for usurpation of legislative powers concerning the Disbursement Acceleration Program during his term. Moreover, several individuals who were high-ranking officers under the administration of President Aquino have also been indicted for graft and corruption charges and drug trafficking, among other offenses. In addition, since the commencement of the current administration, more than 1,000 alleged drug dealers and users have been killed in police operations, and more than 1,300 drug dealers and drug users have been killed by supposed vigilantes.

Currently, the Duterte administration is pushing for a shift to a federal form of government. For this purpose, the President created a consultative committee to review the 1987 Constitution and draft a federal constitution.

On 10 July 2020, a majority of a committee of the Philippine House of Representatives rejected the request for a 25-year extension of the franchise of one of the Philippines' largest broadcasters, ABS-CBN. There can be no assurance that entities operating under congressional franchises including telecommunications companies and media companies will be granted extensions or renewals of such franchises.

An unstable political environment, whether due to the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the business, operations, and financial condition of the Group.

No assurance can be given that the future political or social environment in the Philippines will be stable or that current and future governments will adopt economic policies conducive for sustainable economic growth. Political or social instability in the Philippines could negatively affect the general economic conditions and business environment in the Philippines, which could have a material adverse effect on the business, operations, and financial position of the Group.

At present, the country's exchange rate policy supports a freely floating exchange rate system whereby the BSP leaves the determination of the exchange rate to market forces. Under a market-determined exchange rate framework, the BSP does not set the foreign exchange rate but instead allows the value of the Philippine Peso to be determined by the supply and demand of foreign exchange. The implementation of the revised Foreign Exchange rules eased the purchase of foreign currencies in the banking system. There is no assurance that the Philippine Peso will not depreciate further against other currencies and that such depreciation will not have an adverse effect on the Philippine economy and the Group's financial condition and results of operation.

Acts of terrorism could destabilise the country and could have a material adverse effect on the Group's assets and financial condition.

The Philippines has also been subject to a number of terrorist attacks and the Armed Forces of the Philippines has been in conflict with groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country, mainly in cities in the southern part of the country. For example, in January 2019, bombs were detonated in the Jolo Cathedral in the Municipality of Jolo, Sulu and a Mosque in Zamboanga City, Zamboanga del Sur. In May 2017, the city of Marawi in Lanao del Sur, Mindanao, was assaulted by the Maute Group, terrorists who were inspired by pledged allegiance to the Islamic State of Iraq and Syria ("ISIS"). Due to the clash between the Government forces and the terrorists and the risk of the armed conflict spilling over to other parts of Mindanao, martial law was declared in the entire island of Mindanao, Philippines. In October 2017, the city was declared liberated from the terrorists. Despite this, the Philippine Congress extended the imposition of martial law in Mindanao until the end of 2019, citing persistent threats of terrorism and rebellion and to ensure the total eradication of ISIS-inspired terrorists in the country. Martial law in Mindanao was lifted on 1 January 2020, however certain areas in Mindanao remain under a state of emergency and law enforcement groups are in heightened security as a measure against potential terror threats. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilise the Philippines, and adversely affect the country's economy. These armed conflict and terror attacks could lead to further injuries or deaths by civilians and members of the military, which could destabilise parts of the country and adversely affect the country's economy.

An increase in the frequency, severity or geographic reach of these terrorist acts, violent crimes, bombings and similar events could have a material adverse effect on investment and confidence in, and the performance of, the Philippine economy. Any such destabilisation could cause interruption to the Group's business and materially and adversely affect the Group's financial conditions, results of operations and prospects.

Continued conflicts between the Government and separatist groups could lead to further injuries or deaths by civilians and members of the Armed Forces of the Philippines, which could destabilise parts of the Philippines and adversely affect the Philippine economy. There can be no assurance that the Philippines will not be subject to further acts of terrorism or violent crimes in the future, which could have a material adverse effect on the Group's business, financial condition, and results of operations. Consequently, the Group cannot provide assurance of effective mitigation to such systemic risk.

Territorial disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

Competing and overlapping territorial claims by the Philippines, China, Taiwan and several Southeast Asian nations (such as Vietnam, Brunei and Malaysia) over certain islands and features in the West Philippine Sea (South China Sea) have for decades been a source of tension and conflicts. China claims historic rights to nearly all of the West Philippine Sea based on its so-called "nine-dash line" and in recent years dramatically expanded its military presence in the sea which has raised tensions in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the international arbitration tribunal based at the Hague, the Netherlands to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea ("UNCLOS"). In July 2016, the tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that the "nine-dash line" claim of China is invalid. The Philippine government, under the Duterte administration, has taken action to de-escalate tensions concerning the territorial dispute with China. On 9 June 2019, a fishing boat manned by Filipino fishermen was rammed by a Chinese vessel at Recto Bank, an underwater feature being claimed by both the Philippines and China in the portion of the West Philippine Sea (South China Sea) portion that Manila calls the West Philippine Sea. The Filipino fishermen were abandoned in open sea and were eventually rescued by a Vietnamese vessel. This incident increased tensions between China and the

Philippines. The owners of the Chinese vessel have since apologised to the Filipino fishermen and remuneration is being arranged for the fishermen.

There is no guarantee that the territorial dispute between the Philippines and other countries, including China, would end or that any existing tension will not escalate further, as China has taken steps to exercise control over the disputed territory. Should territorial disputes between the Philippines and other countries in the region continue or escalate further, the Philippines and its economy may be disrupted, and the Group's operations could be adversely affected as a result.

The sovereign credit ratings of the Philippines.

International credit rating agencies issue credit ratings for companies with reference to the country in which they are resident. As a result, the sovereign credit ratings of the Philippines directly affect companies that are resident in the Philippines, such as the Group. Historically the Philippines' sovereign debt has been rated relatively low by international credit rating agencies. As of 31 December 2019, the Philippines' long-term foreign-currency denominated debt was rated Baa2 by Moody's, BBB+ S&P Global Ratings, and BBB by Fitch. However, no assurance can be given that Fitch, Moody's, S&P Global Ratings or any other international credit rating agency, will not downgrade the credit ratings of the Government in the future and, therefore, of Philippine companies, including the Group. Any such downgrade could have a material adverse effect on liquidity in the Philippine financial markets and the ability of the Philippine government and Philippine companies, including the Group, to raise additional financing, and will increase borrowing and other costs.

Investors may face difficulties enforcing judgments against the Issuer.

It may be difficult for investors to enforce judgments against the Issuer obtained outside of the Philippines. In addition, substantially all of the directors and officers of the Issuer are residents of the Philippines, and all or a substantial portion of the assets of such persons are located in the Philippines. As a result, it may be difficult for investors to effect service of process upon such persons, or to enforce against them judgments obtained in courts or arbitral tribunals outside the Philippines predicated upon the laws of jurisdictions other than the Philippines.

The Philippines is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments but is a signatory to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Award. Nevertheless, the Philippine Rules of Civil Procedure provide that a judgment or final order of a foreign court is, through the institution of an independent action, enforceable in the Philippines as a general matter, unless there is evidence that: (i) the foreign court rendering judgment did not have jurisdiction; (ii) the judgment is contrary to the laws, public policy, customs or public order of the Philippines; (iii) the party against whom enforcement is sought did not receive notice; or (iv) the rendering of the judgment entailed collusion, fraud, or a clear mistake of law or fact.

Natural catastrophes, including severe weather conditions, may affect the Group's operations and financial condition.

The Philippines, which is located along the Pacific Ring of Fire and a typhoon belt, has experienced a number of major natural catastrophes over the past years, including typhoons, volcanic eruptions, earthquakes, tsunamis, mudslides, fires, droughts and floods related to El Niño and La Niña weather events. In January 2020, the Taal Volcano entered into a period of intense unrest beginning with phreatic or steam-driven activity in several points inside the Main Crater that quickly progressed into a magmatic eruption. The Philippine Institute of Volcanology and Seismology ("PHILVOLCS") raised the alert level to Alert Level 4 on 12 January 2020. This means that hazardous explosive eruption is possible with hours to days. Pursuant to such events, PHILVOLCS ordered the total evacuation of the Volcano Island and high-risk areas within a 14-kilometre radius from the Taal Main Crater. Although PHILVOLCS has since lowered the Alert Level covering Taal to Level 1, there can be no assurance that the Taal Volcano will not increase seismic activity or erupt in the future. Natural catastrophes, such as any renewed eruption of the Taal Volcano, may cause damage to the terminals and materially disrupt and adversely affect the business, operations, and financial condition of the Group. There is no assurance that the insurance coverage the Group maintains for these risks will adequately compensate it for all damages and economic losses resulting from natural catastrophes. Any material uninsured loss could materially and adversely affect the Group's business, financial condition and results of operations.

Corporate governance and disclosure standards in the Philippines may differ from those in more developed countries.

Although a principal objective of Philippine securities laws is to promote full and fair disclosure of material corporate information, there may be less publicly available information about Philippine public companies, such as the Issuer, than is regularly made available by public companies in the United States and other countries. As a result, investors in the Notes may not have access to the same amount of information or have access to information in as timely a manner as may be the case for companies listed in the United States and many other jurisdictions. Furthermore, although the Issuer complies with the requirements of the Philippine SEC and the Philippine Stock Exchange, Inc. (“PSE”) with respect to corporate governance standards, these standards may differ from those applicable in other jurisdictions.

Risks Relating to the Notes

The Notes are unsecured obligations.

The Notes are unsecured obligations of the Issuer. The Terms and Conditions restrict the Issuer and its Material Subsidiaries (as defined in the Terms and Conditions) from creating security over their respective properties, assets or revenues to secure any Relevant Indebtedness (as defined in the Terms and Conditions). However, there is no restriction on the Issuer or its Material Subsidiaries from granting security to secure obligations other than Relevant Indebtedness. To the extent such security was granted, the obligations secured thereby would rank ahead of the Notes. To the extent that assets are held by other subsidiaries of the Issuer, those assets would only be available to meet claims of Noteholders after the satisfaction of all liabilities of such subsidiaries and the return of any surplus assets as equity to the holding company of the subsidiary. There is no restriction on the liabilities that may be incurred by subsidiaries of the Issuer.

The repayment of the Notes may also be adversely affected if:

- the Issuer enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is default in payment under the Issuer’s future secured indebtedness or other unsecured indebtedness; or
- an acceleration event materialises under any of the Issuer’s contracted indebtedness.

If any of these events were to occur, the Issuer’s assets may not be sufficient to pay amounts due on the Notes.

The Notes may not be a suitable investment for all investors.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor’s currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

In addition, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (a) the Notes constitute legal investments for it; (b) the Notes can be used as collateral for various types of borrowing; and (c) other restrictions apply to any purchase or pledge of any Notes by the investor. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules and regulations.

The priority of debt evidenced by a public instrument.

Under Philippine law, in the event of liquidation of a company, unsecured debt of the company (including guarantees of debt) which is evidenced by a public instrument as provided in Article 2244(14) of the Civil Code of the Philippines will rank ahead of unsecured debt of the company which is not so evidenced. Under Philippine law, a debt becomes evidenced by a public instrument when it has been acknowledged before a notary or any person authorised to administer oaths in the Philippines. Although the position is not clear under Philippine law, it is possible that a *jurat* (which is a statement of the circumstances in which an affidavit was made) may be sufficient to constitute a debt evidenced by a public instrument. Some of the Issuer's financial indebtedness are covered by agreements which are embodied in public instruments. However, these agreements contain a waiver by each of the respective lenders of the benefit of preference or priority accorded to public instruments under Article 2244(14) of the Civil Code of the Philippines. The waivers are subject to the condition that all present and future creditors of the Issuer are *pari passu* and no creditor shall be conferred a superior right on the basis that its credit appears in a public instrument.

The imposition of exchange controls could result in an investor not receiving payments on the Notes.

The Government has, in the past, instituted restrictions on the conversion of Philippine Pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency denominated obligations. The Monetary Board of the BSP, with the approval of the President of the Philippines, has statutory authority, during a foreign exchange crisis or in times of national emergency, to suspend temporarily or restrict sales of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee. The Issuer is not aware of any pending proposals by the Government regarding such restrictions. Although the Government has from time to time made public pronouncements of a policy not to impose restrictions on foreign exchange, there can be no assurance that the Government will maintain such policy or will not impose economic or regulatory controls that may restrict free access to foreign currency. Any such restriction imposed in the future could adversely affect the ability of investors to repatriate foreign currency upon receipt of any payments from the Issuer.

The Notes may have limited liquidity.

The Notes of each series will constitute a new issue of securities for which there is no existing market. Approval-in-principle has been received from the SGX-ST for the listing and quotation of the Notes of each series. The offer and sale of the Notes is not conditioned on obtaining a listing of the Notes of the relevant series on the SGX-ST or any other exchange. Although the Joint Lead Managers have advised the Issuer that they currently intend to make a market for the Notes of each series, they are not obligated to do so, and any market-making activity with respect to the Notes of either series, if commenced, may be discontinued at any time without notice in their sole discretion.

No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for, the Notes of either series. If an active trading market for the Notes of a series does not develop or is not maintained, the market price and liquidity of the Notes of that series may be adversely affected. If such a market were to develop, the Notes of a series could trade at prices that may be higher or lower than the price at which the Notes of that series are issued depending on many factors, including:

- prevailing interest rates;
- the Group's results of operations and financial condition;

- political and economic developments in and affecting the Philippines;
- the market conditions for similar securities; and
- the financial condition and stability of the Philippine financial sector.

The Issuer may not be able to redeem the Notes upon maturity.

The Issuer is required under the Terms and Conditions of each series of Notes to redeem the Notes of that series upon maturity. The source of funds for any such redemption by the Issuer would be the Issuer's available cash or third-party financing. However, the Issuer may not have sufficient available funds upon maturity. A failure to redeem the outstanding Notes of a series when due could constitute an Event of Default (as defined in the Terms and Conditions) under the Notes of that series. Such Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause related debt to be accelerated after any applicable notice or grace periods. If other debts of the Issuer were to be accelerated, the Issuer may not have sufficient funds to satisfy their respective obligations, resulting in the Issuer being unable to redeem the Notes.

The Terms and Conditions will contain provisions which may permit their modification without the consent of all investors and which will confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders.

The Terms and Conditions of a series will contain provisions for calling meetings of Noteholders of that series to consider matters affecting their interests generally. These provisions will permit defined majorities to bind all Noteholders of that series including Noteholders of that series who did not attend and vote at the relevant meeting and Noteholders of that series who voted in a manner contrary to the majority.

The Terms and Conditions will also provide that the Trustee may, without the consent of Noteholders of a series, (i) agree to any modification (except as mentioned in the Trust Deed) of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes of that series or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default shall not be treated as such if, in any such case, in the opinion of the Trustee, the interests of the Noteholders of that series will not be materially prejudiced thereby; or (ii) agree to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or is made to comply with mandatory provisions of law.

The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments, and this would result in holders receiving lesser distributions than expected and could significantly adversely affect their return on the Notes.

The U.S. "Foreign Account Tax Compliance Act" (or "FATCA") imposes a new reporting regime and, potentially, a 30% withholding tax with respect to (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. Whilst the Notes are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the clearing systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the Notes are discharged once it has paid the common depositary or common safekeeper for the clearing systems and the Issuer has, therefore, no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries. Prospective investors should refer to the section "Taxation — U.S. Foreign Account Tax Compliance Act".

The Issuer has not yet registered the Notes with the BSP.

Although the Issuer intends to cause the Notes of each series to be registered with the BSP, the registration could be delayed or not obtained by the time payments on the Notes are required to be made. If the Notes of a series are not registered, then the Issuer will not be able to purchase U.S. dollars from the Philippine banking system for the purpose of funding payments under the Notes of that series. Nevertheless, the Issuer may obtain U.S. dollars from other sources outside the Philippine banking system. However, these other sources may be subject to greater exchange rate volatility and liquidity constraints. See “*Foreign Exchange and Foreign Investment Regulations*”.

The transfer of Notes is restricted which may adversely affect their liquidity and the price at which they may be sold.

The Notes have not been registered under, and the Issuer is not obligated to register the Notes under, the Securities Act or the securities laws of any other jurisdiction and, unless so registered, the Notes may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. See “*Subscription and Sale*”. The Issuer has not agreed to or otherwise undertaken to register the Notes (including by way of an exchange offer), and the Issuer has no intention of doing so.

The Notes may be redeemed at the Issuer’s option upon the occurrence of certain events.

The Notes of a series will be redeemable at the option of the Issuer, in whole but not in part, at their principal amount together with interest accrued to (but excluding) the date of redemption in the circumstances set out in “*Terms and Conditions of the 2030 Notes – Redemption and Purchase*” or “*Terms and Conditions of the 2035 Notes – Redemption and Purchase*”, as the case may be. Immediately prior to giving any such notice of redemption, the Issuer must satisfy the Trustee that (a) on the occasion of the next payment due under the Notes of that series, the Issuer has or will become obliged to pay additional amounts as provided or referred to in the relevant Terms and Conditions as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in the Terms and Conditions) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date; and (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it. The date on which the Issuer elects to redeem the Notes of a series may not accord with the preference of individual Noteholders. Any such redemption may be disadvantageous to the Noteholders of the relevant series in light of market conditions or the individual circumstances of any holder of Notes of that series. In addition, an investor may not be able to reinvest the redemption proceeds in comparable notes at an effective interest rate at the same level as that of the Notes of the relevant series.

The Issuer may raise other capital which affects the price of the Notes.

The Issuer may from time to time and without prior consultation of the holders of the Notes create and issue further Notes (see “*Terms and Conditions of the 2030 Notes – Further Issues*” and “*Terms and Conditions of the 2035 Notes – Further Issues*”, respectively). Furthermore, the Issuer may raise additional capital through the issue of other securities or other means. Under the Terms and Conditions, there is no restriction, contractual or otherwise, on the amount of Notes of either series which the Issuer may further issue or securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Notes of either series. The issue of any further Notes of a series or such other securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by holders of the Notes of such series on a winding-up of the Issuer, and may also have an adverse impact on the trading price of the Notes of that series or the ability of holders of Notes of that series to sell them.

The Trustee may request the Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction.

In certain circumstances, including without limitation the giving of notice to the Issuer pursuant to Condition 10.1 of the Terms and Conditions and the taking of steps and/or actions and/or institute proceedings pursuant to Condition 10.2 of the Terms and Conditions, the Trustee may (at its sole discretion) request Noteholders of the relevant series to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any steps and/or actions and/or institutes proceedings on behalf of Noteholders of that series. The Trustee shall not be obliged to take any such steps and/or actions and/or institute proceedings if it is not first indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security or and/or

pre-funding can be a lengthy process and may impact on when such steps and/or actions can be taken and/or when such proceedings can be instituted. The Trustee may not be able to take such steps and/or actions and/or institute such proceedings, notwithstanding the provision of an indemnity and/or security and/or pre-funding to it, in breach of the terms of the Trust Deed constituting the Notes of that series and/or the relevant Terms and Conditions and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable laws and regulations, it will be for the Noteholders of the relevant series to take such steps and/or actions and/or institute such proceedings directly.

A trading market for the Notes may not develop.

There is no existing market for the Notes of either series and there can be no assurance that a secondary market for the Notes of either series will develop, or if a secondary market does develop, that it will provide the Noteholders of the relevant series with liquidity of investment or that it will continue for the life of the Notes of the relevant series. The Notes of each series are a new issue of securities for which there is currently no trading market. Approval-in-principle has been granted for the listing and quotation of the Notes of each series on the SGX-ST. However, there can be no assurance that the Issuer will obtain or be able to maintain such a listing or that, if listed, a trading market will develop for the Notes on the SGX-ST. There can be no assurance as to the liquidity of the Notes of either series or that an active trading market will develop or be sustained or whether there will be any disruptions to trading in the Notes of either series that may result in volatility in prices. If such a market were to develop, the Notes of either series could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. The Joint Lead Managers are not obligated to make a market in the Notes of either series and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers. If the Notes of a series are allocated to a limited number of investors or a limited number of investors hold a significant proportion of the Notes, liquidity will be restricted and the development of a liquid trading market for the Notes of that series may be adversely affected.

The liquidity and price of the Notes following this offering may be volatile.

The price and trading volume of the Notes of either series may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Issuer and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies, any adverse change in results of operations could cause the price of the Notes of that series to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes of that series will trade. There can be no assurance that these developments will not occur in the future.

A holder of a significant portion of the Notes of a series may be able to significantly influence matters which require to be voted on by the Noteholders of that series. Additionally, this may reduce the liquidity of the Notes of the relevant series in the secondary trading market.

Any holder of a significant portion of the Notes of a series may be able to significantly influence matters which require to be voted on by the Noteholders of that series. Additionally, the interests of these substantial investors may be different from the interests of the other holders of the Notes of that series and the significant portion of the Notes of that series to be held by them may reduce the liquidity of the Noteholders of that series in the secondary trading market.

Certain Noteholders may be exposed to currency conversion risks due to the Notes being denominated in U.S. dollars.

Payments to Noteholders will be made in U.S. dollars. If an investor's financial activities are principally denominated in a currency other than U.S. dollars, it will be subject to certain currency conversion risks. These risks include (i) the risk that exchange rates may significantly change (including changes due to the devaluation of the U.S. dollar or revaluation of the investor's currency); and (ii) the risk that authorities with jurisdiction over the investor's currency may impose or modify exchange controls which could adversely affect any applicable exchange rate. In recent years, exchange rates between certain currencies have been volatile and such exchange rate volatility with a variety of currencies may continue in the future. Any appreciation of an investor's currency relative to the U.S. dollar would decrease the investor's currency-equivalent value of the amounts payable in respect of the Notes and the investor's currency equivalent market value of the Notes. In addition, exchange controls could adversely affect the availability of a specified foreign currency at the time of payments of amounts on a Note. As a result, investors may receive less payment than expected, or no payment at all.

Developments in other markets may adversely affect the market price of the Notes.

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Notes is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the Philippines. Since the sub-prime mortgage crisis in 2008 and, more recently, the trade war between the United States and China and the outbreak of COVID-19, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

The Issuer will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, and such standards may be different from those applicable to debt securities listed in certain other countries.

The Issuer will be subject to reporting obligations in respect of the Notes to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different than those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what investors in the Notes may be accustomed to.

The Issuer will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, and such standards may be different from those applicable to debt securities listed in certain other countries.

The Issuer will be subject to reporting obligations in respect of the Notes to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different than those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what investors in the Notes may be accustomed to.

Changes of law.

The Terms and Conditions of each series are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the issue date of the Notes. The Issuer must also comply with various legal requirements including requirements imposed by securities corporate laws in the Philippines. Should any of those laws change over time, the legal requirements to which the Issuer and the Group may be subject could differ materially from current requirements.

The Notes of each series will initially be represented by a Global Certificate and holders of a beneficial interest in the Notes of the relevant series represented by such Global Certificate must rely on the procedures of the relevant Clearing System(s).

The Notes of each series will initially be represented by a Global Certificate. Such Global Certificate will be deposited with a common depository for Euroclear and Clearstream, Luxembourg (each of Euroclear and Clearstream, Luxembourg, a "Clearing System"). Except in the limited circumstances described in such Global Certificate, investors will not be entitled to receive definitive certificates. The relevant Clearing System(s) will maintain records of the beneficial interests in such Global Certificate. While the Notes of a series are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes of a series are represented by a Global Certificate, the Issuer will discharge its payment obligations under the Notes of that series by making payments to Euroclear and Clearstream, Luxembourg for distribution to their respective account holders. A holder of a beneficial interest in such Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Notes of that series. The Issuer, the Trustee and the Agents and each of their respective directors, officers, employees, agents, representatives, advisers and affiliates and each person who controls any of them does not have any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate representing Notes of either series.

Holders of beneficial interests in the Global Certificate representing Notes of a series will not have a direct right to vote in respect of the Notes of that series. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Certificate representing Notes of a series will not have a direct right thereunder to take

enforcement action against the Issuer in the event of a default under the Notes of that series but will have to rely upon their rights under the Trust Deed in relation to the Notes of that series.

A definitive Certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

In relation to any Note which has a principal amount consisting of a minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the minimum specified denomination that are not integral multiples of such minimum specified denomination. In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination, will not receive a definitive Certificate in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more specified denominations. If definitive Notes are issued, holders should be aware that a Definitive Certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

TERMS AND CONDITIONS OF THE 2030 NOTES

The following (other than sentences in italics and subject to completion) are the Terms and Conditions of the 2030 Notes substantially in the form in which they will be endorsed on the 2030 Notes if issued in definitive certificated form, which will be incorporated by reference into the Global Certificate representing the 2030 Notes, subject to the provisions of such Global Certificate.

The issue of the notes in registered form comprising the U.S.\$300,000,000 2.50 per cent. senior notes due 2030 (the “**Notes**”, which expression shall, in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 9 and forming a single series with the Notes) of Globe Telecom, Inc. (the “**Issuer**”) are constituted by a trust deed (as amended and/or supplemented from time to time, the “**Trust Deed**”) dated 23 July 2020 (the “**Issue Date**”) between the Issuer and Citicorp International Limited (the “**Trustee**”, which term shall, where the context so permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Deed) for the holders of the Notes.

The Issuer has entered into an agency agreement (as amended and/or supplemented from time to time, the “**Agency Agreement**”) dated 23 July 2020 with the Trustee, Citibank, N.A., London Branch as principal paying agent (the “**Principal Paying Agent**”), as transfer agent (the “**Transfer Agent**”) and as registrar (the “**Registrar**”) and the other agents appointed under it, relating to the Notes. The expression “**Paying Agents**” includes the Principal Paying Agent. The Principal Paying Agent, the Registrar, the Transfer Agent and any other agents appointed under the Agency Agreement are collectively referred to as the “**Agents**”, and such expression includes any successor or additional agent appointed pursuant to the Agency Agreement with respect to the Notes. References to the Principal Paying Agent, “**Paying Agent**”, “**Registrar**”, “**Transfer Agent**”, and “**Agents**” below are references to the principal paying agent, paying agent, registrar, transfer agent, and agents for the time being. The statements in these terms and conditions (these “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement. Copies of the Trust Deed and of the Agency Agreement are available for inspection at all reasonable times during normal business hours on any weekday (except public holidays) by Noteholders at the principal place of business of the Trustee, being at the Issue Date at 20th Floor, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, following prior written request and proof of holding and identity to the satisfaction of the Trustee. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those provisions of the Agency Agreement applicable to them. Capitalised terms not otherwise defined in these Conditions, including without limitation, in Condition 18 shall have the meaning given to them in the Trust Deed unless the context otherwise requires.

1. STATUS OF THE NOTES

The Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3.1) unsecured obligations of the Issuer and will at all times rank *pari passu* without any preference among themselves and with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights.

2. FORM, DENOMINATION AND TITLE

2.1 Form and Denomination

The Notes are issued in registered form in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (referred to as the “**principal amount**” of a Note). An individual certificate (a “**Certificate**”) will be issued to each Noteholder in respect of its registered holding or holdings of Notes.

Each Certificate will be serially numbered with an identifying number which will be recorded in the register of Noteholders (the “**Register**”).

*Upon issue, the Notes will be represented by a Global Certificate deposited with and registered in the name of a nominee of a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”). The Conditions are modified by certain provisions contained in the Global Certificate. See “The Global Certificate”. The Notes are not issuable in bearer form.*

2.2 Title and Transfer

- (a) **Register and Title:** Title to the Notes passes upon registration of transfers in the Register which the Issuer will procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement. The registered Holder of any Note will (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes (whether or not any payment in respect of it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it (other than a duly completed and endorsed form of transfer in respect of such Note) or its theft or loss) and no person will be liable for so treating such Holder. In these Conditions, “**Noteholder**” and (in relation to a Note) “**Holder**” mean the person in whose name a Note is registered in the Register.

For a description of the procedures for transferring title to book-entry interests in the Notes, see “Clearing and Settlement of the Notes”.

- (b) **Transfers:** Subject to Conditions 2.2(e) and 2.2(f) and the Agency Agreement, one or more Notes may be transferred in whole or in part in their principal amount(s). Any Notes represented by one or more Certificates may be transferred only upon the surrender, at the specified office of the Registrar or any Transfer Agent, of the Certificate(s) representing such Notes to be transferred, with the form of transfer endorsed on such Certificate duly completed and executed and together with such other evidence as the Registrar or the relevant Transfer Agent may require to prove the title of the transferor and the authority of the individual who has executed the form of transfer; *provided*, however, that such Notes may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Noteholder are being transferred) the principal amount of the balance of Notes not transferred are in authorised denominations described in Condition 2.1. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate will be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred will be issued to the transferor.

Transfers of interests in the Notes evidenced by the Global Certificate will be affected in accordance with the rules of the relevant clearing systems.

For a description of certain restrictions on transfers of interests in the Notes, see “Subscription and Sale”.

- (c) **Delivery:** Each new Certificate to be issued pursuant to Condition 2.2(b) will be available for delivery and the Registrar shall register the transfer in question within five business days of receipt of such form of transfer. Delivery of new Certificate(s) shall be made at the specified office of the Transfer Agent or the Registrar, as the case may be, to whom delivery shall have been made or, at the option of the Holder making such delivery as aforesaid and as specified in the form of transfer or otherwise in writing, shall be mailed by pre-paid first class post at the risk of the Holder entitled to the new Certificate to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. For the purposes only of this Condition 2.2(c), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Transfer Agent and the Registrar.

Except in the limited circumstances described in the Global Certificate, owners of interests in the Notes will not be entitled to receive physical delivery of Certificates. Issues of Certificates upon transfer of Notes are subject to compliance by the transferor and transferee with the certification procedures described above and in the Agency Agreement.

- (d) **No charge:** Transfers of Notes and Certificates representing such Notes in accordance with these Conditions on registration or transfer will be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agent, but upon payment (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require in respect thereof) of any tax, duty or other governmental charges which may be imposed in relation to it.

- (e) **Closed periods:** No Noteholder may require the transfer of a Note to be registered during the period of 15 calendar days ending on the due date for any payment of principal, premium (if any) or Interest on that Note.
- (f) **Regulations:** All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer in any manner which is reasonably required by the Issuer with the prior written approval of the Trustee and the Registrar, and by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be sent by the Registrar to any Noteholder (free of charge to the Holder and at the Issuer's expense) following written request and proof of holding and identity satisfactory to the Registrar.

3. COVENANTS

3.1 Negative Pledge

So long as any Note remains outstanding (as defined in the Trust Deed), (a) the Issuer will not, and the Issuer will ensure that none of its Material Subsidiaries will, create or permit to subsist any mortgage, lien, pledge, charge, security interest, encumbrance or claim of any kind or nature, whatsoever, upon the whole or any part of the property, assets or revenues, present or future, of the Issuer or any Material Subsidiary, respectively, to secure any Relevant Indebtedness or to secure any guarantee of or indemnity in respect of, any Relevant Indebtedness unless, at the same time or prior thereto, the Issuer's obligations under the Notes and the Trust Deed (i) are secured equally and rateably therewith, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders, and (b) the Issuer will not create or permit to subsist any preference or priority in respect of any other Relevant Indebtedness of the Issuer pursuant to Article 2244(14) of the Civil Code of the Philippines, or any successor Philippine law providing for preferences or priority in respect of notarised Relevant Indebtedness, unless amounts payable under the outstanding Notes are granted preference or priority equally and rateably therewith.

3.2 Provision of Financial Statements and Reports

- (a) So long as the Notes remain outstanding, the Issuer will provide to the Trustee and, upon request, any Noteholder, as soon as they are available but in any event not more than 15 calendar days after they are filed with the Philippine Stock Exchange, Inc. or any other securities exchange on which the Issuer's common Stock is at any time listed for trading, true and correct copies of any financial statements in the English language (and an English translation of any financial or other report in any other language) filed with such exchange; provided that, if at any time the common stock of the Issuer ceases to be listed for trading on the Philippine Stock Exchange, Inc. or any other recognized securities exchange, the Issuer will provide to the Trustee and, upon request, any Noteholder:
 - (i) within 120 calendar days after the end of the Financial Year of the Issuer, copies of its financial statements (on a consolidated basis and in English or together with an English translation thereof if such financial statements are in any other language) in respect of such Financial Year (including at least a statement of income, statement of financial position and statement of cash flows) audited by a member firm of an internationally recognised firm of independent accountants; and
 - (ii) within 60 calendar days after the end of each quarterly period (other than the final period of a Financial Year) of the Issuer, copies of its unaudited financial statements (on a consolidated basis and in English or together with an English translation thereof if such financial statements are in any other language) in respect of such quarterly period or (in the case of the second quarter of each Financial Year) the relevant semi-annual period (including at least a statement of income, statement of financial position and statement of cash flows).
- (b) So long as the Notes remain outstanding, the Issuer will provide to the Trustee at the same time as the provision of the annual financial statements and reports, and also within 14 days of any request therefor from the Trustee, a compliance certificate in the form scheduled to the Trust Deed (a "**Compliance Certificate**"). The Trustee shall be entitled to rely conclusively and

without investigation or verification upon such Compliance Certificates and shall not be liable to any Noteholder or any other person for such reliance.

4. INTEREST

4.1 Rate of Interest

The Notes bear interest (“**Interest**”) from and including the Issue Date at the rate of 2.50 per cent. per annum, payable in equal instalments of U.S.\$12.50 per U.S.\$1,000 in principal amount of Notes semi-annually in arrear on 23 January and 23 July of each year (each an “**Interest Payment Date**”), commencing on 23 January 2021.

4.2 Interest Accrual

Each Note will cease to bear Interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event Interest shall continue to accrue as provided in the Trust Deed.

4.3 Broken Amounts

When any Interest is required to be calculated in respect of a period of less than a full six months, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

5. REDEMPTION AND PURCHASE

5.1 Redemption

Unless previously redeemed or repurchased and cancelled as provided in these Conditions, the Notes will be redeemed at their principal amount on 23 July 2030 (the “**Maturity Date**”).

5.2 Optional redemption at par

At any time or from time to time on or after 23 April 2030 (being the date that is three months prior to the maturity of the Notes), the Issuer will have the right to redeem the Notes, in whole or in part, on giving at least 30 days’ but not more than 60 days’ prior notice to the Noteholders, in accordance with Condition 12.1, and to the Trustee and the Principal Paying Agent in writing, at a redemption price equal to 100 per cent. of the outstanding principal amount of the Notes to be redeemed plus accrued but unpaid Interest (if any) on the principal amount of the Notes to be redeemed to, but excluding, the redemption date (subject to the right of the Holders of record on the relevant Record Date (as defined below) to receive interest on the relevant redemption date) (the “**Redemption Price**”).

5.3 Early redemption due to a Gross-up Event

- (a) If the Issuer satisfies the Trustee that a Gross-up Event has occurred, the Issuer may redeem the Notes (in whole but not in part) at the Redemption Price, on the giving of not less than 30 and not more than 60 calendar days’ irrevocable notice of redemption to the Noteholders in accordance with Condition 12.1 and to the Trustee and the Principal Paying Agent in writing.
- (b) No such notice of redemption may be given earlier than 45 calendar days prior to the earliest calendar day on which the Issuer would be for the first time obliged to pay the Additional Amounts (as defined in Condition 7.1) in question on payments due in respect of the Notes.
- (c) Prior to the giving of any such notice of redemption, the Issuer will deliver or procure that there are delivered to the Trustee:
 - (i) a certificate signed by an Authorised Signatory of the Issuer stating that the Issuer is entitled to effect such redemption and setting out a statement of facts showing that the conditions to the exercise of the right of the Issuer to redeem have been satisfied and

that the obligation to pay Additional Amounts cannot be avoided by the Issuer taking reasonable measures available to it; and

- (ii) an opinion of an independent legal or tax adviser of recognised standing to the effect that the Issuer has or will become obliged to pay the Additional Amounts in question as a result of a Gross-up Event,

and the Trustee shall be entitled to accept the above certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above in this Condition 5.3, in which event the same shall be conclusive and binding on the Noteholders.

5.4 **Early redemption due to a Change of Control Event**

- (a) Upon the occurrence of a Change of Control Event, each Noteholder shall have the right (the “**Change of Control Event Put Right**”), at its option, to require the Issuer to repurchase all (but not some only) of its Notes on the Change of Control Event Put Date at 101 per cent. of the outstanding principal amount of the Notes plus any accrued but unpaid Interest to but excluding the redemption date.
- (b) Within 14 days following a Change of Control Event, the Issuer shall notify the Trustee and the Principal Paying Agent in writing and each Noteholder in accordance with Condition 12.1, which notice shall state (i) that a Change of Control Event has occurred and that such Noteholder has the right to require the Issuer to redeem its Notes; (ii) the date set by the Issuer for such repurchase (which shall be no earlier than 30 days and no later than 60 days from the date such notice is given) (the “**Change of Control Event Put Date**”); and (iii) the procedures determined by the Issuer, consistent with the Trust Deed, that a Noteholder must follow in order to have its Notes redeemed.

5.5 **Purchase of Notes**

The Issuer or any of its Subsidiaries may, in compliance with applicable laws, purchase Notes in any manner and at any price. Such acquired Notes may be surrendered for cancellation or held or resold. The Notes so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10 or 14.1.

5.6 **Responsibility of Trustee and Agents**

The Trustee and the Agents shall not be required to take any steps to ascertain whether a Gross-Up Event or Change of Control Event or any event which could lead to the occurrence of a Gross-Up Event or a Change of Control Event has occurred or may occur and none of them shall be responsible or liable to the Noteholders, the Issuer or any other person for any loss arising from any failure to do so.

6. **PAYMENTS**

6.1 **Principal and Interest**

Payments of principal, premium (if any), and Interest will be made by transfer to the registered account of the Noteholder. Payments of principal, premium (if any) and payments of Interest due otherwise than on an Interest Payment Date will only be made against surrender of the relevant Certificate at the specified office of any Paying Agent. Interest on Notes due on an Interest Payment Date will be paid to the Holder shown on the Register at the close of business on the date (the “**Record Date**”) being the fifteenth calendar day before the relevant Interest Payment Date.

For the purposes of this Condition 6.1, a Noteholder’s “**registered account**” means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business on the relevant Record Date.

So long as the Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as

the Noteholder in the register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

6.2 Payments subject to Applicable Laws

Payments in respect of principal, premium (if any) and Interest on Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7.

6.3 No Commissions

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition 6.

6.4 Payment on Business Days

Payment instructions (for value the due date or, if that is not a Business Day (as defined below), for value the first following day which is a Business Day (as defined below) will be initiated on the due date for payment or, in the case of a payment of principal and premium (if any), or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day (as defined below) on which the relevant Certificate is surrendered at the specified office of any Paying Agent.

Noteholders will not be entitled to any Interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day (as defined below), if the Noteholder is late in surrendering its Certificate (if required to do so).

In these Conditions, “**Business Day**” means a day (other than a Saturday or Sunday) on which commercial banks are open for business in New York City, Hong Kong, London, City of Manila, Taguig City and Makati City, and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

6.5 Partial Payments

If the amount of principal, premium (if any) or Interest which is due on the Notes is not paid in full, the Registrar will annotate the Register with a record of the amount of principal, premium (if any) or Interest in fact paid.

6.6 Agents

The names of the initial Agents and their initial specified offices are set out below and in the Agency Agreement. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that:

- (a) there will at all times be a Principal Paying Agent;
- (b) so long as the Notes are listed on the Singapore Exchange Securities Trading Limited (the “SGX-ST”) and the rules of the SGX-ST so require, if the Notes are issued in definitive form, there will be at all times be a Paying Agent in Singapore unless the Issuer obtains an exemption from the SGX-ST. In addition, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Certificates, including details of the Paying Agent in Singapore;
- (c) there will at all times be a Registrar; and
- (d) there will at all times be a Transfer Agent.

Notice of any termination or appointment and of any changes in specified offices shall be given to the Noteholders promptly by the Issuer in accordance with Condition 12.1.

7. TAXATION AND GROSS-UP

7.1 Payment without withholding

All payments of principal, premium (if applicable) and Interest by or on behalf of the Issuer in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of such Taxes is required by law.

If the Issuer is required by law to make a deduction or withholding by the Relevant Jurisdiction, the Issuer shall pay such additional amount (“**Additional Amounts**”) as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required; except that no Additional Amounts will be payable in relation to any payment in respect of any Note:

- (a) presented for payment (if applicable) by or on behalf of a Noteholder who is liable to the Taxes in respect of such Note by reason of their having some connection with any Relevant Jurisdiction other than the mere holding of the Note;
- (b) for or on account of any Taxes required to be deducted or withheld pursuant to section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), or otherwise imposed pursuant to sections 1471 through 1474 of the Code, in each case, as of the Issue Date (or, in each case, any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental agreement relating thereto;
- (c) presented for payment (if applicable) more than 30 days after the Relevant Date (as defined in Condition 7.2) except to the extent that a Holder of such Note would have been entitled to such Additional Amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Business Day (as defined in Condition 6.4); or
- (d) where such withholding or deduction would not have been so imposed but for the failure by the Holder of such Note, after written request made to that Holder at least 30 days before any such withholding or deduction would be payable, by the Issuer, the Trustee or the Paying Agent, as applicable, to comply with any identification, information, documentation or other similar reporting requirement concerning its nationality, residence or connection with the Relevant Jurisdiction, which is required or imposed by statute, regulation or published administrative interpretation of general application of the Relevant Jurisdiction as a precondition to reduction or exemption from such withholding **or deduction**.

7.2 Interpretation

In these Conditions:

- (a) the “**Relevant Date**” means the date on which the payment first becomes due but, if the full amount of the moneys payable has not been received by the Principal Paying Agent, the Trustee or the Registrar, as the case may be, on or before such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 12.1; and
- (b) the “**Relevant Jurisdiction**” means the Republic of the Philippines or any political subdivision or any authority thereof or therein having power to tax, and in the event of any substitution or other corporate action resulting in the Issuer being incorporated in any other jurisdiction, that other jurisdiction or any political subdivision or any authority thereof or therein having power to tax.

7.3 **Additional Amounts, principal and interest**

Any reference in these Conditions to any amounts in respect of the Notes will be deemed also to refer to any Additional Amounts which may be payable under this Condition 7 or under any undertakings given in addition to, or in substitution for, this Condition 7 pursuant to the Trust Deed. Unless the context otherwise requires, any reference in these Conditions to “**principal**” includes any instalment amount or redemption amount and any other amounts in the nature of principal payable pursuant to these Conditions and “**Interest**” includes all amounts payable pursuant to Condition 4 and any other amounts in the nature of interest payable pursuant to these Conditions.

7.4 **No Responsibility of Trustee and Agents for Payment of Taxes**

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 7 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Noteholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), Interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

8. **PRESCRIPTION**

Claims against the Issuer for payment in respect of the Notes will prescribe and become void unless made within 10 years (in the case of principal or premium, if any) and five years (in the case of Interest) from the appropriate Relevant Date in respect of the Notes, subject to the provisions of Condition 6.

9. **FURTHER ISSUES**

The Issuer may from time to time without the consent of the Noteholders create and issue further notes either (a) ranking *pari passu* in all respects (or in all respects save for the issue date and the first payment of Interest thereon) and so that the same will be consolidated and form a single series with the Notes or (b) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of the issue. Any further Notes which are to be consolidated and form a single series with the Notes will be constituted by a deed supplemental to the Trust Deed.

10. **EVENTS OF DEFAULT AND ENFORCEMENT**

10.1 **Events of Default**

If any of the following events (each an “**Event of Default**”) occurs and is continuing, the Trustee at its sole discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified, secured and/or pre-funded to its satisfaction), give notice in writing to the Issuer that the Notes are, and they shall accordingly thereby become, immediately due and repayable at 100 per cent. of their principal amount together with accrued and unpaid interest as provided in the Trust Deed:

- (a) **Non-Payment:** (i) failure by the Issuer to pay any principal when due in respect of the Notes; or (ii) failure by the Issuer to pay premium (if any) or Interest due in respect of the Notes, and, in the case of (ii) only, such default continues for a period of 14 days; or
- (b) **Breach of Other Obligations:** the Issuer defaults in the performance or observance of, or compliance with, any one or more of its other obligations under these Conditions or the Trust Deed, which default (i) is in the opinion of the Trustee incapable of remedy or (ii) if in the opinion of the Trustee capable of remedy, is not remedied within 60 days after notice of such default shall have been given to the Issuer by the Trustee; or
- (c) **Cross-Acceleration:** (i) any other present or future indebtedness of the Issuer or any Material Subsidiary for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity as a result of acceleration of such indebtedness (and not at the option of the

Issuer, or as the case may be, the relevant Material Subsidiary) by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, provided that the aggregate amount of the relevant indebtedness in respect of which one or more of the events mentioned above in this Condition 10.1(c) have occurred equals or exceeds U.S.\$40 million (or the Dollar Equivalent thereof); or

- (d) **Judgment, Decree or Order:** a final judgment, decree or order has been entered against the Issuer or any Material Subsidiary by a court of competent jurisdiction from which no appeal may be made or is taken for the payment of money in excess of U.S.\$40 million or its Dollar Equivalent and any relevant period specified for payment of such judgment, decree or order shall have expired without it being satisfied, discharged or stayed; or
- (e) **Enforcement Proceedings:** a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against the whole or any material part of the property, assets or revenues of the Issuer or any Material Subsidiary and is not discharged or stayed within 60 days; or
- (f) **Security Enforced:** an encumbrancer takes possession of, or an administrative or other receiver or an administrator or other similar officer is appointed to, the whole or a material part of the property, assets or revenues of the Issuer or any Material Subsidiary (as the case may be) and is not discharged or stayed within 60 days; or
- (g) **Involuntary Proceedings:** (i) proceedings are initiated against the Issuer or any Material Subsidiary under any applicable liquidation, insolvency, composition, reorganisation, rehabilitation or other similar laws or an application is made for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any Material Subsidiary or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, and (ii) such proceedings or, as the case may be, such appointment (other than the appointment of an administrator) is not stayed or discharged within 60 days; or
- (h) **Winding-Up:** any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or any Material Subsidiary; or the Issuer or any Material Subsidiary ceases or threatens to cease to carry on the whole or substantially all of its business, save for the purposes of reorganisation or terms approved by an Extraordinary Resolution of Noteholders, or the Issuer or any Material Subsidiary stops or threatens to stop payment of, or is unable to, or admits inability to, pay all or a substantial part of its debts (or any class of its debt) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (i) **Voluntary Proceedings:** the Issuer or any Material Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors); or
- (j) **Repudiation:** the Issuer contests in writing the validity or enforceability of the Trust Deed or the Notes or denies generally in writing the liability of the Issuer under any of the Trust Deed or the Notes; or
- (k) **Nationalisation:** any act, deed or judicial or administrative proceedings in the nature of an expropriation, sequestration, confiscation, nationalization, intervention, acquisition, seizure, or condemnation of, or with respect to, the business and operations of the Issuer or any Material Subsidiary, or substantial portions of its property or assets, shall be undertaken or instituted by any government entity, present or future, in such manner as it shall materially and adversely affect the financial condition or operations of the Issuer or such Material Subsidiary, unless such act, deed or proceedings are otherwise contested in good faith by the Issuer or such Material Subsidiary; or

- (l) **Analogous Events:** any event occurs, which, under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Conditions 10.1(g), 10.1(h) and 10.1(i).

The Issuer has undertaken in the Trust Deed that, so long as any Note remains outstanding, annually and also within 14 days after any request by the Trustee, it will send to the Trustee a Compliance Certificate certifying to the effect that as at a date not more than five days prior to the date of such certificate no Event of Default or Potential Event of Default has occurred.

10.2 **Enforcement**

The Trustee may at any time, at its discretion and without notice, take such steps and/or actions and/or institute such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed and the Notes, but it shall not be bound to take or institute any such steps, actions and/or proceedings in relation to the Trust Deed or the Notes unless (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least 25 per cent. in aggregate principal amount of the Notes then outstanding and (b) in any case, it shall have been indemnified, secured and/or pre-funded to its satisfaction against all actions, proceedings, claims and demands to which in its opinion it may be or become liable and all costs, charges, damages, expenses (including but not limited to legal fees) and liabilities which in its opinion may be incurred.

Neither the Trustee nor any Agent shall be required to take any steps to ascertain whether any Event of Default or Potential Event of Default has occurred or is continuing and none of them shall be responsible or liable to the Noteholders, the Issuer or any other person for any loss arising from any failure to do so.

No Noteholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

11. **REPLACEMENT OF CERTIFICATES**

Should any Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar or any Transfer Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require or, as the case may be, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity and/or security as the Registrar or such Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

Except in the limited circumstances described in the Global Certificate (see "The Global Certificate"), owners of interests in the Notes will not be entitled to receive physical delivery of Certificates.

12. **NOTICES**

12.1 **Notices to Noteholders**

All notices to the Noteholders will be valid if mailed to them at their respective addresses in the Register and shall be deemed to have been received on the seventh calendar day after being so mailed. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any notice shall be deemed to have been given on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

So long as the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg or any alternative clearing system, notices to Noteholders shall be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg or such alternative clearing system, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

12.2 Notices from Noteholders

Notices to be given by any Noteholder must be in writing and given by lodging the same, together with any Certificate in respect of such Note or Notes, with the Registrar or, if the Notes are held in a clearing system, may be given through the clearing system in accordance with its standard rules and procedures.

13. SUBSTITUTION

The Trustee may (but shall not be obliged to), without the consent of the Noteholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition 13) as the principal debtor under the Notes and the Trust Deed of any of its Subsidiaries in order to remedy a pending or existing Gross-Up Event provided that:

- (a) the Notes remaining unconditionally and irrevocably guaranteed by the Issuer in a manner which would give the Noteholders a status in a Winding-Up of the Issuer which is akin to the status Noteholders would have at that time in respect of a Winding-Up of the relevant issuer;
- (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution or modification;
- (c) the Issuer procures, at its own cost, the delivery of legal opinion(s) as to English and any other relevant law, addressed to the Trustee, dated the date of such substitution of the Issuer or modification of these Conditions, as the case may be, and in a form and substance acceptable to the Trustee from legal advisers acceptable to the Trustee; and
- (d) compliance with certain other conditions set out in the Trust Deed.

14. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

14.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including without limitation, the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee if it receives a written request from Noteholders holding not less than 25 per cent. in aggregate principal amount of the Notes for the time being outstanding and subject to it being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. Except where the business of such a meeting includes consideration of a Reserved Matter (as defined below), the quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in aggregate principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons present whatever the principal amount of the Notes held or represented, except that, at any meeting the business of which includes any of the following matters:

- (a) modifying the maturity of the Notes or the date on which Interest is payable in respect of the Notes;
- (b) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, of the method of calculating the date of payment in respect of any principal, premium (if any) or Interest in respect of the Notes;
- (c) alteration of the currency in which payments under the Notes are to be made;
- (d) alteration of the quorum required to pass an Extraordinary Resolution or the majority required to pass an Extraordinary Resolution; or

- (e) substitution of any entity for the Issuer (provided that no such approval is required for such a substitution without the approval of the Noteholders in accordance with Condition 13 and the terms of the Trust Deed) as principal debtor;

(each of (a), (b), (c), (d), and (e) above in this Condition 14.1, and any alterations to (a), (b), (c), (d) and/or (e) in this Condition 14.1, a “**Reserved Matter**”),

the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than $66 \frac{2}{3}$ per cent., or at any adjourned meeting not less than 25 per cent., of the aggregate principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders or passed by way of electronic consent given by the Noteholders through the relevant clearing systems in accordance with the Trust Deed will be binding on all Noteholders, whether or not they are present at the meeting at which such resolution was passed or, as the case may be, participated in such electronic consent.

The Trust Deed provides that a written resolution signed by or on behalf of the Noteholders of not less than 75 per cent. of the aggregate principal amount of the Notes for the time being outstanding shall be as valid and effective as a duly passed Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

The provisions of this Condition 14.1 are subject to the further provisions of the Trust Deed.

14.2 **Modification, Waiver, Authorisation and Determination**

The Trustee may (but shall not be obliged to), without the consent of the Noteholders, agree to (a) any modification of these Conditions or the Trust Deed (in each case, other than in respect of a Reserved Matter) if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders, and (b) to any modification of the Notes or the Trust Deed which is in the opinion of the Trustee of a formal, minor or technical nature or is to correct a manifest error or is made to comply with mandatory provisions of law. In addition, the Trustee may (but shall not be obliged to), without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes or the Trust Deed if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

14.3 **Trustee to have Regard to Interests of Noteholders as a Class**

In connection with the exercise by it of any of its trusts, rights, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class and shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee will not be entitled to require on behalf of any Noteholder, nor will any Noteholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

14.4 **Notification to Noteholders**

Any modification, waiver, authorisation, determination or substitution agreed to by the Trustee will be binding on the Noteholders and, unless the Trustee agrees otherwise, any modification, waiver, authorisation, determination or substitution will be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 12.1.

15. INDEMNIFICATION OF THE TRUSTEE, ITS CONTRACTING WITH THE ISSUER AND OTHER MATTERS

15.1 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including without limitation, provisions relieving it from taking steps and/or actions and/or proceedings to enforce repayment unless indemnified and/or pre-funded and/or secured to its satisfaction.

15.2 Right to obtain instructions from Noteholders

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking or refraining from any such action, making any such decision or giving any such direction, to seek directions or clarification of directions from the Noteholders by way of Extraordinary Resolution, and the Trustee shall not be responsible or liable for any loss or liability incurred by the Issuer, the Noteholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction as a result of seeking such direction from the Noteholders or in the event that no direction is given to the Trustee by the Noteholders. None of the Trustee or any Agent shall be liable to any Noteholder, the Issuer or any other person for any action taken by the Trustee or such Agent in accordance with the instructions, directions or requests of the Noteholders. The Trustee shall be entitled to rely on any direction, request or resolution of Noteholders given by Noteholders holding the requisite principal amount of Notes outstanding or passed at a meeting of Noteholders convened and held in accordance with the Trust Deed.

15.3 Trustee Contracting with the Issuer

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of its Subsidiaries and/or any entity related directly or indirectly to the Issuer and to act as trustee, agent or depositary for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its Subsidiaries and/or any entity related directly or indirectly to the Issuer, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

15.4 Responsibility of Noteholders

Each Noteholder shall be solely responsible for making and continuing to make its own independent appraisal of and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and any Subsidiary of the Issuer, and the Trustee shall not at any time have any responsibility for the same and no Noteholder shall rely on the Trustee in respect thereof.

15.5 Performance by Issuer

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer and any other person appointed by the Issuer in relation to the Notes of the duties and obligations on their part expressed in respect of the same and, unless a Responsible Officer of the Trustee or, as the case may be, the relevant Agent has actual knowledge of or express notice in writing from the Issuer to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed.

16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

Save as contemplated in Condition 10.2, no person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

17. GOVERNING LAW AND SUBMISSION TO JURISDICTION

17.1 Governing Law

The Trust Deed, the Agency Agreement and the Notes, and any non-contractual obligations arising out of or in connection with these documents are governed by and shall be construed in accordance with English law.

17.2 Jurisdiction of English courts

- (a) Each of the Issuer has, in the Trust Deed, irrevocably agreed for the benefit of the Trustee and the Noteholders that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed or the Notes (including any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed or the Notes) and has accordingly submitted to the exclusive jurisdiction of the English courts.
- (b) Each of the Issuer has, in the Trust Deed, waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee or the Noteholders may take any suit, action or proceeding (referred to as “Proceedings”) arising out of, or in connection with the Trust Deed or the Notes respectively (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Trust Deed or the Notes respectively) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

17.3 Appointment of process agent

Each of the Issuer has, in the Trust Deed, irrevocably and unconditionally appointed Law Debenture Corporate Services Limited at its specified office for the time being at 5th Floor, 100 Wood Street, London EC2V 7EX, United Kingdom, as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of such agent ceasing so to act it will promptly appoint another person as its agent for that purpose and shall deliver to the Trustee a copy of that new agent’s acceptance of appointment within 30 days of such cessation.

18. DEFINITIONS

Unless the context otherwise requires, the following terms will have the following meanings in these Conditions:

“**Affiliate**” means, with respect to any Person, any other Person (a) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person, or (b) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (a) of this definition. For purposes of this definition, “**control**” (including, with correlative meanings, the terms “**controlling**”, “**controlled by**” and “**under common control with**”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“**Capital Stock**” means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding (a) any debt security convertible or exchangeable into such equity and (b) any perpetual capital securities, subordinated capital securities or other similar instruments (or portions thereof) that are classified as equity under PFRS.

“**Change of Control Event**” means the occurrence of any of the following events: (a) any Person, individually, or group of related Persons, acting together, other than one or more Permitted Holders, becomes the beneficial owner, directly or indirectly, of more than 50 per cent. of the outstanding capital stock of the Issuer, measured by voting power rather than number of shares; or (b) the Issuer consolidates with or merges into or sells or transfers substantially all of its assets to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring control (as defined in “Affiliate” above) over the Issuer or the successor entity.

“**Common Stock**” means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding on the Issue Date, and include, without limitation, all series and classes of such common stock or ordinary shares.

“**Dollar Equivalent**” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the reference exchange rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by *Bangko Sentral ng Pilipinas* (“**BSP**”) on the date of determination.

“**Extraordinary Resolution**” has the meaning given to it in the Trust Deed.

“**Financial Year**” means a financial year of the Issuer, for the time being ending on December 31.

“**Gross-up Event**” means that as a result of any change in, or amendment to, the laws or treaties (or any rules or regulations thereunder) of the Relevant Jurisdiction, or any change in or amendment to any official interpretation or application of those laws, treaties or rules or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date, the Issuer has or will become obliged to pay Additional Amounts with respect to a deduction or withholding at a rate higher than that applicable on the Issue Date; provided that (in either case) the payment obligation cannot be avoided by the Issuer taking reasonable measures available to it.

“**Issue Date**” means the date on which the Notes are originally issued under the Trust Deed.

“**Material Subsidiary**” means:

- (a) any Subsidiary of the Issuer whose revenues (consolidated in the case of a Subsidiary which has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent, in each case, at least 10 per cent. of the consolidated revenues or, as the case may be, consolidated total assets, of the Issuer and its Subsidiaries taken as a whole, all as calculated, respectively, by reference to the then latest available consolidated audited balance sheet and profit and loss accounts of the Issuer and its consolidated Subsidiaries, provided that:
 - (i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are available, be deemed to be a reference to the then latest consolidated audited accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary;
 - (ii) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenues or total assets of the Issuer and any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer for the purposes of preparing a certificate thereon to the Trustee;
 - (iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenues or total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer for the purposes of preparing a certificate thereon to the Trustee; and
 - (iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on a pro forma consolidation of such Subsidiary’s accounts (consolidated, in each case, if appropriate)

with the consolidated accounts (determined on the basis of the foregoing) of the Issuer;
or

- (b) any Subsidiary to which is transferred the whole or substantially the whole of the assets and undertaking of a Subsidiary which immediately prior to such transfer was a Material Subsidiary, whereupon (i) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary and (ii) the transferee Subsidiary shall immediately become a Material Subsidiary, provided that on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of the sub-paragraphs above of this definition.

For the avoidance of doubt, (A) a Person will cease to be a Material Subsidiary in the event that and at such time such Person ceases to be a Subsidiary, and (B) in the event of a Material Subsidiary ceasing to be a Subsidiary, determination of the remaining Material Subsidiaries shall be made upon the availability of the annual consolidated audited balance sheet and profit and loss accounts of the Issuer and its consolidated Subsidiaries after such Material Subsidiary ceases to become a Subsidiary.

“**Permitted Holder**” means collectively, (a) Ayala Corporation, (b) Singapore Telecom International Pte Ltd, (c) Asiacom Philippines, Inc., and (d) any Affiliate with respect to those mentioned in (a), (b) or (c) above of this definition.

“**Person**” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof.

“**PFRS**” means Philippine Accounting Standards and Philippine Financial Reporting Standards. All ratios and computations contained or referred to in the Trust Deed shall be computed in conformity with PFRS either as in effect on the date hereof or from time to time as determined by the Issuer applied on a consistent basis.

“**Preferred Stock**” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, or as to redemption, over any other class of Capital Stock of such Person.

“**Potential Event of Default**” means any event or circumstance that could with the giving of notice, lapse of time and/or issue of a certificate would be, an Event of Default.

“**Relevant Indebtedness**” means any present or future indebtedness in the form of, or represented by, debentures, loan stock, bonds, notes or other similar securities (a) which are, or are issued with the intention that they should be, and are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or any other securities market (whether or not initially distributed by way of private placement) and (b) denominated in a currency other than the Philippine peso.

“**Subsidiary**” means, with respect to any Person, any corporation, association or other business entity: (a) of which more than 50.0 per cent. of the voting power of the outstanding Voting Stock is owned or controlled, directly or indirectly, by such Person and one or more other Subsidiaries of such Person; or (b) of which 50.0 per cent. or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is “controlled” and consolidated by such Person in accordance with PFRS.

“**Voting Stock**” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“**Winding-Up**” means, with respect to the Issuer, a final and effective order or resolution for the bankruptcy, liquidation, receivership, insolvency or similar proceedings in respect of the Issuer.

TERMS AND CONDITIONS OF THE 2035 NOTES

The Terms and Conditions of the 2035 Notes will be identical to those under the “Terms and Conditions of the 2030 Notes”, with reference to “Notes” in that section construed as references to the 2035 Notes, and except as set out below:

1. The principal amount of the 2035 Notes shall be U.S.\$300,000,000.
2. The 2035 Notes shall bear interest (“**Interest**”) from and including the Issue Date at the rate of 3.00 per cent. per annum, payable in equal instalments of U.S.\$15.00 per U.S.\$1,000 in principal amount of Notes semi-annually in arrear on 23 January and 23 July of each year (each an “**Interest Payment Date**”) commencing on 23 January 2021.
3. Unless previously redeemed or purchased and cancelled as provided in Condition 5, the 2035 Notes will be redeemed at their principal amount on 23 July 2035 (the “**Maturity Date**”).
4. For purposes of Condition 5.2, the Issuer will have the right to redeem the Notes, in whole or in part, at any time on or after 23 April 2035.

USE OF PROCEEDS

The net proceeds from the issue of the Notes, which are approximately U.S.\$595 million (after the deduction of commissions, documentary stamp taxes and estimated expenses), will be used to finance the Issuer's capital expenditures, maturing and/or existing obligations, and for general corporate requirements.

EXCHANGE RATES

The Bankers' Association of the Philippines (“BAP”) announced that beginning 2 April 2018, spot and forward currency exchange transactions will be effected using the Bloomberg trading platform. As a result, the BSP’s Reference Exchange Rate Bulletin now refers to the closing rate quoted on the Bloomberg platform as the closing rate for the purchase of U.S. dollars with Philippine Pesos. Prior to this, the Philippine Dealing System (“PDS”) rate appearing on the PDS platform, a computer network supervised by the BSP, was quoted as the spot reference rate for foreign exchange transactions.

The following table sets forth certain information concerning the exchange rate (based on the published rate in BSP’s Reference Exchange Rate Bulletin) between the Philippine Peso and the U.S. dollar for the periods and dates indicated, expressed in Philippine Pesos per U.S.\$1.00:

<u>Year</u>	<u>Philippine Peso/U.S. dollar exchange rate</u>			
	<u>Period end</u>	<u>Average⁽¹⁾</u>	<u>High⁽²⁾</u>	<u>Low⁽³⁾</u>
2011	43.928	43.313	44.585	41.955
2012	41.192	42.229	44.246	40.862
2013	44.414	42.446	44.660	40.569
2014	44.617	44.395	45.406	43.280
2015	47.166	45.503	47.435	44.053
2016	49.813	47.493	49.984	45.917
2017	49.923	50.404	51.799	49.404
2018	52.724	52.661	54.345	49.769
2019	50.744	51.796	52.887	50.489
2020				
January	50.904	50.839	51.161	50.512
February	50.937	50.745	51.047	50.490
March	51.044	50.904	51.320	50.507
April	50.589	50.735	50.911	50.589
May	50.727	50.556	50.787	50.282
June	49.851	50.097	50.585	49.851
July (up to 13 July).....	49.490	49.609	49.813	49.406

Notes:

(1) *Weighted average rate under the PDS starting 4 August 1992. The PDS was superseded by the BAP beginning on 2 April 2018.*

(2) *Highest closing exchange rate for the period.*

(3) *Lowest closing exchange rate for the period.*

Source: Reference Exchange Rate Bulletin, Treasury Department of the BSP.

CAPITALISATION

The following table sets forth the indebtedness and capitalisation of the Group as of 31 March 2020, on an actual and as adjusted basis giving effect to the offering of the Notes. This table should be read in conjunction with the Unaudited Interim Condensed Consolidated Financial Statements and the notes presented elsewhere herein.

	As of 31 March 2020		As of 31 March 2020	
	Actual		As Adjusted	
	(in ₱ millions)	(in U.S.S millions) ⁽¹⁾	(in ₱ millions)	(U.S.S millions) ⁽¹⁾
				(unaudited)
Debt⁽²⁾				
Loans payable - current	18,531.4	363.0	18,531.4	363.0
Non-current borrowings				
Loans payable – net of current portion.....	126,158.4	2,471.6	126,158.4	2,471.6
Notes to be issued ⁽³⁾	-	-	30,463.0	596.8
Derivative liabilities - net	49.2	1.0	49.2	1.0
Total Indebtedness	144,739.0	2,835.6	175,202.0	3,432.4
Equity				
Capital stock	8,453.0	165.6	8,453.0	165.6
Additional paid in capital	36,808.8	721.1	36,808.8	721.1
Cost of share-based payments..	510.3	10.0	510.3	10.0
Other reserves.....	(1,465.3)	(28.7)	(1,465.3)	(28.7)
Retained earnings	40,135.1	786.3	40,135.1	786.3
Non-controlling interests	148.0	2.9	148.0	2.9
Total equity	84,589.9	1,657.2	84,589.9	1,657.2
Total capitalisation	228,328.9	4,492.8	259,791.9	5,089.6

Notes:

- (1) Translations were made at the exchange rate of ₱51.044 per U.S.\$1.00, being the BSP Rate as of 31 March 2020.
- (2) On 29 June 2020, Globe entered into a ₱3.0 billion term loan facility with China Banking Corporation. As of 15 July 2020, the Group has ₱4.39 billion in outstanding short term loans.
- (3) Balance of Notes to be issued is gross of debt issue cost.

Except as disclosed above and elsewhere in this Offering Circular, there has been no material adverse change in the Group's capitalisation or indebtedness since 31 March 2020.

BUSINESS

OVERVIEW

Globe Telecom, Inc. (“**Globe**” or the “**Issuer**”) is a leading full-service telecommunications company in the Philippines, serving the telecommunications and technology needs of consumers and businesses across an entire suite of products and services including mobile, fixed, broadband, data connectivity, internet and managed services. Globe and its subsidiaries (the “**Group**”) also have major interests in financial technology, digital marketing solutions, venture capital funding for startups and virtual healthcare.

The Group has two primary business segments: (i) its mobile business, which includes mobile and fully mobile broadband, and (ii) its fixed line and home broadband business, with home broadband comprising both fixed wireless and wired broadband. The Group’s mobile business offers SMS, voice and data services, while its fixed line and home broadband offers home broadband, corporate data and fixed line voice services. The Group’s holding in Tori Spectrum Telecom, Inc. (“**Spectrum**”) allows the Group to provide telecommunications services using technology ranging from GSM to 5G.

As of 31 March 2020, the Group is supported by 8,160 employees and over 1.28 million AutoloadMax (“**AMAX**”) retailers, distributors, suppliers, and business partners nationwide. As of 31 March 2020, the Group had approximately 89.3 million mobile subscribers (including fully mobile broadband), approximately 2.3 million home broadband customers, and over 1.4 million landline subscribers.

The Issuer’s principal shareholding groups are AC and STI, acknowledged industry leaders in the Philippines and across Asia. 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 the Group 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 Issuer aims to contribute to the UN Sustainable Development Goals by promoting innovation and technology for greater social impact. Together with business growth, the Group actively participates 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” is the corporate social responsibility arm of the Group, 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 the Group’s key stakeholders.

Globe has been consistently recognized both locally and internationally for its corporate governance practices. In 2019, Globe received recognition as a top-performing publicly listed company in the Philippines under the ASEAN Corporate Governance Scorecard, presented by the country’s Institute of Corporate Directors (ICD). Globe was the only telecommunications company recognized among six other publicly listed companies in the main award category. Globe also received recognition for the Best Investor Relations Company in the Philippines from the 9th Asian Excellence Awards of Corporate Governance Asia in July 2019. In August 2019, Globe received recognition as a Winner by Country (Philippines), placed second in the Best CFO category and was recognized as a Most Honored Company in Institutional Investor Magazine’s All-Asia (ex-Japan) Executive team rankings for the Emerging Markets. It has been listed on the Philippine Stock Exchange since 1975 under the ticker symbol GLO. As of 31 March 2020, Globe had a market capitalization of approximately U.S.\$5.1 billion.

Globe recorded total revenues of ₱149,010 million (U.S.\$2,919 million), and net income attributable to equity holders of Globe of ₱22,269 million (U.S.\$436.3 million), for the year ended December 31, 2019. For the three months ended March 31, 2020, Globe recorded total revenues of ₱36,882 million (U.S.\$723 million) and net income attributable to equity holders of Globe of ₱6,581 million (U.S.\$129 million).

STRENGTHS

Exposure to large and attractive markets driven by favorable industry and social-economic dynamics

The Philippine telecommunications industry has seen a shift in recent years, with the advent of data and the Internet of things changing customer behavior and the manner in which telecommunications firms operate. In the mobile segment, consumers are increasingly favoring data for their communication needs, causing a shift away from traditional voice and SMS services towards mobile data. This trend is illustrated by the growth in the Group's data traffic, which increased by 41% year-on-year to 522 petabytes for the three months ended 31 March 2020.

For the broadband market, based on regional surveys, the Philippines has one of the lowest broadband connectivity rates in Southeast Asia at just 23% according to Analysys Mason. Driven by low penetration rates and a sustained demand for home broadband connectivity, the fixed broadband market in the Philippines provides the Group with an opportunity for near-term growth.

In respect of corporate data and ICT, there is an opportunity to capitalize on the continued shift by corporates (including both enterprise and small business clients) away from manual processes towards automated and digitized processes, which will require reliable data connectivity.

Finally, the strong long-term Philippine economic outlook is also expected to drive the Group's growth. According to the "Digital 2019: The Philippines" report by we are social and Hootsuite, the Philippines has a relatively young (below 24 years of age on average) data-centric population comprising 49% of the total population of the Philippines, with such young demographic projected to continue to grow over the next three decades. According to the "Digital 2020: The Philippines report" by we are social and Hootsuite, there were approximately 73 million social media users in the Philippines, spending almost 10 hours per day on the Internet and almost four hours per day on social media in January 2020.

Leading and preferred telecommunications provider in the Philippines

Globe is one of two major telecommunications providers in the Philippines, with the other being PLDT. The Group has steadily grown its market share in recent years – from holding 32% of mobile subscribers in 2012 to a market leadership position of 55% as of 31 March 2020.

The Group believes that its 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. The Group has also focused on bringing innovations and partnerships with leading content creators across entertainment, music, social networking and e-sports to respond to trends and demands among its data users. Among the Group's partners are global brands such as Netflix, Fox, Spotify and the NBA.

As of 31 March 2020, the Group had approximately 89.3 million mobile subscribers (including fully mobile broadband) and more than 2.3 million home broadband customers, supported by 8,160 employees and over 1.28 million AMAX retail, distribution and business partners nationwide. For 2019, the Group's consolidated service revenues reached ₱149,010 million (U.S.\$2,919 million), a growth of 12% from consolidated services recorded in 2018. For the three months ended 31 March 2020, the Group recorded total revenues of ₱36,882 million (U.S.\$723 million). This growth was fueled by gains across mobile data, home broadband and corporate data service revenues.

The Group has consistently delivered a corporate culture built around the customer and innovation, enabled by highly engaged employees. Globe has scored highly in sustainable engagement scores – registering 91% in 2018 and was named as the Best Company to Work for in Asia by HR Asia in 2019. Globe has continued to be recognized by the awards community, including by *Finance Asia* ("Best Managed Companies") in 2015 and 2017 and *The Asset Corporate Awards* ("The Asset Platinum Award for Excellence in Environmental, Social, and Corporate Governance (ESG)") in 2017 and 2018.

Offers innovative service offerings to cater to the emerging needs of customers

The Group supports its market-leading position and future growth with prudent investments into digital platforms. As the Group continues to evolve from traditional telecommunications services operator, it believes that investing

early in adjacent digital spaces will drive further growth in customer engagement, and provide the potential to realize value from these non-core services. The Group's current investments into digital companies include:

- **Financial Services** – Mynt through GCash aims to address financial inclusion by providing users with a mobile wallet and micro-loan platform. GCash is the fastest growing e-wallet in the Philippines with over 20 million customers, 75,000 partner merchants and 400 partner billers.
- **Telehealth** – KonsultaMD delivers healthcare to marginalized and underserved customers via its 24/7 health hotline service, which connects users to licensed doctors.
- **Mobile Advertising** – Adspark provides a full-service, data driven agency that allows for customized digital and mobile advertising solutions for the SME market.

The Group believes that its brand positioning and roots in the Philippine digital economy give it an advantage against both existing competitors and new entrants, who would need to invest considerable resources and time in order to develop comparable brands targeted at similar segments of the market.

Track record of resilient and profitable growth

With a long-standing track record of success in the Philippines, Globe is one of the most recognized brands in the local market. The Group considers this strong brand recognition a critical advantage in securing and growing market share, and significantly enhances the Group's ability to cross-sell and market its other product and service offerings.

The Group believes that its superior execution and focus on a differentiated customer experience reinforce its resilient and profitable growth. Total operating revenues hit a record high of ₱166,660 million in 2019 – having grown at a CAGR of 9.4% since 2011. Profitability has also continuously increased and the Group recorded an Adjusted EBITDA of ₱76,031 million for the year ended 31 December 2019, reflecting a CAGR of 10.1% since 2011.

Continuously reinvests profits back into network enhancements to solidify market leading position

The Group continues to invest heavily in its Philippine network, incurring a record capital expenditure of ₱51.0 billion for the year ended 31 December 2019, of which 79% was allocated to further improve data and network infrastructure. As of 31 December 2019, Globe had 139% more cell sites and 69% more base stations compared to year-end 2018, and recorded 1,699 petabytes in mobile data traffic, compared to 956 petabytes in 2018.

The Group has continued to lead investments in its network, including accelerating the roll-out of LTE services across the Philippines using acquired spectrum frequencies, and entering into memorandums of understanding with leading global telecom tower providers such as ISOC-edotco and American Towers to accelerate the buildout of IT infrastructure in the Philippines.

Strong balance sheet with prudent capital management

The Group believes that its financial position remains strong with ample liquidity and gearing comfortably within lender covenants. As of 31 March 2020, the Group had total gross debt of ₱144.7 billion. The Group's consolidated gross debt to equity ratio stood at 1.7x and is well within the 3.0x maximum gross debt to equity limit under its existing covenants. As of 31 March 2020, the Group's leverage had comfortable headroom, with the Group's last twelve months' ("LTM") of gross debt to Adjusted EBITDA measuring 2.0x, which was within the prescribed maximum debt to Adjusted EBITDA of 3.5x. The Group was also compliant with its debt service coverage ratio ("DSCR"), with its LTM DSCR as of 31 March 2020 of 4.6x, which was higher than the minimum DSCR of 1.3x required under the Group's loan covenants. The Group's DSCR is defined as the ratio of Adjusted EBITDA to required debt service, where debt service includes subordinated debt but excludes shareholder loans.

Furthermore, the Group believes it had a well-managed and evenly spread debt maturity profile as of 31 March 2020:

Year	Principal (in ₱ billions)⁽¹⁾
2020	12.0
2021	7.9
2022	15.0
2023	18.0
2024	16.9
2025	14.6
2026	13.3
2027	16.0
2028	17.3
2029	0.2
2030	4.7
2031	9.5
Total	145.3

⁽¹⁾ Principal amount prior to debt issuance costs.

The Group 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.

Strong management team and reputable shareholders

The Group believes it has a strong management team, composed of industry professionals with significant experience in the mobile and fixed-line telecommunications markets in the Philippines and abroad, with the proven ability to execute on its business plan and achieve positive results. The Group believes that its top management team is a highly stable group with majority of C-suite executives having been with the Group for more than a decade. With its continued expansion, the Group has been able to attract and retain senior managers from the telecommunications, consumer goods and finance industries with experience in managing large scale and complex operations. The Group believes that its executives are able to quickly adapt to changes in the market, including the continuing developments in the competitive landscape and technological evolution.

Globe's principal shareholders are AC and 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. Globe's principal shareholders are committed to their investment and have prepared a robust corporate governance framework in order to facilitate the implementation of the Group's business plan.

STRATEGIES

For a highly penetrated mobile market such as the Philippines, the prevalence of affordable data plans and smart devices is further driving the demand for data. Based on the Digital 2020 Report, using social media, watching television and online videos, listening to music streaming services, and playing games are the top activities for Filipinos on the Internet in January 2020. Other than entertainment, Filipinos have also used mobile data to avail of shopping applications, map applications, and banking applications, as well as transport network services, and online food delivery, navigation services among others. This trend towards a digital lifestyle is mirrored in the Group's data traffic numbers – with its per capita data figures rising by 37% year-on-year to 4.77 GB for the first three months ended 31 March 2020.

The fixed line industry is also seeing an increase in demand for data. At home, smart televisions and gaming consoles enable the consumption of bandwidth intensive multimedia content such as high definition videos and network gaming. More customers are now taking advantage of free multi-media content and paid video streaming services which are encroaching on cable TV service. Beyond connectivity, corporate and enterprise clients are looking to service providers, including telecommunications operator partners, to provide solutions to help businesses grow, generate more revenue, and safeguard vital business information and corporate assets.

With the aim to capitalize on the increasing demand for data and connectivity and rapid digitalization, the Group intends to implement the following strategies in the near-term.

Accelerate network rollout

The Group intends to accelerate construction of its cell sites to keep pace with demand and increase its wired footprint in order to address serviceability. Further, the Group is committed to providing best- in-class internet connectivity, and targets to:

- ramp up capital expenditures of up to ₱63 billion, an increase from ₱51.0 billion in full year 2019 for its network expansion and improvement in its network and telecommunications equipment;
- deliver internet services to more Filipino households through wireless home broadband and constantly improve overall network experience;
- provide seamless internet connectivity services to more households and consistently deliver improved customer experience; and
- launch relevant 5G offers for the home and central business districts.

Increase Household Penetration

The Group intends to continue offering and improving its wired and fixed wireless broadband services across various technologies and connectivity speeds for its residential customers. In particular, as part of its network improvement and expansion initiatives in 2020, the Group intends to deepen its household penetration through the extended reach of its *Globe Home Broadband*, *Globe At Home AirFiber 5G*, and *Globe At Home Prepaid WiFi* products and other innovative products and services. The Group also continues to analyze the market to determine the most appropriate product or channel applicable to its customer base and intends to extend LTE coverage to the entire Philippines while strategically rolling out its 5G services.

Pursue continuous customer experience improvements

The Group aims to continue to improve its customer’s experience by adapting to new technologies and delivering content. The Group believes it is positioned to be a leader of the Filipino digital lifestyle by providing world-class technologies for entertainment, education, engagement and rewards designed to address customers’ needs. In particular, the Group intends to:

- continue to forge partnerships and create innovative content-driven experiences for customers;
- establish an “e-sports center” as a base for e-sports thought leadership;
- continue deployment of *Go WiFi* and *Community WiFi* at strategic locations;
- transform its customers’ trade and distribution experience, beyond traditional telecommunications-products;
- transform prepaid customers’ end-to-end experience to a digital lifestyle;
- improve customer experience through targeted and personalized rewards;
- continuously improve digital sales and care channels for its customers;
- use multiple and integrated channels that create cohesive and personalized customer experience;
- create delightful customer experiences across complementing digital and traditional channels that cohesively serve customer needs; and
- deliver seamless, frictionless, immersive and consistent customer digital experience.

Develop new information and communications technology capabilities

The Group is seeking to establish itself as a trusted digital transformation partner of large and small enterprise customers by providing compelling information and communications technology services. The Group intends to continue to offer its various products and solutions across mobility, voice, connectivity, cloud, data center, cyber security and business applications to its enterprise customers through its various network technologies, as well as responding to specific or bespoke solutions required by its customers particularly with the increased connectivity demands, remote working requirements and business continuity plans of enterprises post the outbreak of COVID-19.

Create new and profitable revenue streams and develop new information and communications technology capabilities

The Group aims to create value in digital technology, lifestyle and entertainment through investments that complement its core telecommunications operations. In the future, the Group seeks to empower the local economy in its digital transformation by helping businesses flourish through the right technology, infrastructure, solutions and know-how. The Group had over 1.28 million AMAX retailers, distributors, suppliers, and business partners nationwide as of 31 March 2020 and the Group aims to enable its retail network and other business owners to offer more products and services to stimulate the e-commerce industry and the digital economy through EC Pay. The Group acquired a 77% ownership stake in EC Pay in 2019, through which the Group aims to achieve its goal to integrate and digitalize the Filipino consumer's prepaid mobile, Internet products and bill payments, among others.

Continue to build an agile workforce

The Group aims to build an agile organization with a deep understanding of, and ability to be responsive to, its customers' needs. The Group intends to create a high-performance organization with a purpose-driven workforce with a culture of empowerment, collaboration and innovation. In particular, the Group aims to:

- pioneer the transformation of the service delivery engine to “simple, digital, agile” to shorten time to market, increase delivery efficiency, increase effectiveness of cost management measures, and improve collaboration;
- continue organizational focus on customer-centricity through agile competency-building and work processes;
- empower leadership with a focus on clarity, collaboration and succession planning;
- continue to enrich lives of its employees, customers and shareholders through the Group's “Circle of Happiness”, “Globe of Good” purpose and high overall organizational health; and
- value people and to continue to implement universal sustainability principles by promoting innovation and technology for greater social impact.

RECENT DEVELOPMENTS

Response to the COVID-19 Outbreak

As outlined in its business continuity plan, the Group recognizes the risks that emerging infectious disease such as COVID-19 for the Group's operations. As such, in view of the outbreak of COVID-19, the Group immediately addressed critical aspects of its operations such as workforce health and safety, supply chain disruption and the continuous need of its customers for seamless connectivity.

Employees, Vendor Partners and Support Staff

As early as January 2020, the Group initiated precautionary measures for a COVID-19 free workplace for all the Group's offices nationwide. In particular, the Group implemented (i) thermal scanning at all entry points in various offices of the Group, nationwide; (ii) deployment of hand sanitizers throughout common areas in the Group's office premises; (iii) adjustments the Group's policies to restrict travel to high risk countries; (iv) mandatory visitor disclosure and screening and; (v) continuing awareness drives to keep all of the Group's employees well informed on the developments relating to COVID-19.

On 7 March 2020, immediately after the Philippine Department of Health's announcement of Alert Level Code Red Sublevel 1, the Group implemented tighter policies and plans to protect its employees, partners, staff and operations, including (i) sanitizing of all floors of the Group's corporate offices; (ii) discontinuing acceptance of guests at offices and technical sites, nationwide; (iii) shifting to virtual and online meetings; and (iv) partnering with major health providers to screen, admit and provide care for the Group's employees who exhibit flu-like symptoms while inside office premises.

On 16 March 2020, the Group implemented full work-from-home operations, to minimize possible exposure of its employees to the COVID-19 disease. The Group also maintained a critical skeleton workforce of approximately 4,000 employees nationwide on rotating shifts and with appropriate contingency teams to ensure minimal disruptions to the Group's operations and to maintain network service levels. To protect and support its employees

who continued to work-on-site, the Group provided personal protective equipment (“PPE”), hazard pay, food allowance, transportation, accommodation, insurance and medical expense assistance to such personnel who formed part of the critical skeleton workforce. As of the date of this Offering Circular, approximately 85% of the Group’s employees were working from home, and approximately 15% of employees formed part of the critical skeleton workforce.

In May 2020, the Group started weekly rapid antibody testing of all its critical skeleton workforce with a second wave of employee testing taking place in June 2020 to ensure that both the workforce and the Group’s stakeholders are protected from COVID-19 spread and infection. The testing covered both regular and partner employees working within the Group’s offices and sites. Rapid antibody testing operations were concluded on 30 June 2020 with the Group’s testing strategy currently focusing on systematic testing based on daily employee health declarations. The Group has also equipped its critical skeleton workforce with its GC19 application, which triggers red flags prior to entry into Globe’s offices. This change in strategy was a result of the number of false positives resulting from rapid testing which caused undue anxiety to the Group’s employees and partners.

The Group has also pledged ₱1.3 billion to support vendor partners, retail stores support staff, frontliners and the public in response to the pandemic.

The Group continues to engage its workforce to ensure that employees remain motivated and productive throughout the duration of work-from-home operations. The Group also recognizes the importance of mental and physical wellness and regularly holds online seminars and discussions on various topics. The Group will continue to observe strict health protocols as mandated by government guidelines in respect of employees that are returning to work. As of the date of this Offering Circular, all 210 Globe Stores nationwide were operational.

Network

During the imposition of various levels of community quarantine measures in the Philippines, and particularly in Luzon and Metro Manila, the Group maintained normal network operations. The Group has also been working with the Government to provide continued network access at the local government unit level.

Customers

To support its customers’ connectivity needs at such critical time, the Group offered assistance to all its customers, including offering 60 days credit payment extensions to all postpaid customers, including enterprise customers. Globe and TM users who subscribed to KonsultaMD were able to call doctors via KonsultaMD’s telehealth hotline without any mobile call charges. Mobile prepaid customers who subscribed to GoSurf50 were given an increased data allocation from 1 GB to 2 GB (applicable to all websites), valid for three days from 25 March to 25 April 2020. An additional 8 GB of data allocation was also provided to prepaid customers who subscribed to HomeSurf199, bringing up data allocation from 22 GB to 30 GB (23 GB open access data + 1 GB of Youtube daily) valid for seven days until 21 April 2020). Discounts were likewise given with free installation to all new *Globe At Home* postpaid customers during the Luzon-wide lockdown. The Group also supported its enterprise customers by ensuring ample supply chain capacity to serve all the orders especially since there was increased demand for broadband connectivity from enterprise customers who required subscriptions for their employees who were working from home.

To help customers manage their resources during the outbreak of COVID-19 and the implementation of enhance community quarantine measures by the Government, the Group also suspended collections on overdue bills for a total of 60 days and offered an installment payment program to its customers.

Frontliners and the Community

Beyond its business operations, the Group has strived to do its part to support the nation in this time of uncertainty. The Group has provided free access to reliable and verified news and information sources, offered free and unlimited GoWiFi service in major hospitals, selected supermarkets in Metro Manila and key cities nationwide, and at NAIA terminals 1 to 3. The Group has also led fundraising and donations efforts in the fight against COVID-19, raising close to ₱84 million, including ₱36 million in cash donations from loyal Globe customers who donated their Globe Rewards Points to partner medical institutions to provide PPEs for health workers and frontliners; over ₱27.5 million raised by employees from a fundraising initiative primarily aimed at providing much-needed PPEs such as face shields and face masks to healthcare workers in 50 hospitals across the country; and donations in kind for hospitals and frontliners, ranging from medical supplies to 1,500 mobile phones

preloaded with 45 days' unlimited call and text. The #OneGlobeVsCOVID project of the Group's workforce of 8,160 employees realized total employee donations of ₱13.79 million which was 100% matched by Singtel and Globe.

Other initiatives put in place by the Group since March 2020 to address the challenges posed by COVID-19 include the following: (i) donation of surgical masks valued at ₱5 million to the Philippine Red Cross; (ii) provision of free access to the official websites of DOH and the National Disaster Risk Reduction and Management Council to keep the public abreast of the latest COVID-19 advisories; (iii) provision of free and unlimited Internet connection via the Group's GoWiFi services at select hospitals in Metro Manila and nationwide until 15 April 2020 to help frontliners and patients and their family members to remain connected; (iv) suspension of credit actions on 15 March 2020 for all postpaid customers, including enterprise customers nationwide, for a period of 30 days from the due date; (v) donation of ₱14 Million to the PGH Medical Foundation, Inc.; and (vi) an increase in the data allowance of *Globe At Home Prepaid WiFi's* HomeSURF199 to assist families needing more data for office work or managing businesses, taking classes online, learning new skills, or connecting with friends and loved ones.

Impact on Operations

As a telecommunications company, Globe was deemed to be an essential business and continued to provide telecommunication services to its subscribers during the implementation of community quarantine measures in the Philippines. Nonetheless, the Group experienced business disruptions brought about by the various levels of community quarantine measures, which included full work-from-home operations with critical skeleton force in place, suspension of Globe Store operations, limitations in employee resources, slowdown in wireless and wireline network build activities, and supply chain disruptions, among others. As of the date of this Offering Circular, the Group's buildout capacity was approximately at 80% to 90% of pre-enhanced community quarantine levels.

Since the adoption of the various community quarantine measures, the Group saw a shift in traffic from central business districts to residential areas in addition to an overall increase in traffic. Globe's network performance indicators remain at good levels and the Group has established multiple network monitoring centers to ensure continuous monitoring of network health. Data usage by the Group's customers continues to grow due to new customer behavior such as the faster adoption of a digital lifestyle due to the COVID-19 outbreak. By the end of May 2020, the Group's mobile data traffic saw a 174% increase compared to levels seen prior to the COVID-19 outbreak. In addition, monthly mobile top-ups improved under the general community quarantine measures and are trending towards the levels seen prior to the implementation of enhanced community quarantine measures. The Group has also experienced increased demand for *Globe At Home Prepaid WiFi* during the imposition of enhanced community quarantine measures in Metro Manila and other parts of Luzon, and observed an increase in demand in mobile top-ups and service activations accompanying the easing of enhanced community quarantine measures to general community quarantine measures. Further, the Group believes that the industry outlook remains positive, with opportunities from increased mobile data usage, higher reliance on digital solutions and online services, increased demand for home broadband solutions and greater bandwidth, acceleration of uptake of digitalization and value-added services by corporates, and increased scale and faster rollout of network infrastructure, as consumers and businesses adjust to the lifestyle and work trends arising from the pandemic.

Trends Anticipated for the Second Quarter of 2020

Globe anticipates that there will be a quarter-on-quarter decline in its revenue for the three months ended 30 June 2020, particularly driven by the softening demand for mobile top-ups, consistent with the Group's expectations that customers are saving their disposable income during the community quarantine period. On the other hand, the Group is experiencing increased sales and usage of its *Globe At Home Prepaid WiFi* product; however, these increases are not expected to offset the decline in revenues in respect of mobile services. As Metro Manila and the rest of the Philippines moved into general community quarantine measures in June, the Group saw an improvement in mobile top-up levels and continuing demand for its *Globe At Home Prepaid WiFi* product as businesses reopened, employees returned to work and public transportation became available.

The Group anticipates that its Adjusted EBITDA Margin for the second quarter of 2020 to slightly decline, as an expected decline in revenues is anticipated accompanied by increases in the Group's operating expenses related to the enhanced community quarantine, partially offset by savings made in respect of travel expenses. There has been a decline in the Group's anticipated capital expenditures due delays in the Group's network rollout primarily due to a reduction in vendor and subcontractor personnel. The Group's site acquisitions have also been affected primarily due to delays in permitting, as local government units focused their efforts on responding to the COVID-

19 outbreak. However, availability of network personnel has increased and site acquisitions have also resumed since the easing of community quarantine measures in Metro Manila and the rest of the country.

The Group expects that its provisioning for bad debts will significantly increase for the second quarter of 2020 due to the economic impact of the community quarantine measures that were in place in the Philippines during such period. However, the Group also observed that a large number of its subscribers availed of its installment payment program for both consumer and corporate customers in May. The Group also observed that a significant percentage of transactions at its reopened Globe Stores were for bill payments.

While the Group expects that the continuing COVID-19 outbreak will cause further interruptions, the extent to which it may impact the results of operations, financial condition, and cash flows of the Group cannot be ascertained as of the date of this Offering Circular, as such impact depends on future developments which are highly uncertain.

HISTORY

Globe's origin can be traced back to the Robert Dollar Company ("**RDC**"), a corporation organized and existing under the laws of the State of California which provided wireless long distance message services. In 1934, RDC's franchise was transferred to Globe Wireless Limited, which was incorporated in the Philippines in 1935. Globe Wireless Limited was renamed Globe-Mackay Cable and Radio Corporation, and in 1974, 60% of the company was sold to AC, the oldest and one of the largest conglomerates in the Philippines.

After subsequent mergers and renamings, the Issuer in 1992 was renamed Globe Telecom, Inc.

The subsequent major milestones in Globe's history are as follows:

- In 1993, AC and Singapore Telecom formalized their partnership as the principal shareholders of Globe. Since then, Globe has been recognized as the first company to offer short message service ("**SMS**") in the Philippines and as the first Philippine internet service provider in the Philippines.
- 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. ("**GXI**"), a wholly-owned subsidiary, to handle the mobile payment and remittance service marketed under the *GCash* brand using Globe's network as transport channel.
- In November 2004, Globe and seven other leading Asia Pacific mobile operators ("**JV partners**") signed an 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 Issuer was assigned with 10-Megahertz ("**MHz**") of the 3G radio frequency spectrum.
- In 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. Kickstart currently has 30 active companies in its portfolio covering the digital media and technology, and web/mobile platform space.

- In 2013, Globe acquired a 38% interest in Bayan Telecommunications, Inc. (“**Bayantel**”) following approval of its amended rehabilitation plan, and Globe subsequently increased its stake to 56%. In 2015, Globe increased its stake in Bayantel to 98.57%, and in November 2015, Bayantel successfully exited rehabilitation.
- In 2015, Xurpas Inc. acquired a 51% stake in Yondu Inc., (“**Yondu**”) from Globe. 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.
- In 2016, Globe 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**”);
 - 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**”).

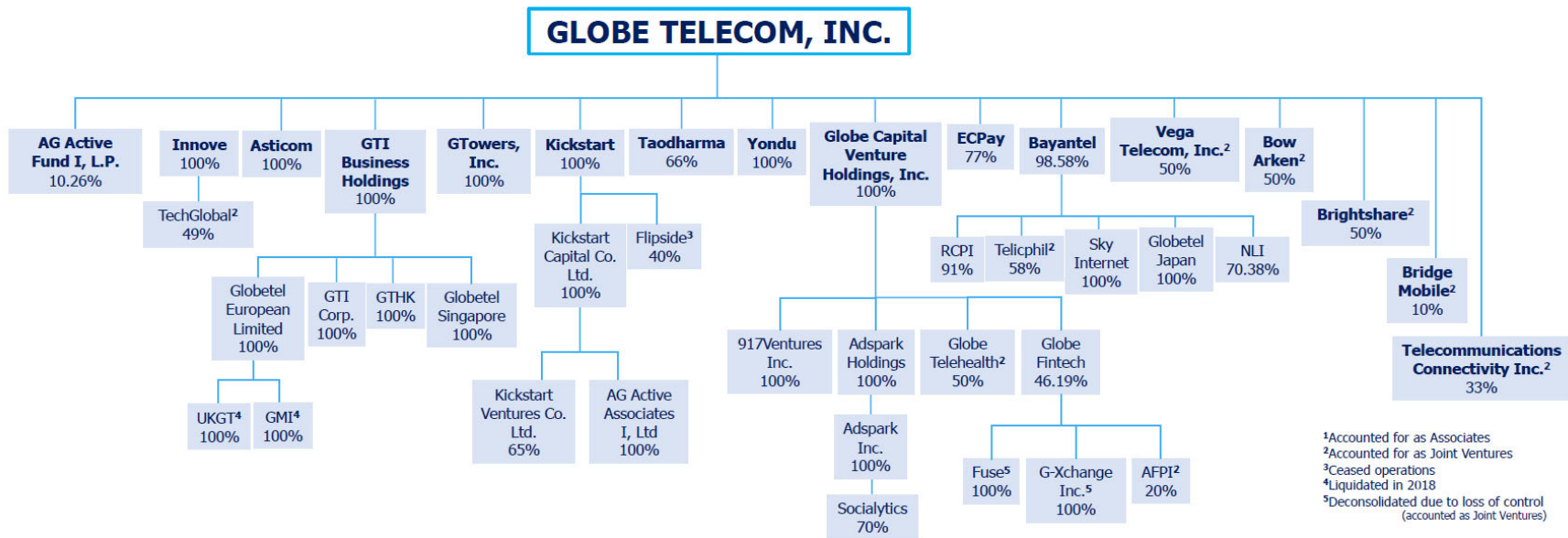
VTI owns an equity stake in Liberty Telecom Holdings, Inc., (“**LIB**”) a publicly listed company in the Philippine Stock Exchange. It also owns, directly and indirectly, equity stakes in various enfranchised companies, including Bell Telecommunication Philippines, Inc. (“**Bell Tel**”), Eastern Telecom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

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 was 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.

In June 2016, Globe 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 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 amounted to 99.1%.

- In September 2019, Globe reacquired a 51% ownership interest in Yondu from Xurpas Inc. which increased Globe’s ownership interest from 49% to 100%.
- In October 2019, Globe signed and executed an agreement with third parties to acquire 77% ownership of EC Pay, which is engaged in 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.

The diagram below shows the Group's corporate structure as of 31 March 2020:



Note: Percentage in AG Active Fund is subject to finalization

CAPITAL EXPENDITURES

For the years ended 31 December 2017, 2018 and 2019, the Group incurred cash capital expenditures of ₱42,541 million, ₱43,259 million, and ₱51,024 million (U.S.\$999.6 million), respectively. Additionally, Globe incurred liabilities related to the acquisition of property and equipment amounting to ₱27,792 million, ₱20,098 million and ₱13,494 million (U.S.\$264.4 million), respectively, for the years ended 31 December 2017, 2018 and 2019. Total additions to property and equipment and intangible assets for the years ended 31 December 2017, 2018 and 2019 were ₱51,432 million, ₱36,315 million and ₱45,799 million (U.S.\$897.2 million), respectively. These expenditures were incurred primarily to expand and improve Globe's wireless network and related working capital needs. For the three months ended 31 March 2020, Globe incurred total additions to property and equipment and intangible assets of ₱12,409 million (U.S.\$243.1 million).

The Group has generally funded its capital expenditures with long-term bank financing, Philippine Peso notes offerings, and operating cash flow. The Group plans to continue its network expansion and improvement in response to growing demand for data and connectivity needs as the Philippines adapts to a new normal following the COVID-19 outbreak. For 2020, the Group anticipates that it will incur approximately ₱63 billion (U.S.\$1.2 billion) of capital expenditures. However, this amount may change depending on the impact of the COVID-19 outbreak on the roll out of the Group's network plans. Globe intends to finance these requirements through a combination of internally generated cash flow, additional bank financing and the net proceeds from the Offering.

PRINCIPAL BUSINESS

Globe is a major provider of telecommunications services in the Philippines, supported as of 31 March 2020 by 8,160 employees of the Group and over 1.28 million AMAX retailers, distributors and business partners nationwide who provide electronic reloading services for the Group. The Group also had 840 local and 234 international vendors as of 31 December 2019. It 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. As of 31 March 2020, Globe had approximately 89.3 million mobile subscribers (including fully mobile broadband), 2.3 million home broadband customers and over 1.4 million landline subscribers.

The Group has two major business segments: (i) mobile, which includes mobile and fully mobile broadband, and (ii) fixed line and home broadband, with home broadband including both fixed wireless and wired broadband.

For the year ended 31 December 2019, approximately 67% of the Group's operating revenue was derived from its mobile business, and 22% from its fixed line and home broadband segment. The Group's mobile business contributed ₱111.8 billion in 2019. 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 contributed ₱71.8 billion in 2019, 43% of operating revenues. The Group's fixed line and home 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 2% at ₱2.7 billion.

For the three months ended 31 March 2020, approximately 65% of the Group's operating revenue was derived from its mobile business, and 24% from its fixed line and home broadband segment. The Group's mobile business contributed ₱26.8 billion for the three months ended 31 March 2020. Mobile voice service revenues amounted to ₱5.3 billion for the period, contributing 13% of operating revenues. Mobile SMS service revenues contributed ₱3.0 billion, or 7% of operating revenues for the period. Mobile data contributed ₱18.5 billion, or 45% of operating revenues for the period. The Group's fixed line and home broadband business contributed revenues amounting to ₱9.7 billion, or 24% of operating revenue for the period. Home broadband contributed revenues of ₱5.8 billion, or 14% of operating revenues. Corporate data contributed 8% of operating revenue for the period, at ₱3.3 billion, and fixed line voice contributed 2% at ₱697 million.

The following tables set out selected financial information relating to the Group's business segments, and key performance indicators of the Group as of and for the periods indicated:

Selected Financial Information

	For the year ended 31 December				For the three months ended 31 March		
	2017 ⁵	2018 ⁵	2019 ⁵	(in millions)	2019 ⁵	2020 ⁵	
	(in ₱)	(in ₱)	(in ₱)		(in U.S.\$)	(in ₱)	(in U.S.\$)
Operating Revenues	₱135,281	₱151,173	₱166,660	U.S.\$3,265	₱40,636	₱41,191	U.S.\$807
Service Revenues.....	127,906	132,875	149,010	2,919	36,003	36,882	723
Mobile.....	98,483	99,531	111,767	2,190	26,883	26,793	525
Voice.....	32,274	28,408	24,276	476	6,198	5,288	104
SMS.....	23,149	20,162	15,690	307	4,197	3,034	59
Data.....	43,059	50,961	71,801	1,407	16,488	18,471	362
Fixed Line and Home Broadband ...	29,423	33,345	37,243	730	9,054	9,727	191
Home Broadband.....	15,645	18,606	21,747	426	5,208	5,780	113
Corporate Data.....	10,288	11,762	12,828	251	3,136	3,250	64
Fixed Line Voice.....	3,490	2,977	2,668	52	710	697	14
Non-Service Revenue.....	7,375	18,297	17,650	346	4,633	4,309	84
Others.....	-	-	-	-	66	362	7
Costs and Expenses	81,955	86,046	90,629	1,776	20,717	20,715	406
Cost of Sales.....	13,014	18,645	18,555	364	4,616	4,530	89
Operating Expenses (inclusive of interconnection payout).....	68,941	67,400	72,074	1,412	16,101	16,185	317
ADJUSTED EBITDA¹	53,326	65,127	76,031	1,490	19,919	20,476	401
ADJUSTED EBITDA Margin	42%	49%	51%	—	55%	56%	—
Depreciation and amortization	27,513	30,422	34,144	669	7,996	8,639	169
EBIT¹	25,813	34,705	41,888	821	11,923	11,836	232
EBIT Margin²	20%	26%	28%	—	33%	32%	—
Non-Operating Charges³	4,271	7,092	9,061	178	2,127	2,200	43
Net Income After Tax (NIAT)	15,084	18,626	22,284	437	6,730	6,595	129
Core Net Income after Tax⁴	13,546	18,735	22,451	440	6,732	6,560	129

1 Earnings before interest, taxes, depreciation and amortization) is calculated as service revenues less subsidy, operating expenses, and other income and expenses. EBIT is adjusted EBITDA less depreciation and amortization. Core Net Income After Tax, EBIT, Adjusted EBITDA, EBIT Margin and Adjusted EBITDA Margin are non-PFRS financial measures which the Group believes are supplemental measures of the Group's performance, but are however not required by, or presented in accordance with, and should not be considered as an alternative to net profit, revenues, or any other financial performance measure derived in accordance with PFRS or as an alternative to cash flow from operations or as a measure of the Group's liquidity. Non-PFRS financial measures have limitations as analytical tools, and such measures should not be considered in isolation from, or as a substitute for, independent analysis of the Group's financial condition or results of operations, as reported under PFRS. These non-PFRS financial measures are not standardized terms and other companies may calculate measures bearing the same titles differently, hence a direct comparison between companies using such terms may not be possible, which limits the usefulness of these non-PFRS financial measures.

2 Calculated as EBIT divided by total service revenues

3 Calculated as financing income – net plus other nonoperating income (charges)

4 Core net income after tax is measured as the Group's net income, excluding mark-to-market gains or losses such as gains or losses on derivative instruments, foreign exchange gains or losses – net, and the impact of non-recurring charges or one-time gains or losses such as remeasurement loss on investment in associate, gain on sale of investment in associate, impairment of goodwill, and gain on value of retained interest.

5 Globe adopted PFRS 9, *Financial instruments* and PFRS 15, *Revenue from Contracts with Customers* using modified retrospective approach of adoption with the initial date of application of 1 January 2018. Accordingly, information for the years ended 31 December 2017 (which do not reflect the application of PFRS 9 and PFRS 15) may not be comparable to information for the year ended 31 December 2018, 31 December 2019 and for the three month periods ended 31 March 2019 and 31 March 2020 (which reflect the application of PFRS 9 and PFRS 15).

6 Globe adopted PFRS 9, *Financial instruments* and PFRS 15, *Revenue from Contracts with Customers* using modified retrospective approach of adoption with the initial date of application of 1 January 2018. Certain information has been restated to reflect normalized quarterly breaks due to the adoption of PFRS 9 and PFRS 15.

Selected Key Performance Indicators

	For the year ended 31 December		For the three months ended 31 March
	2018	2019	2020
Average Revenue Per Subscriber (ARPU)¹ (₱)			
Globe Postpaid.....	919	907	858
Average Monthly Churn Rate (%)			
Globe Postpaid.....	1.8%	1.7%	1.4%
Return on Equity	27% ²	29%	27% ³

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

2 Net income divided by average equity

3 Net income divided by half of average equity of 30 June and 31 December of prior year

Mobile Business

The Group 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 Long-Term Evolution (“LTE”) technologies. It provides voice, SMS, data and Value Added Services (“VAS”) 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 Philippines 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.

The Group offers a portfolio of postpaid plans featuring *The PLAN PLUS*, which is the Group’s SIM-ONLY Plans that offers better quality data. With *The PLAN PLUS*, subscribers can use the plan’s value to avail of features packs that fit their needs: *Surf Packs* for additional data, *Lifestyle Packs* for entertainment add-ons, and *Call and Text Packs* for additional call and text credits. All plans have a lock-up period of six months.

The Group also offer *The Plan*, the Group’s postpaid plan which includes a choice of handset, 24-month subscription to Facebook, free 1-month gadget care and free delivery. Like *The PLAN PLUS*, *The Plan* offers a range of subscriptions which include free access to DisneyLife and Amazon Prime, higher data allocation, additional call and text credits to other networks, and unlimited call and text credits to Globe/TM networks.

Prepaid

Globe Prepaid and *TM* are the prepaid brands of the Group. *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 promotions and services of the Group, either by dialing *143# on their handphones or through the *GoSAKTO* mobile app. This menu also allows the subscribers to customize their own promotions (such as call, text and surf promotions) that are best suited for their needs and lifestyle. *Globe Prepaid* customers can also personalize their call, text and surfing needs for various durations, and also select the type and number of call minutes and texts they need and adjust data allocation (in MBs) of mobile surfing.

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 AMAX 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 Group’s way of granting special rewards and incentives to its active customers for their continued loyal use of the Group’s products and services. These rewards are exchanged for the points earned. All customers with active Globe or TM SIMs are automatically members of the program, with no registration required. The features of the rewards program include:

- earning points from prepaid reloads or monthly postpaid usage;
- redeeming rewards in the form of mobile promos, bill rebates, gadgets and gift certificates, 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; and
- enjoying other perks through special discounts and other exclusive offers.

Mobile Voice

The Group’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 as well as packages of voice, SMS and data, and in several denominations to suit different budgets.

The Group keeps Filipinos connected wherever they may be in the world, through its tie-up with 780 roaming partners in 238 calling destinations worldwide as of 31 March 2020. The Group 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 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, and discounted rates for selected countries.

Mobile SMS

The Group’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.

Mobile Data

The Group’s mobile data services allow subscribers to access the internet using their internet-capable handsets, devices or laptops with USB modems. Data access can be made using various technologies including LTE, HSPA+, 3G with HSDPA, EDGE and GPRS or WiFi. Globe 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.

The Group’s nomadic (internet-on-the-go service) is for consumers who require a fully mobile internet, which allows subscribers to access the internet using LTE, HSPA+, 3G with HSDPA, EDGE, GPRS or WiFi using a plug-and-play USB modem/Mobile WiFi. This service is available in both postpaid and prepaid packages.

The Group’s Value-Added Services, or VAS, 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, mobile chat, and play games, among others. Additionally, the Group’s subscribers can send and receive Multimedia Messaging Service (MMS) pictures and video, or do local and international video calling.

Through the Group’s partnership with major banks and remittance companies, and using the Group’s pioneering *GCASH* micropayment platform, subscribers can engage in mobile banking and mobile commerce transactions, such as making international and domestic remittances, paying fees, utility bills and income taxes, engaging in micropayment transactions, donating to charitable institutions and buying the Group’s prepaid load credits using a *GCASH*-activated SIM.

Fixed Line and Home 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, large corporations and businesses.

Fixed Line Voice

The Group'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 VAS including multi-calling, call waiting and forwarding, special numbers and voice mail. For corporate and enterprise customers, the Group offers voice solutions that include regular and premium conferencing, enhanced voice mail, IP-PBX solutions and domestic or international toll-free services. With the Group's cutting-edge Next Generation Network, Globe Business Voice solutions offer enterprises a bevy of fully-managed traditional and IP-based voice packages that can be customized to their needs.

Corporate Data

Corporate data services include end-to-end data solutions customized according to the needs of businesses. The Group'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.

The Group'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, the Group also has two international cable landing stations situated in different locales to ensure redundancy and network resiliency.

The Group'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, the Group's enterprise customer-focused arm, knows that success is made up of different elements: effective products, streamlined processes, and reliable manpower, and that is why the Group's business solutions are a fusion of all three. Among its products and solutions are as follows:

- **Mobility** – mobility solutions that increase productivity within and beyond the workplace. The Group's enterprise mobility solutions include: (1) Postpaid – leveraging on flexible postpaid plans that suit companies of every scale; (2) Enterprise Mobile Management – allows customers to gain more control over enterprise mobile devices while simultaneously maximizing workforce productivity; and (3) IsatPhone Pro – a satellite phone that lets users call, text, and avail of other services from remote places around the globe.
- **Voice** – The Group's wide range of cost-efficient voice solutions simplifies communications infrastructure and tailors services to fit business needs. Globe's voice products for business include *Globelines*; ISDN-PRI; Toll-Free Services; Enhanced Managed Voice Solution (EMVS); Managed IP-PBX; SIP Trunk; Hosted PBX System & Services; and Collaboration Solutions.
- **Connectivity** – Globe Business offers a fast and resilient connection powered by dedicated and reliable technologies (comprising Domestic Data; International Data; Internet Services; Managed Services).

- **Cloud** – Globe’s range of cloud services improve efficiency and agility in the face of evolving business environments while managing costs: 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. Allows customers to outsource data center hosting and management.
- **Cybersecurity** – Globe Business’ Cybersecurity allows customers to handle security threats and IT infrastructure cost-effectively, and allows management of tasks and functions efficiently. The platform allows access to the best-in-class tool sets, hardware, software, and even niche technology experts.
- **Business Applications** – a diverse range of solutions to streamline and enhance 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 introduced Zoom, a video first unified communications solution provided by Zoom Video Communications, Inc., which is designed to eliminate overlapping communication systems, on-premise hardware, and weak mobile experience. Globe believes Zoom will enable Philippine businesses with a reliable cloud platform for video and audio conferencing, collaboration, chat, and webinars across mobile devices, desktops, telephones, and room systems. 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, the Group 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. Zoom has since gained global popularity and success as a result of the COVID-19 pandemic, as work from home arrangements and social distancing measures have resulted in increased demand for reliable videoconferencing.

Home Broadband

The Group 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. The Group also expanded its 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. The *Globe At Home AirFiber* 5G postpaid plans which offer fiber-like speeds up to 100 Mbps and super-sized data packages of up to 2 TB was initially available in select areas in Pasig, Cavite, and Bulacan. Plans are priced at ₱1,899 per month for up to 20 Mbps, ₱2,499 for up to 50 Mbps and ₱2,899 for up to 100 Mbps.

With the Group’s broadband plans, customers get exclusive access to a portfolio of entertainment content which allows them to watch movies and basketball games, as well as stream music at the comfort of their homes, including movies streaming, sports, music streaming services, and other global and regional content. The Group’s *GoUnli* broadband plan is the ultimate unlimited data offering that allows customers to stream video, play music and games without having to worry about lockup period, data capping, and speed throttling. The Group’s *GoBig* broadband plans have large data allocations at affordable rates alongside fast and reliable speeds. All of the Group’s broadband plans feature with free landline with unlimited calls to *Globe* and *TM* for 24 months, plus free six months subscription to various entertainment and content streaming services.

Another offering, *Globe At Home Prepaid WiFi*, features an improved WiFi connection with wide internet coverage, ready-to-use features and add-ons. Globe customers can load, track, and manage their prepaid WiFi with the *Globe At Home* App. In addition, *Globe Streamwatch Xtreme Prepaid*, which it believes is 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 twice as fast, twice as strong, and boasts coverage twice as wide as an average pocket WiFi device. Multiple devices can also be connected to *Globe Streamwatch Xtreme*, so various users can access all the content they want at the same time.

Fintech

In February 2017, AC and Ant Financial Services Group (“**Ant Financial**”), one of the world’s leading digital financial services providers and parent company of AliPay of the Alibaba Group, entered into a strategic partnership with Globe Fintech Innovations, Inc. (“**Mynt**”), to accelerate financial inclusion and upgrade payment services in the Philippines. AC’s and Ant Financial’s investments in Mynt are recognitions of the strong growth potential of financial technology in the country amid a solid consumer market and an increasingly digital environment. The complementary strengths of Globe, AC, and Ant Financial present a compelling opportunity to reinvent the country’s financial services landscape. The partnership is anticipated to allow Mynt to become a world-class online and offline payment provider, scale its mobile wallet services, and provide a wider range of digital financial services to its customers.

Mynt’s subsidiary G-Xchange, Inc. (“**GXI**”) provides the Group’s *GCASH* mobile wallet and e-payment platform.

Distribution Methods of Products and Services

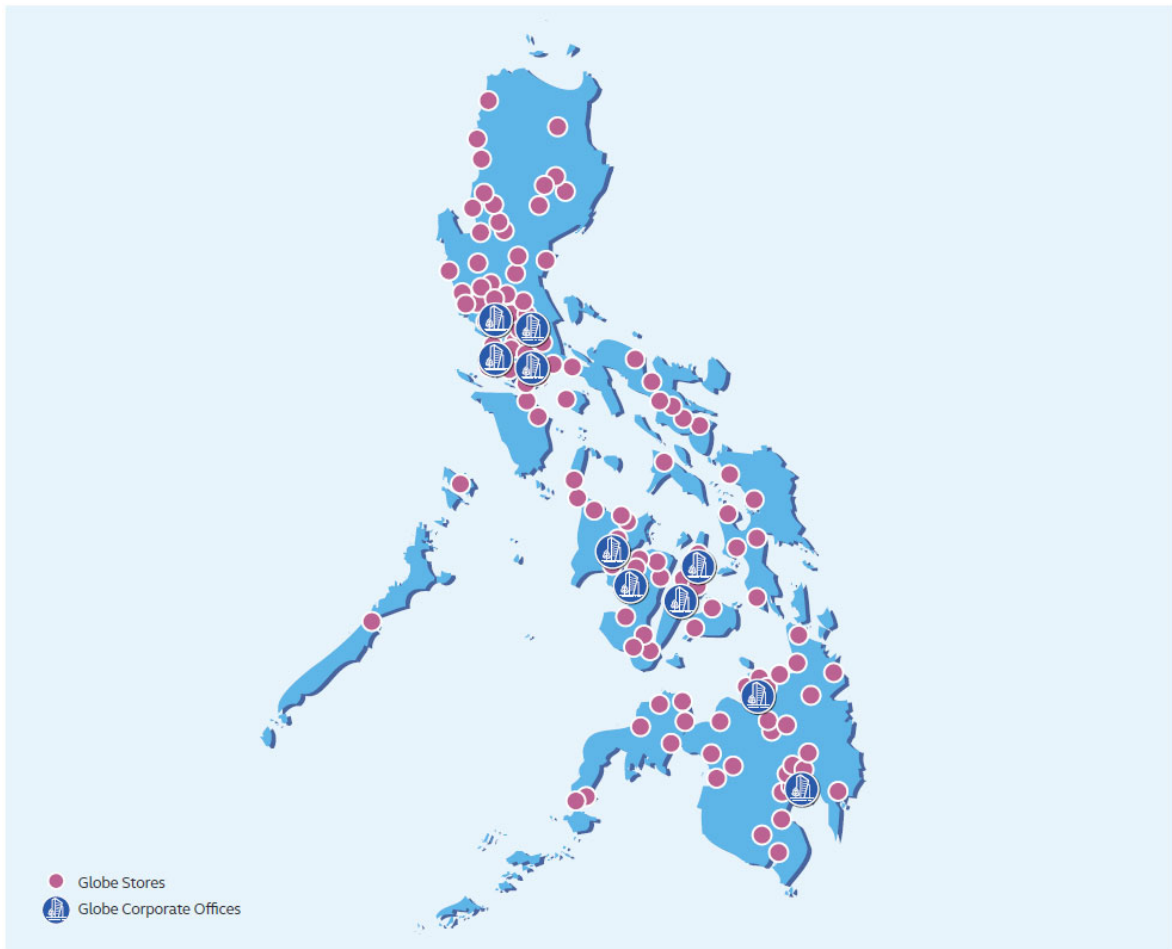
Independent Dealers

The Group 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. Additionally, the Group also relies on its distribution network of over approximately 1.28 million AMAX retailers nationwide, as of 31 March 2020, who offer prepaid reloading services to Globe and TM subscribers.

Globe Stores

As of 31 March 2020, the Group has a total of 210 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 BSP as remittance outlets.

The following map shows the location of the Group’s Globe Stores and Globe Corporate Offices as of 31 March 2020:



Customer Facing Units

To better serve the various needs of its customers, the Group 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 Group 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 large 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 Group’s international revenues by leveraging on the Group’s product portfolio and developing and capitalizing on regional and global opportunities.

Others

The Group 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. Lower denomination IDD prepaid loads are also available in public utility vehicles, street vendors, and selected restaurants and retailers nationwide via the IDD *Tingi* load, an international voice scratch card in affordable denominations.

COMPETITION

Mobile Market

The Philippine mobile market has a total industry SIM base of more than 162 million with an industry penetration rate of 147% as of 31 March 2020. With the growing penchant of Filipinos for smartphones, the mobile data business in the Philippines presents more opportunities for revenue growth. Mobile data usage of both prepaid and postpaid subscribers continues to be a promising market with fast-paced growth.

The mobile market's SIM base saw a 24% increase from 2018 to 2019 mostly due to the pronouncement of the NTC, the Department of Information and Communications Technology (“**DICT**”), and the Department of Trade and Industry (“**DTI**”) under Joint Memorandum Circular No. 0512-2017, that all prepaid load should carry a one-year expiration period regardless of amount. Due to this, the Group ended 2019 with a higher SIM base of 94.2 million, with an estimated SIM share of approximately 56%, up from 55% in 2018. As of 31 March 2020, the Group had a SIM base of 89.3 million (an estimated increase of 7% from 31 March 2019), with an estimated SIM share of approximately 55% (an estimated decrease of 2% from 31 March 2019).

The table below sets out mobile subscribers, penetration rates and growth rates for the indicated years:

	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.....	117.87*	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.

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

Source: National Telecommunications Commission (Statistical Data 2007), publicly available information and Issuer estimates

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

Despite periodic consolidation in the market, Globe believes that at present only the PLDT Group and the Group have built significant bases of mobile subscribers.

Fixed Line Market

The number of lines in service in the fixed line voice market is estimated at 4.15 million lines as of 31 March 2020 with PLDT's subscriber market share at 68% and Globe subscriber market share at 32%.

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. The Group's fixed line voice subscriber base increased by 2% year-on-year to 1.40 million as of 31 March 2020.

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 BPO companies have also helped drive the growth of the corporate data business.

Dedicated business units have been created and organized within the Group 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 the Group's corporate clients' preferences for integrated mobile and fixed line communications solutions.

Home Broadband Market

Home broadband continues to be a major growth area for the local telecom industry. Industry home broadband subscribers totaled 4.54 million as of 31 March 2020, growing 9% compared to 31 December 2019. The Group believes its subscriber market share stands at 50% as of 31 March 2020, up from 48% and 46% compared to 31 December 2019 and 31 March 2019, respectively. 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 remain 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. The Group's major competitors in this market are PLDT, Converge Information and Communications Technology Solutions, Inc., and Sky Cable.

Suppliers

The Group 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 Group's suppliers of mobile equipment include Huawei Technologies Co., Ltd. (China) and Nokia Corporation (Finland); and for transmission and IP equipment, the Group 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, the Group'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 services, the Group partnered with Aruba Networks (USA) and Ruckus Networks (USA).

- For network management and operational support systems, the Group's primary solution providers include IBM (USA), Mycom OSI (United Kingdom), Incognito (Canada), Netcracker (USA), and Radcom (Israel) among others.
- For the Group's IT systems and infrastructure, the Group engaged *Amdocs* for continuous enhancement of its services and operations. *Amdocs Intelligent Operations* will assist the Group 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.

Customers

As of 31 March 2020, the Group had approximately 89.3 million mobile subscribers (including fully mobile broadband), comprising 2.7 million postpaid and 86.6 million prepaid subscribers. Globe also has approximately 2.3 million home broadband customers and around 1.4 million fixed line voice subscribers.

The Group is not dependent on any single customer given the diversity of its customer base.

Intellectual Property Rights

The Group does not own any material intellectual property rights apart from its brand names and logos. The Group is not dependent on patents, intellectual property licenses or other intellectual property which are material to its business or results of operations, other than licenses to use the software that accompany most of our equipment purchases and licenses for certain contents used in value-added services of its wireless business.

The Group has registered several trademarks and brand names in the Philippines, and other countries, including, but not limited to 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, the Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Korea, Canada, China, Saudi Arabia, UAE, Bahrain and Qatar. Globe has also filed an application for a patent in the Philippines.

Permits and Licenses

Globe and its subsidiaries are grantees of various authorizations and licenses from the NTC. See "*Regulatory and Environmental Matters*" for further details.

Research and Development

Globe incurred market research costs amounting to ₱163 million in 2019, 21% higher than in 2018.

Property and Infrastructure

Properties

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

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

Globe 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 Issuer'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 Globe continues to expand its network, it 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, see note 11 to the Audited Consolidated Financial Statements and note 7 of the Unaudited Consolidated Financial Statements included in this Offering Circular.*

Network Equipment

As of 31 December 2019, the Group has a nationwide 2G, 3G, 4G-LTE network providing nationwide voice, SMS and mobile broadband services. In addition to the Group's 4G-LTE network, the Group launched 5G services on a commercial pilot basis in June 2019, providing fixed wireless broadband services in selected areas in line with its commitment to deliver first world internet access to Filipino consumers.

The Group'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 with the service initially available to selected customers from 14 May 2020.

The rest of the Group'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 SMS centers, and other value-added services ("VAS") application platforms to cater of Globe's VAS portfolio 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 internet protocol ("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, the Group leverages 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. The Group 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, the Group has also introduced software defined network and network function virtualization ("SDN-NFV") technologies in the core network layer of its network. SDN-NFV 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 the Group's network. As part of the deployment of SDN-NFV, the Group 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 subscribers. At the same time, the Group'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.

The Group also has a national transmission network. The Group established, operates and maintains two geo redundant and complementary "Fiber Optic Backbone Networks" ("FOBN") linking the Luzon, Visayas and Mindanao island groups. These two FOBNs are now the primary national transmission backbone for the Group's backbone to support all of the different telecommunication services and VAS offered by the Group to its customers. In addition to these two FOBNs, the Group also operates and maintains a fiber optic backbone linking the island of Luzon to the province of Palawan. Complementing this fiber optic backbones are Digital Microwave (MW) Terrestrial networks employing next generation IP MW supplemented by extensive fiber optic networks in the key urban areas.

To serve very remote rural areas, the Group also leverages on very small aperture satellite (VSAT) technology to deliver 2G, 3G and LTE services. With its aggressive mobile broadband expansion program, the Group was able to expand its mobile broadband coverage to over 95.3% of Philippine towns as of 31 March 2020.

Cable Systems

To provide resiliency and geographic diversity, the Group has also invested in several submarine cable systems, which the Group either owns or has rights of use on, a “share of the systems” total capacity. Investments in cable systems include the cost of the 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, the Group 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;
- 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 Group 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, the Group has acquired capacities, either through lease or IRU, in selected cable systems where the Group 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.

Employees and Labor Relations

The Group had 8,160 active regular employees as of 31 March 2020, comprising 2,155 rank-and-file employees, 3,630 supervisory employees, 1,858 managerial employees, and 517 executives. Approximately 4% or 299 of the Group’s regular employees are covered by a collective bargaining agreement (“CBA”) through the Globe Telecom Employee’s Union-Federation of Free Workers (“GTEU”). All employees are allowed to participate in the CBA, and through GTEU, all employees are informed of GTEU’s mandate.

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 renewed their collective bargaining agreement for another five years, beginning 2016.

Legal Proceedings

The Group is contingently liable for various claims arising in the ordinary conduct of business and certain tax assessments which are either pending decisions 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. Also see “*Risk Factors – Risks Relating to the Group’s Telecommunications Business – Globe has been and may be investigated under the PCA in the future.*”

The following is a summary of certain legal proceedings involving Globe:

Interconnection Charge for Short Messaging Service

On 10 October 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 complied as early as November 2011. On 11 December 2011, the NTC One Stop Public Assistance Center filed a complaint against Globe, 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 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 20 November 2012, the NTC rendered a decision directing Globe to:

- reduce its regular SMS retail rate from ₱1.00 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 1 December 2011 until date of compliance.

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

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

On 27 June 2016, the Court of Appeals 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 Court of Appeals said that the NTC order was baseless as there is no showing that the reduction in the SMS rate is mandated under NTC MC No. 02-10-2011; there is no showing, either that the present ₱1.00 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 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 Court of Appeals’ ruling to the Supreme Court via a Petition for Review on Certiorari dated 15 September 2017.

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

Globe believes that it did not violate NTC MC No. 02-10-2011 when it did not reduce its SMS retail rate from ₱1.00 to ₱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 Court of Appeals) that Globe 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 20 November 2012 until said decision by the Supreme Court 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 23 July 2009, the NTC issued NTC MC No. 05-07-2009 (Guidelines on Unit of Billing of Mobile Voice Service) which provides that the maximum unit of billing for the cellular mobile telephone system or 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 28 December 2010, the Court of Appeals 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 and the other carriers' constitutional and statutory right to due process. However, while the decision is in Globe'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 21 January 2011, Globe and two other telecom carriers, filed their respective Motions for Partial Reconsideration on the pronouncement that "the Per Pulse Billing Scheme shall be the default". The petitioners and the NTC filed their respective motions of reconsideration, which were all denied by the Court of Appeals on 19 January 2012.

On 12 March 2012, Globe and Innove elevated to the Supreme Court the questioned portions of the decision and resolution of the Court of Appeals dated 28 December 2010 and its resolution dated 19 January 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 25 May 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 are in litigation over the right of Innove to render services and build telecommunications infrastructure in BGC. In the case filed by Innove before the NTC against BCC, PLDT and 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 21 January 2011, BCC and PLDT filed with the Court of Appeals a Petition for Certiorari and Prohibition against the NTC, et al. seeking to annul the order of the NTC dated 28 October 2008 directing BCC, PLDT and FBDC to comply with the provisions of NTC MC No. 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 25 April 2011, Innove filed its comment on the petition.

On 16 August 2011, the Court of Appeals ruled that the petition against Innove and that 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 Court of Appeals denied the petition and dismissed the case. PLDT and BCC filed their motions for reconsideration thereto, which the Court of Appeals denied.

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

In a case filed by BCC against FBDC, Globe, and Innove before the Regional Trial Court of Pasig, which case sought to enjoin Innove from making any further installations in 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 temporary restraining order 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 30 March 2012, the Regional Trial Court of Pasig, as prayed for, dismissed the complaint on the aforementioned grounds. The motion for reconsideration filed by BCC on 20 July 2012 remains pending with the trial court.

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

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

On 10 June 2016, Globe formally responded to the letter reiterating that the Joint Notice, which sets forth the salient terms and conditions of the transaction, was filed pursuant to and in accordance with Memorandum Circular No. 16-002 issued by the PCC. PCC MC No. 16-002 provides that before the implementing rules and regulations for 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 clarified in its letter that the supposed deficiency in form and substance of the Joint 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 stated that the Joint Notice does not contain any false information.

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

On 12 July 2016, Globe asked the Court of Appeals to stop the government's anti-trust body from reviewing the acquisition of SMC's telecommunications business. Globe maintains the position that the deal was approved after Globe 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 filed a Petition for Mandamus, Certiorari and Prohibition against the PCC, docketed as CA-G.R. SP No. 146538. On 25 July 2016, the Court of Appeals, through its 6th Division issued a resolution denying Globe's application for a temporary restraining order and injunction against PCC's review of the transaction. In the same resolution, however, the Court of Appeals required the PCC to comment on Globe's Petition for certiorari and mandamus within 10 days from receipt thereof. The PCC filed said comment on 8 August 2016. In said comment, the PCC prayed that the ₱70 billion deal between PLDT-Globe and SMC be declared void for the alleged failure of PLDT and Globe to comply with the requirements of the PCA. The PCC also prayed that the Court of Appeals direct Globe to: cease and desist from further implementing its co-acquisition of the SMC 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 PCA for the illegal consummation of the subject acquisition. The case remains pending with the Court of Appeals.

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

On 17 February 2017, the Court of Appeals issued a Resolution denying PCC's Motion for Reconsideration dated 14 September 2016 for lack of merit. In the same resolution, the Court of Appeals 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 (10) days from receipt of the Resolution, on the Motion for Leave to Intervene, and Admit the Petition-in Intervention dated 7 February 2017 filed by Citizenwatch, a non-stock and non-profit association.

On 18 April 2017, PCC filed a petition before the Supreme Court docketed as G.R. No. 230798, to lift the Court of Appeals' order that has prevented the review of the sale of SMC's telecommunications unit to PLDT and Globe. On 25 April 2017, Globe filed before the Supreme Court a Motion for Intervention with Motion to Dismiss the petition filed by the PCC.

As of 30 June 2017, the Supreme Court did not issue any temporary restraining order on the PCC's petition to lift the injunction issued by the Court of Appeals. Hence, the PCC remains barred from reviewing the SMC deal.

On 26 July 2017, Globe received the Supreme Court 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 Temporary Restraining Order.

On 31 August 2017, Globe received another Resolution of the Supreme Court 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 an extension of time to file the same.

In the meantime, in a Decision dated 18 October 2017, the Court of Appeals, 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 Supreme Court via Petition for Review on Certiorari.

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

On 21 January 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., Bell Telecommunication Philippines, Inc., Globe, PLDT and Smart which was docketed as G.R. No. 242353. The Petition sought to, among others, enjoin PLDT/Smart and Globe from co-using the frequencies assigned to Liberty Broadcasting Network, Inc. and Bell Telecommunication Philippines, Inc. 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 in 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.

SUBSIDIARIES AND JOINT VENTURES

Innove

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 that is valid until 29 January 2044 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 2 November 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 interests of 49% and 51%, respectively. TechGlobal started commercial operations in August 2017.

Bayan

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 owns approximately 99% of Bayan.

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

Bayan'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 “**Bayan Group**”).

On 11 December 2019, the House of Representatives received House Bill No. 5797, an act to renew and amend the franchise granted to Bayan. The proposed law seeks to extend Bayan’s legislative franchise for another 25 years. House Bill No. 5797 was substituted by House Bill No. 6371 on February 24, 2020 and was approved by the 18th Congress on 10 March 2020. House Bill No. 6371 was transmitted and received by the Senate of the Philippines on 11 March 2020.

GTI

GTI Business Holdings, Inc. (“**GTH**”), is a wholly-owned subsidiary incorporated on 25 November 2008, primarily to acquire for investment and to sell properties, among others, provided that GTI shall not engage in the business of an investment company as defined under the Philippine Investment Company Act (Republic Act 2629).

GTIC

In July 2009, GTI incorporated a wholly owned subsidiary, GTI Corporation (“**GTHC**”), 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.

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 17 March 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 7 May 2015. GTHK was 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. Following cessation of material operations, as of the date of this Offering Circular, a liquidation process in accordance with Hong Kong law is underway in respect of GTHK.

GTEU

On 10 May 2013, GTI incorporated a wholly owned subsidiary, Globetel European Limited (“**GTEU**”) as holding company for the operating companies of the 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 2 June 2016, the Board of Directors of GTEU approved the cessation of the operations of UKGT, GMI and GIEE effective 31 July 2016. UKGT and GMI completed the liquidation process in 2018. On 30 July 2019, GIEE completed its regulatory requirements for liquidation.

GTSG

On 12 November 12, 2014, GTI incorporated Globetel Singapore Pte. Ltd. (“**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 7 January 2015.

Kickstart

Kickstart Ventures, Inc. (“**Kickstart**”), is a wholly-owned subsidiary incorporated on 28 March 2012 to invest in individual, corporate, or start-up businesses, and to do research, technology development and commercialization 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 was 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 the date of this Offering Circular.

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

Asticom

Asticom Technology, Inc. (“**Asticom**”) is a wholly-owned subsidiary that is primarily engaged in the business of providing support and shared services of administrative functions to optimize the delivery of cost-effective and reliable services and to provide information technology system integration and consultancy services and offshore development services and related services. Asticom was consolidated at the beginning of June 2014.

GCVHI

Globe Capital Venture Holdings, Inc. (“**GCVHI**”), is a wholly-owned subsidiary incorporated on 29 June 2015, 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-telecommunications 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 29 January 2016, AI acquired 70% of the outstanding shares of Socialytics Inc. (Socialytics), a social media marketing firm.

GCVHI holds a 46.3% ownership interest in Globe Fintech Innovations, Inc. (“**GFI**”) as of 28 May 2020 and 50% ownership interest in Global Telehealth, Inc. (“**GTHI**”).

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

Tao

TaoDharma (“**Tao**”), is 67% owned by Globe. Tao was established to operate and maintain retail stores in strategic locations within the Philippines that will sell telecommunications or internet-related services, and devices, gadgets and accessories.

GTowers

GTowers Inc (“**GTowers**”), is a fully owned subsidiary of Globe incorporated on 17 August 2018. GTowers is still in the pre-operating stage.

Yondu

Yondu, Inc (“**Yondu**”), provides internet and mobile value-added services, electronic commerce related solutions, and information technology and technical services including software development and related services. It is registered with the Department of Information and Communications Technology as content provided pursuant to Article II of Republic Act No., 27925, otherwise known as the Public Telecommunications Policy Act of the Philippines.

On 11 September 2019, Globe bought back all Xurpas Inc (“**Xurpas**”) shares, making Yondu a wholly subsidiary of Globe. Before the buyback, Yondu was a 51% owned subsidiary of Xurpas and 49% owned by Globe.

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

Electronic Commerce Payments (EC Pay), Inc. (“**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 25 October 2019, Globe signed and executed an agreement with third parties to complete its transaction to acquire 77% ownership of EC Pay.

MATERIAL INDEBTEDNESS

The Group's loan payables comprise a mix of term loans, retail bonds and short term credit facilities. As of 31 March 2020, the Group's loans payable, net of current portion, amounted to ₱126.2 billion, ₱12.0 billion, ₱7.9 billion, ₱15.0 billion, ₱18.0 billion, and ₱92.5 billion of which is maturing in 2020, 2021, 2022, 2023 and 2024 (and thereafter), respectively.

The Group's Philippine Peso term loans (₱110.9 billion (including current portion) as of 31 March 2020) of have maturities ranging from 2020 to 2031, with interest rates ranging from 3.68% to 7.91% in 2020 and the Group's U.S. dollar term loans (₱26.8 billion (including current portion) as of 31 March 2020) have maturities ranging from 2020 to 2027, with interest rates ranging from 1.70% to 6.00% in 2020. The Group's retail bonds (₱7.0 billion (including current portion) as of 31 March 2020) have maturities ranging from 2020 to 2023 with interest rates ranging from 4.89% to 5.28% in 2020.

The Group's loan agreements also require the Group to comply with financial covenants such as total debt (loans payable and net derivative liabilities) to total equity not to exceed 3 to 1, total debt (loans payable and net derivative liabilities) to Adjusted EBITDA not to exceed 3.5 to 1, debt service coverage ratio exceeding 1.3 times, and secured debt ratio not to exceed 0.2 times.

For more details, please see note 13 to the Unaudited Interim Condensed Consolidated Financial Statements elsewhere in this Offering Circular.

SUBSTANTIAL SHAREHOLDERS' AND DIRECTORS' INTERESTS

As of 31 March 2020, Globe had 133,208,407 common shares outstanding, 158,515,021 voting preferred shares outstanding, and 20,000,000 non-voting perpetual preferred shares. The shareholdings of Globe's directors, substantial shareholders and others (both direct and indirect) as of 31 March 2020 are set out in the table below. Table includes the shareholdings of substantial shareholders as filed publicly with the PSE.

Security ownership of certain record and beneficial owners (of more than 5%) of voting shares as of 31 March 2020

<u>Stockholders</u>	<u>Common</u>	<u>Percent of Common</u>	<u>Voting Preferred</u>	<u>Percent of Voting Preferred</u>	<u>Non-Voting Preferred</u>	<u>Percent of Non-Voting Preferred</u>	<u>Total Shares</u>	<u>Percent of Total Shares</u>
Singapore Telecom International Pte. Ltd.	62,646,487	47.03%	-	-	-	-	62,646,487	20.10%
Ayala Corporation	41,157,276	30.90%	-	-	-	-	41,157,276	13.20%
Asiacom Philippines, Inc.	-	-	158,515,016	100%	-	-	158,515,016	50.85%
Directors, Officers, Executive Stock Option Plan	567,671	0.43%	5	-	27,500	0.14%	595,176	0.19%
Public (PCD participants acting for themselves or for their customers)	28,836,973	21.65%	-	-	19,972,500	99.86%	48,809,473	15.66%

Security ownership of directors and management as of 31 March 2020

Directors

<u>Title of class of outstanding shares</u>	<u>Name of beneficial owner</u>	<u>Amount and nature of beneficial ownership</u>	<u>Citizenship</u>	<u>Percent of total outstanding shares</u>
<i>Directors</i>				
Common	Jaime Augusto Zobel de Ayala	3 (direct & indirect)	Filipino	0.0%
Common	Delfin L. Lazaro	1 (direct)	Filipino	0.0%
Common	Lang Tao Yih, Arthur	2 (direct)	Singaporean	0.0%
Common	Fernando Zobel de Ayala	1 (indirect)	Filipino	0.0%
Common	Jose Teodoro K. Limcaoco	1 (direct)	Filipino	0.0%
Common	Romeo L. Bernardo	2,299 (direct & indirect)	Filipino	0.0%
Voting Preferred	Romeo L. Bernardo	1 (indirect)	Filipino	0.0%
Common	Samba Natarajan	2 (direct)	American	0.0%
Voting Preferred	Cirilo P. Noel	1 (direct)	Filipino	0.0%
Voting Preferred	Rex Ma. A. Mendoza	1 (direct)	Filipino	0.0%
Voting Preferred	Saw Phaik Hwa	1 (direct)	Singaporean	0.0%
Common	Ernest Lawrence L. Cu	123,633 (direct & indirect)	Filipino	0.09%
Voting Preferred	Ernest Lawrence L. Cu	1 (direct)	Filipino	0.0%

Officers

Title of class of outstanding shares	Name of beneficial owner	Amount and nature of beneficial ownership	Citizenship	Percent of total outstanding shares
Common	Ernest Lawrence L. Cu	same as above		
Common	Rebecca V. Eclipse	33,150 (direct & indirect)	Filipino	0.02%
Common	Gil B. Genio	100,392 (direct & indirect)	Filipino	0.08%
Common	Alberto M. de Larrazabal	22,767 (direct & indirect)	Filipino	0.02%
Common	Marisalve Ciocson-Co	5,439 (direct & indirect)	Filipino	0.00%
Common	Vicente Froilan M. Castelo	6,414 (direct)	Filipino	0.00%
Common	Bernard P. Llamzon	10,665 (direct)	Filipino	0.01%
Common	Renato M. Jiao	14,560 (direct & indirect)	Filipino	0.01%
Common	Carmina J. Herbosa	8,075 (direct & indirect)	Filipino	0.01%
Common	Rosemarie Maniego-Eala	12,022 (direct)	Filipino	0.01%
Common	Carlomagno E. Malana	0 (direct & indirect)	Filipino	0.00%
Common	Solomon M. Hermosura	20 (direct)	Filipino	0.00%
Total		213,504		0.16%

Except as disclosed above, the Issuer is not directly or indirectly owned or controlled by another corporation, any government or other natural or legal person, whether severally or jointly. There is no known arrangement, the operation of which may, at a subsequent date, result in a change in the control of the Issuer.

MANAGEMENT

Directors

The Board of Directors is the Issuer's highest governance body and is responsible for overall management and direction. The Board of Directors meets at least on a quarterly basis, or more frequently as required, to review and monitor the Group's financial position, operations and strategy. The Articles of Incorporation provide that the Board of Directors will consist of 11 Directors. The Directors are elected at the annual shareholders' meeting and hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified. At least three or 20% of the total Directors, whichever is lower, must be independent directors.

The President and Chief Executive Officer is elected as the sole executive director, while the other members are non-executive directors who are not involved in the day-to-day management of business. Among the board members are three independent non-executive directors, one of whom is appointed the lead independent director. The Issuer's independent directors are independent of the Issuer, from Management and major/substantial shareholders and are free from any business or relationship that could materially interfere in their exercise of independent judgment in carrying out their responsibilities as directors. The Board of Directors has at least one female independent director, as part of the Issuer's implementation of its diversity policy.

The registered address for each of the Directors is The Globe Tower, 32nd Street corner 7th Avenue, Bonifacio Global City, Taguig City, Philippines.

The following sets forth information regarding the Directors as of the date of this Offering Circular.

<u>Office</u>	<u>Name</u>	<u>Date of First Appointment</u>
Chairman and Director (Non-executive)	Jaime Augusto Zobel de Ayala	March 1989 ⁽¹⁾
Co-Vice Chairman and Director (Non-executive)	Fernando Zobel de Ayala	October 1995
Co-Vice Chairman and Director (Non-executive)	Lang Tao Yih, Arthur	April 2017
Executive Director, President and Chief Executive Officer	Ernest L. Cu	April 2009
Director (Non-executive)	Romeo L. Bernardo	September 2001
Director (Non-executive)	Delfin L Lazaro	January 1997
Director (Non-executive)	Samba Natarajan	April 2015
Director (Non-executive)	Jose Teodoro K. Limcaoco	April 2016
Director (Non-executive and Lead Independent Director)	Rex. Ma. A. Mendoza	April 2014
Director (Non-executive and Independent Director)	Saw Phaik Kwa	April 2015
Director (Non-executive and Independent Director)	Cirilo P. Noel	April 2018

Notes:

- (1) None of the Directors or executive officers are related to each other or to the substantial shareholders, save that the Chairman, Jaime Augusto Zobel de Ayala and a Director, Fernando Zobel de Ayala, are brothers.

Certain information on the business and working experiences of the Directors is set out below:

Jaime August Zobel de Ayala, age 61, Filipino

Mr. Zobel has been the Chairman of the Board of the Issuer since December 1996 and Director since March 1989. Among other current positions, he is also the Chairman and Chief Executive Officer (CEO) of AC; 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.

In addition, Mr. Zobel 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 a B.A. in Economics (Cum Laude) from Harvard College in 1981 and obtained an MBA from the Harvard Graduate School of Business in 1987.

Fernando Zobel de Ayala, age 60, Filipino

Mr. Zobel has served as Director since October 1995. He has been the President and Chief Operating Officer (COO) of AC. 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 LiveIt 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.

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.

Lang Tao Yih, Arthur, age 48, Singaporean

Mr. Lang 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

Mr. Lang 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.

Ernest L. Cu, age 60, Filipino

Mr. Cu 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.

Prior to Globe, Mr. Cu 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.

Romeo L. Bernardo, age 65, Filipino

Mr. Bernardo 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.

Mr. Bernardo 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.

Delfin L. Lazaro, age 74, Filipino

Mr. Lazaro 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.

Mr. Lazaro 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.

Samba Natarajan, age 54, American

Mr. Natarajan 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.

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.

Mr. Natarajan 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.

Jose Teodoro K. Limcaoco, age 58, Filipino

Mr. Limcaoco 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 AC. 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.

Mr. Limcaoco joined AC 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.

Rex Ma. M. Mendoza, age 58, Filipino

Mr. Mendoza has served as 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.

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.

Saw Phaik Hwa, age 65, Singaporean

Ms. Saw 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.

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.

Cirilo P. Noel, age 63, Filipino

Mr. Noel has served as 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 on 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.

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.

On 30 June 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 1 February 2010 to 31 December 2016 and Managing Partner from January 2009 to 31 December 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.

Officers

The table below shows the name and position of the Issuer's key officers as of the date of this Offering Circular:

Office	Name
President and Chief Executive Officer (CEO) ...	Ernest L. Cu ¹
Chief Commercial Officer (CCO).....	Alberto M. de Larrazabal
Chief Technology and Information Officer (CTIO) and Chief Strategy Office (CSO).....	Gil B. Genio
Chief Finance Officer (CFO), Treasurer, and Chief Risk Officer	Rosemarie Maniego-Eala
Chief Customer Experience Officer (CCEO).....	Rebecca V. Eclipse
General Counsel	V. Froilan Castelo
Chief Audit Executive (CAE)	Carmina J. Herbosa
Chief Human Resources Officer (CHRO).....	Renato M. Jiao
Chief Information Officer (CIO).....	Carlomagno E. Malana
Senior Vice President - Law and Compliance, Chief Compliance Officer and Assistant Corporate Secretary	Marisalve Ciocson-Co
Executive Vice President – Channel Management	Bernard P. Llamzon
Corporate Secretary.....	Solomon M. Hermosura

Notes:

(1) *Member, Board of Directors.*

Alberto M. de Larrazabal, age 64, Filipino

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, age 60, Filipino

Mr. Genio has served as 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 positions 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, age 50, Filipino

Ms. Maniego-Eala 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, age 56, Filipino

Mr. Castelo has served as 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, age 58, Filipino

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.

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, age 53, Filipino

Ms. Herbosa 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, age 64, Filipino

Mr. Jiao joined Globe in June 2010. Mr. Jiao has over 30 years of experience in general management and leveraging leading-edge technologies, processes and human capital for competitive advantage. He is a seasoned HR Practitioner with 15 years of experience in multi-functional HR practice areas.

Mr. Jiao also held various significant positions in Procter & Gamble (Philippines), Inc. and Procter & Gamble Asia Pte Ltd. Prior to joining Globe, he was President of IBM Business Services, Inc.

He earned his Bachelor of Science degree in Mechanical Engineering from the University of the Philippines.

Carlomagno E. Malana, age 50, Filipino

Mr. Malana was appointed as Globe's Chief Information Officer (CIO) on 1 January 2020. As CIO, Mr. Malana leads Globe's digital transformation and is responsible for all information technology development, operations, and infrastructure investments.

Prior to joining Globe, Mr. Malana was the AVP for Strategy Execution for AT&T, based in Dallas, Texas, USA, where he led strategic revenue initiatives for the \$35B AT&T Business division that serves business customers globally with information and communications technology solutions. He also led the Merger Integration Office for AT&T Mexico, a \$3B mobile provider serving 20 million subscribers where he successfully led major transformation programs in sales, finance, and technology. He has held multiple leadership positions in technology, M&A integration, finance, sales and transformation and he has driven innovation through Big Data, Process Automation, Digital, Cloud and Migrations in AT&T from 2001-2019. Prior to AT&T, Mr. Malana led technology strategy, M&A, PMO, and support services for Frontier Communications, formerly based in Plano, Texas, USA.

Mr. Malana graduated with a double degree in BS Mechanical Engineering and BS Material Science Engineering from the University of California at Berkeley and finished his MBA at Southern Methodist University, Dallas, Texas.

Marisalve Ciocson-Co, age 49, Filipino

Ms. Ciocson-Co has served as Globe's Chief Compliance Officer and Senior Vice President for Law and Compliance of Globe CLSG since April 2017. She is also the Issuer'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.

Bernard P. Llamzon, age 59, Filipino

Mr. Llamzon has served as 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, age 58, Filipino

Mr. Hermosura has served as Globe’s Corporate Secretary since July 2010. He is the Managing Director of AC 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 AC. 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 a Bachelor of Laws degree from San Beda College in 1986 and placed third in the 1986 Bar Examinations.

Corporate Governance

The Issuer adopted a Manual on Corporate Governance (“**MCG**”) in May 2017. The Issuer established its MCG in line and compliant with the regulations implemented by the SEC. Updates thereto are aligned with international corporate governance (“**CG**”) best practices espoused in the ASEAN Corporate Governance Scorecard (“**ACGS**”), established by the ASEAN Capital Markets Forum (“**ACMF**”). The MCG covers the Board’s governance responsibilities, communication and information within the Issuer and with the stakeholders, internal control system and risk management framework, cultivating a synergic relationship with shareholders, and duties to stakeholders, among others. The Globe Charter of the Board and different Board Committee Charters also undergo regular review and updates as necessary, to ensure these remain aligned with the CG standards and principles adopted by the Issuer.

The Issuer recognizes the importance of good governance in realizing its vision, carrying out its mission, and living out its values to create sustainable value for all its stakeholders. The impact of global conditions and challenges further underscores the need to uphold the Issuer’s high standards of CG to strengthen its structures and processes. The Board, together with management, fully understand that the CG proactive culture begins with the leaders of the Issuer. As strong advocates of fairness, accountability, transparency and integrity in all aspects of the business, the Board, the Management, officers, and employees of the Issuer commit themselves to the principles and best practices of governance in the attainment of corporate goals aligned with the Issuer’s strategic direction.

The thrust for a CG proactive business culture emanates from the Board, which as part of its functions and responsibilities, leads, develops and reviews the Issuer’s strategic direction and business strategies regularly. The Board has committees, in accordance with the Issuer’s By-Laws and MCG, to support it in the performance of its functions and to aid in CG responsibilities. These committees also serve as venues to discuss matters in relation to the specific responsibilities of each committee. Currently, the Board has six committees, namely: the Executive Committee, Nomination and Governance Committee, Compensation and Remuneration Committee, Audit and Related Party Transactions (“**ARPT**”) Committee, Finance Committee, and Board Risk Oversight Committee (“**BROC**”).

Management is entrusted with implementation and close monitoring of Board-approved business strategies, and is likewise tasked to conduct the Issuer’s business with the highest CG standards and business conduct. Members of Management are invited to report to and consult with the Board about business strategies and operations on a regular basis through Board meetings and different Committee meetings throughout the year. During Committee meetings, directors are able to conduct more detailed discussions with Management.

The Issuer is in full compliance with the Code of Corporate Governance, all listing rules of the Philippine Stock Exchange and regulations issued by the SEC. The Issuer also adopts the ACGS to raise its CG standards and practices. In January 2020, the Issuer, through its Chief Compliance Officer, submitted a certificate attesting to its full compliance with the objectives set forth in the MCG. Presently, the Chief Compliance Officer is Atty. Marisalve Ciocson-Co. The Chief Compliance Officer coordinates with the Philippine SEC with respect to compliance requirements; monitors compliance with the MCG; and reports any governance-related issues to the Board.

As of the date of this Offering Circular, the Issuer has not deviated from its MCG and is committed to best practices of governance in the attainment of corporate goals.

Executive Committee

The Executive Committee provides guidance to management in: (i) formulating the basic strategies for achieving targets set by the Board; (ii) putting in place the infrastructure for control and operational risk management systems that assess risks on an integrated cross-functional approach, and review and assess the adequacy of the Issuer's operational risk management process, specifically on strategic, technology, and operational risk, jointly with Management. This function shall include receiving from senior management periodic information on risk exposures and risk management activities; (iii) considering and/or completing mergers, acquisitions and strategic investments; and (iv) undertaking strategic projects and significant transformation initiatives that include corporate governance campaigns, regulatory compliance and sustainability programs. As of the date of this Offering Circular, the Executive Committee comprises Jaime Augusto Zobel de Ayala (Chairman), Lang Tao Yi, Arthur, Samba Natarajan, Jose Teodoro K. Limcaoco and Ernest L. Cu.

Audit and Related Party Transactions Committee

The Audit and Related Party Transactions Committee provides assistance to the Board in fulfilling its oversight responsibility to the shareholders relating to: (i) the integrity of the financial statements and the disclosures; financial reporting process and principles; (ii) internal controls; (iii) policies and processes on external/independent auditor's appointment, enhancing independence and audit quality, remuneration, and assessment of performance of the external auditors; (iv) adequacy and effectiveness of the internal audit function; (v) compliance with legal, regulatory, and corporate governance requirements; (vi) risk management oversight of financial reporting, operational, and fraud risks; and (vii) assessment, review, approval and disclosure of related party transactions according to the Issuer's policy on related party transactions. As of the date of this Offering Circular, the Audit and Related Party Transactions Committee comprises Cirilo P. Noel (Chairman), Rex Ma. A. Mendoza, Saw Phaik Hwa and Romeo L. Bernardo.

Compensation and Remuneration Committee

The Compensation and Remuneration Committee provides assistance to the Board in governance matters relating to compensation and benefits of directors, key officers, personnel and other employees of the Issuer. As of the date of this Offering Circular, the Compensation and Remuneration Committee comprises Rex Ma. A. Mendoza (Chairman), Cirilo P. Noel, Saw Phaik Hwa, Lang Tao Yih, Arthur and Fernando Zobel de Ayala.

Nomination and Governance Committee

The Nomination and Governance Committee Provides assistance to the Board of Directors in relation to: (i) installing and maintaining a process to ensure that all directors to be nominated for election at the next regular annual stockholders' meeting have the qualifications and none of the disqualifications for directors stated in the Issuer's By-Laws, MCG and relevant laws, rules and regulations; (ii) selecting a mix of competent directors, each of whom can add value and create independent judgment as to the formulation of sound corporate strategies and policies; and (iii) previewing and evaluating the qualifications of all persons nominated to positions in the Issuer, which require appointment by the Board. As of the date of this Offering Circular, the Nomination and Governance Committee comprises Rex Ma. A. Mendoza (Chairman), Cirilo P. Noel and Saw Phaik Hwa.

Finance Committee

The Finance Committee oversees the Issuer's financial policy and strategy, including capital structure, dividend policy, acquisitions and divestments, treasury activities, tax strategy and compliance, retirement fund contributions, and financing proposals brought to the Board for approval. As of the date of this Offering Circular, the Finance Committee comprises Delfin L. Lazaro (Chairman), Fernando Zobel de Ayala, Samba Natarajan and Romeo L. Bernardo.

Board Risk Oversight Committee

The Board Risk Oversight Committee provides assistance to the Board in relation to risk governance of the Issuer, which include, among others: (i) ensuring that there is an effective, efficient and integrated risk management (“RM”) process working in place; (ii) enabling the identification, analysis, and assessment of key risk exposures, its impact to the Issuer’s strategic and business objectives, as well as the formulation of an effective RM strategy; (iii) cultivating of a sound organizational structure with an effective enterprise RM (ERM) framework working in place; (iv) establishing clear definition of risk-taking authority, ownership, accountability, and proper segregation of duties; and, (v) fostering a risk-aware culture that is pervasive throughout the Issuer, and ensure transparency in reporting of key risks to relevant stakeholders. As of the date of this Offering Circular, the Board Risk Oversight Committee comprises Saw Phaik Hwa (Chairman) Cirilo P. Noel and Rex Ma. A. Mendoza and Romeo L. Bernardo.

RELATED PARTY TRANSACTIONS

The Group engages from time to time in a variety of transactions with related parties. The Group has conducted transactions with related parties as it would in comparable arm's length-transactions with a non-related party and on a basis substantially as favourable to it as would be obtainable in such transactions. Parties are considered to be related to the Group if they have the ability, directly or indirectly, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or vice versa, or where the 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 Group where those parties are individuals, and post-employment benefit plan which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The Group, in its regular conduct of business, enters into transactions with its 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 the Group – AC and Singtel

Globe has interconnection agreements with Singtel. Interconnection revenues and costs recognized from the agreements with Singtel are as follows:

(In Thousand Philippine Pesos)	2019	2018	2017
Service revenues	P 466,404	P639,399	P695,985
Interconnection costs	42,184	61,423	67,867

- Globe 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's networks and communication services, equipment procurement and personnel services. In addition, Globe 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 Philippine Pesos)	2019	2018	2017
Maintenance and restoration costs and other transactions	P 119,336	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, 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 expenses recognized by the Group from the transaction amounted to P64.37 million, P86.60 million, and P37.35 million in 2019, 2018, and 2017, respectively.

Joint Ventures in which the Group is a Venturer

BMPL

Globe Telecom has a preferred roaming service contract with BMPL. Under this contract, Globe 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 Group renders certain management support services to GXI. The management services also include the use of the Group's network and facilities to conduct GXI's operations. Management fee income amounted to ₱51.79 million in 2019 and 2018.

The Group also has a value-added services ("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 Group's subscribers and Application Processing Interface (API) fees for the usage of the GCash system in continuing service of the various products and services of the 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 Group Retirement Plan (GRP)

The Group granted various loans to the GRP 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. As of December 31, 2019, and 2018, the outstanding balance of loan receivable from GRP amounted to ₱548.00 million and ₱598.00 million, respectively.

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 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 Group shall be entitled to offset whatever amount is due to BHI from any unpaid fees to BEAM from the Group. The ₱45.00 million loan is fully secured by a chattel mortgage agreement dated December 21, 2009 between the Group and BEAM. Upon maturity, the loan was extended until 14 August 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. Interest income amounted to ₱6.47 million, ₱7.50 million and ₱7.84 million in 2019, 2018 and 2017, respectively.

On 1 February 2009, the Group entered into a memorandum of agreement (MOA) with BEAM for the latter to render mobile television broadcast services to Globe subscribers using the mobile TV service. The Globe Group recognized expenses amounting to ₱175.60 million in 2019 and ₱190.00 million in 2018 and 2017.

On 1 October 2009, the Group entered into a MOA with Altimax for the Group's co-use of specific frequencies of Altimax's for the rollout of broadband wireless access to the Group's subscribers. The Group recognized expense amounting to ₱11.77 million in 2019 and ₱55.00 million in 2018 and 2017.

Transactions with other related parties

The 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 Group

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

(In Thousand Philippine 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

The foregoing arrangements continue to be effective as of 31 March 2020. There are no agreements between the 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 Group's retirement plans.

The summary of balances arising from the Group's related party transactions for the year ended 31 December 2019 are as follows (in thousands):

2019

	Amount of transaction			Outstanding Balance			Terms	Conditions
	Revenue and Other Income	Costs and Expenses charged to Profit or Loss	Cost and Expenses capitalized as Asset	Cash and Cash Equivalents (note 31)	Amounts Owed by Related Parties	Amounts Owed to Related Parties		
Entities with joint control over the Issuer								
Singtel	₱466,404						Interest-free, settlement in cash	Unsecured, no impairment
AC		₱333,714	₱-	₱-	₱117,433	₱55,876	Interest-free, settlement in cash	Unsecured, no impairment
	14,413	64,367	-	-	1,175	2,754		
Jointly controlled entities								
BMPL		21,459	-	-	-	1,384	Interest-free, settlement in cash	Unsecured, no impairment
GFI/Mynt		322,045	-	-	550,141	53,346	Interest-free, settlement in cash	Unsecured, no impairment
	51,786							
Other related parties								
							3 years, 5.5%, settlement in cash	Unsecured, no impairment
GGRP	31,093	-	-	-	548,000	-		
BHI	6,473	-	-	-	108,620	-	3 years, 5.75%, settlement in cash	The ₱250.00 million is covered by a pledge agreement while the ₱45.00 million is fully secured by chattel mortgage agreement.
BEAM	-	175,604	-	-	-	-	-	-
Altimax	-	11,765	-	-	-	-	-	-
Key management personnel	-	470,000	-	-	-	-	-	-
Others	458,457	357,164	56,898	3,714,646	225,042	38,604	Interest-free excluding cash and cash equivalents, settlement in cash	Unsecured, no impairment
	1,028,626	1,756,118	₱56,898	₱3,714,646	1,550,411	151,964		

Aside from the foregoing and the certain related party transactions disclosed in note 21 of the Audited Consolidated Financial Statements located elsewhere in this Offering Circular, the Group does not have any transactions with its directors, executive officers, security holders or members of their immediate family. Certain directors and executive officers of the Group also serve as executive officers of companies with which the Group does business. None of the Directors or executive officers has or had any interest in any of the Group's business transactions that are or were unusual in their nature or conditions or significant to the Group's business.

For further details regarding the Group's related party transactions, see note 21 of the Audited Consolidated Financial Statements elsewhere in this Offering Circular.

REGULATORY AND ENVIRONMENTAL MATTERS

Legislative Franchises and Licenses

R.A. 7925 or the Public Telecommunications Policy Act of the Philippines provides that no person shall commence or conduct the business of being a public telecommunications entity, without first obtaining a franchise. In turn, a franchise can only be granted through a law duly passed by the Philippine Congress and approved by the Philippine President.

The Group currently has three valid and subsisting legislative franchises: R.A., 7633, R.A. 7229 and R.A. 11151. R.A. 7229 approved the merger between Globe Mackay Cable and Radio Corporation and Clavecilla Radio System, and transferred to Globe the right to construct, maintain, and operate in the Philippines, stations for international telecommunications, excluding domestic telecommunications, and stations for broadcasting, including television. This franchise is to expire on 24 December 2030; however, it may be renewed by Congress through the passage of another law.

R.A. 7633 extended the term of the franchise to establish radio stations, for domestic telecommunications, radiophone of Bayantel (then named International Communications Corporation) by twenty-five years from 9 August 1996. This franchise is to expire on 3 August 2021. In 2019, Bayantel filed an application for the renewal of its franchise. The bill for the renewal has been approved by the House of Representatives and is now with the Senate.

R.A. 11151 grants Innove Communications, Inc. the right, privilege, and authority to construct, establish, lease, install, co-use, purchase, operate and maintain all types of mobile and fixed wireless communications, including cellular, telephone system, broadband and internet services (such as, but not limited to, the transmission and reception of voice, data transmission, message service/messaging, electronic mail, data facsimile, audio and video, and all other improvements and innovations and convergence of services pertaining to or as may be applicable to mobile telecommunications technology) and use all the apparatus, conduits, appliances, satellites, antennas, transmissions, and equipment necessary for the transmission/reception of data, messages, videos, and signals, with the corresponding technological auxiliaries, facilities, distribution and relay stations, throughout the Philippines, as well as multi-channel microwave, fiber optic and satellite distribution systems that may be required for the purpose of linking together said mobile, fixed or convergent telecommunications network externally and internally to other mobile telecommunications networks and traditional wireline telephone systems, whether domestic or international, and generally, to provide by means of the telecommunications system a telephone service and such other telecommunications services as there may be demand for in the Philippines. R.A. 11151 is a renewal of R.A. 7372, the previous legislative franchise of Innove Communications, Inc. (then known as Isla Communications Co.), and renews the franchise for another 25 years from the date of the expiration of R.A. 7372. R.A. 7372 was enacted on 10 April 1992, and was set to expire 25 years after, or in the year 2017.

The Group is a grantee of various authorizations and licenses from the National Telecommunications Commission (“NTC”), including the following:

Service	Type of License	Date Issued or Last Extended	Expiration Date
Globe			
Wireless	CPCN ⁽¹⁾	July 22, 2002	24 December 2030
Local Exchange Carrier / Local Fixed Line	CPCN ⁽¹⁾	July 22, 2002	24 December 2030
International Long Distance	CPCN ⁽¹⁾	July 22, 2002	24 December 2030
Interexchange Carrier	CPCN ⁽¹⁾	February 14, 2003	24 December 2030
VSAT	CPCN ⁽¹⁾	February 6, 1996	6 February 2021

International Cable Landing Station & Submarine Cable System (Nasugbu, Batangas)	CPCN ⁽¹⁾	October 19, 2007	24 December 2030
International Cable Landing Station & Submarine Cable System (Ballesteros, Cagayan)	CPCN ⁽¹⁾	June 29, 2010	24 December 2030
International Cable Landing Station & Submarine Cable System (Davao City, Davao del Sur)	PA ⁽²⁾	December 15, 2015	N.A. ²

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

Bayantel	Type of License	Date Issued or Last Extended	Expiration Date
Local Exchange Carrier / Local Fixed Line			
(a) <i>Quezon City, Malabon & Valenzuela, all in M.M., Albay, Camarines Norte, Camarines Sur, Catanduanes, Sorsogon & Masbate, all in Bicol Region</i>	CPCN ⁽¹⁾	(a) July 19, 1999	(a) 18 July 2024
(b) <i>Manila, Caloocan, Navotas</i>	CPCN ⁽¹⁾	(b) May 30, 2007	(b) 9 August 2021
(c) <i>Tacloban City, Tanauan and Palo, Leyte & Sogod, Southern Leyte</i>	CPCN ⁽¹⁾	(c) March 16, 1994	(c) 9 August 2021
(d) <i>Leyte (Abuyog, Baybay, Burauen, Carigara, Dulag, Hilongos, Isabel, Palompon & Hilaga) Eastern Samar (Guiuan & Borongan) Western Samar (Catbalogan &</i>	CPCN ⁽¹⁾	(d) March 18, 2008	(d) 9 August 2021

Bayantel	Type of License	Date Issued or Last Extended	Expiration Date
<i>Basey) Southern Leyte (Maasin)</i>	PA ⁽³⁾	(e) November 18, 2004	(e) 25 July 2006 ⁽²⁾
<i>(e) 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>			
<i>(f) 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>			
<i>(g) Butuan City, Agusan del Norte & Agusan del Sur</i>	PA ⁽³⁾	(g) June 27, 2002	(g) 14 June 2005 ⁽²⁾
VSAT	CPCN ⁽¹⁾	January 11, 2001	10 January 2026
International Gateway Facility	CPCN ⁽¹⁾	April 19, 1996	18 April 2021
Trunked Mobile Radio System	CPCN ⁽¹⁾	April 2, 1998	1 April 2023
Domestic Data and Voice Communications	CPCN ⁽¹⁾	April 10, 2008	9 August 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

³ Provisional Authority

In July 2002, the NTC issued Certificates of Public Convenience and Necessity (“CPCN”) to Globe and Innove (then named Islacom) which authorised such companies to operate telecommunications services co-terminus with their respective congressional franchises under R.A. 7229 (Globe) and R.A. 7372 (as amended by R.A. 11151; Innove). Globe and Innove were 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.

Telecommunications Laws

R.A. 7925

R.A. 7925, enacted in 1995, sets forth the functions, responsibilities and powers of the NTC and defines the parameters within which certain sectors of the communications industry could, over time, be deregulated.

The NTC was established in July 1979 as an independent regulatory body to oversee, administer and implement the policies and procedures governing the communications industry. The NTC is currently supervised by the DICT for policy and budgetary matters, but is largely independent in the performance of its quasi-judicial functions. The DICT is explicitly prohibited by law from interfering in the NTC's proceedings with respect to licensing, rate setting, dispute resolution and other matters requiring the adjudication of private rights. Decisions of the NTC may be appealed to the Court of Appeals. The NTC comprises three members with one commissioner and two deputy commissioners, all of whom are appointed by and serve at the pleasure of the President of the Philippines.

One of the NTC's most significant responsibilities is the granting of licenses to communications operators. The NTC thus has the authority to:

- establish and regulate communication services in the license areas;
- grant permits for the use of radio frequencies;
- sub-allocate series of frequencies of bandwidths to the specific services;
- establish and enforce the rules and standards related to the issued license; and
- make pronouncements that insure effective competition in the communications sector and encourage a larger and more effective use of communications.

Globe's primary regulator is the NTC under the provisions of the Public Service Act ("CA 146"), Executive Order ("EO") 59, EO 109, and R.A. 7925. Under these laws, Globe is required to do the following:

- 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 R.A. 7925.
- To observe the regulations of the NTC on interconnection of public telecommunications networks.
- To observe the provisions of EO 109 and R.A. 7925 which impose an obligation to roll out 700,000 fixed lines as a condition to the grant of its provisional authorities for the cellular and international gateway services.

Globe remains under the supervision of the NTC for other matters stated in CA 146 and R.A. 7925 and pays annual supervision fees and permit fees to the NTC.

Public Telecommunications Policy Act

R.A. 7925 also laid down the rights of communications users and set forth the principle that interconnection charges would, as far as possible, be negotiated through bilateral agreements of the parties involved.

R.A. 7925 applies to all public telecommunications entities in the Philippines, which it defines as any person, firm, partnership or corporation engaged in the provision of telecommunications services to the public for compensation. The law also governs VAS providers, which it defines as an entity which, relying on the transmission, switching and local distribution facilities of the local exchange and inter-exchange operators, and overseas carriers, offers enhanced services beyond those ordinarily provided for by such carriers. The NTC is designated as the principal administrator of the law.

According to R.A. 7925, provided that it does not put up its own network, a VAS provider need not secure a franchise and shall be allowed to competitively offer its services and/or expertise, and lease or rent telecommunications equipment and facilities necessary to provide such specialized services, in the domestic

and/or international market in accordance with network compatibility provided that prior approval of the NTC is secured to ensure that such VAS offerings are not cross-subsidized from the proceeds of their utility operations, other providers of VAS are not discriminated against in rates nor denied equitable access to their facilities and separate books of accounts are maintained for the VAS. However, a VAS provider is mandated to register with the NTC, which requires the submission of the following: application form and documents on system configuration, mode of operation, method of changing rates, and lease agreement with the PTE, among others.

This law is relevant to Globe given that it is a VAS provider by reason of its broadband business.

Department of Information and Communications Technology Act

R.A. 10844, signed into law last 23 May 2016, recognizes the vital role of information and communication in nation-building. The DICT shall be the primary policy, planning, coordinating, implementing, and administrative entity of the Executive Branch of the government that will plan, develop, and promote the national Information and Communications Technology (“ICT”) system development agenda. The law defines ICT as the totality of electronic means to access, create, collect, store, process, receive, transmit, present and disseminate information, while it defines the ICT Sector as those engaged in providing goods and services primarily intended to fulfill or enable the function of information processing and communication by electronic means.

The DICT has the power, among others, to: (a) implement national policies that will promote the development and use of ICT with due consideration to the advantages of convergence and emerging technologies; (b) prescribe rules for the establishment, operation and maintenance of ICT infrastructures in unserved and underserved areas; and (c) to ensure and protect the rights and welfare of consumers and business users to privacy, security and confidentiality in matters relating to ICT, in coordination with agencies concerned, private sector and relevant international bodies.

The law abolishes the following agencies with their powers and functions, applicable funds and appropriation, records, equipment, property, and personnel transferred to the DICT: (a) Information and Communications Technology Office; (b) National Computer Center; (c) National Computer Institute; (d) Telecommunications Office; (e) National Telecommunications Training Institute; and (f) all operating units of the Department of Transportation dealing with communications.

The following agencies, on the other hand, are attached to the DICT and will continue to operate and function in accordance with the charters, laws or orders creating them insofar as not inconsistent with R.A. 10844: (a) NTC; (b) NPC; and (c) Cybercrime Investigation and Coordination Center.

The policy decisions and recommendations of the DICT may have an impact on Globe as a player in the ICT sector mainly due to its internet service provision, digitalization initiatives and telecommunications infrastructure.

DICT is also the government agency charged with the implementation of the common tower policy. The common tower policy allows multiple telecommunications networks to use the same telecommunications towers, resulting in faster rollouts and cheaper services for the public. The common tower policy is intended to deepen the wireless network capacity of the Philippines, in view of the growing number of mobile internet users and the constant rise of usage volume per mobile end user and mobile data traffic throughout the entire country. In line with the common tower policy, the DICT has issued the Rules on the Accredited Roll-Out of Common Towers in the Philippines, which provide for the use of DICT and other government-owned properties for the building of common towers. The Rules provide that a mobile network operator (“MNO”) is encouraged to voluntarily share towers with other incumbent mobile network operators. The Rules allow independent common tower companies (“ITCs”) to build common towers without a partnership with an MNO, on the condition that they secure a partnership with an MNO within six months from completion of its common tower. The MNO and ITC are to decide together which site provided by the DICT is suitable for the development of its common tower; the MNO would then communicate its intent to the DICT. ITCs which build common towers in DICT and other government-owned properties and which build facilities therein have access to the same for 15 years, extendible for another 15 years. MNOs may also voluntarily offer to convey existing tower resources to an allied company that will take charge of making possible the sharing of said tower resources with other MNOs and interested entities.

ITCs have various obligations under the Rules on the Accredited Roll-Out of Common Towers in the Philippines, including the obligations to (1) lease their telecommunications towers, including associated maintenance services, to access seekers for a specified lease term to be mutually agreed upon between the ITC and the telecommunications operator, without discriminating between and among access seekers; (2) comply with

technical specifications required by the DICT; (3) use model lease contracts that are uniform and available to all access seekers.

Competition Law

Philippine Competition Act (“PCA”)

R.A. 10667 or the PCA authorises the Philippine Competition Commission or the PCC to review mergers and acquisitions to ensure compliance with the PCA. The PCA, its Implementing Rules and Regulations, as amended, and the Rules on Merger Procedure (collectively, the “**Merger Rules**”) provides for mandatory notification to the PCC of any merger or acquisition within 30 days of signing any definitive agreement relating to the transaction, where the transaction value exceeds ₱2.4 billion; and where the size of the ultimate parent entity of either party exceeds ₱6 billion. Parties may not consummate a notifiable transaction prior to receiving PCC approval or the lapse of the period stated in the Merger Rules. A merger or acquisition that meets the thresholds under the Merger Rules but was not notified to the PCC, or notified but consummated, in whole or in part, prior to the expiration of the waiting period, is considered void and will subject the parties to a fine ranging from 1% to 5% of the value of the transaction. Anti-competitive agreements, as defined under the law, are subject to penalties that include: (a) a fine of not less than ₱50 million but not more than ₱250 million; and (b) imprisonment for 2 to 7 years for directors and management personnel who knowingly and willfully participate in such criminal offenses. Administrative fines of ₱100 million to ₱250 million may be imposed on entities that engage in anti-competitive agreements, abuse their dominant position and conclude prohibited mergers and acquisitions. Treble damages may be imposed where the violation involves the trade or movement of basic necessities and prime commodities.

Globe has evaluated its contracts and practices in light of the PCA and believes that it is compliant with the provisions of the PCA.

Nationality Restrictions

Public Utilities

Section 11, Article XII of the 1987 Philippine Constitution (the “**Philippine Constitution**”) provides that a franchise, certificate, or any other form of authorization for the operation of a public utility must be granted only to corporations organized under the laws of the Philippines, at least 60% of the capital of which is owned by Filipino citizens. Furthermore, the participation of foreign investors in the governing body of the public utility enterprise is to be limited to their proportionate share in its capital, and all the executive and managing officers of the corporation must be Philippine citizens.

Meanwhile, under the Public Service Act, entities engaged in telecommunications are deemed operators of a public utility, as those engaged in public service include entities that own, operate, manage or control, in the Philippines, wire or wireless communications systems. Thus, an entity engaged in telecommunications would have to comply with the nationality restrictions on foreign equity found in the Philippine Constitution.

Globe, as a public telecommunications entity, must comply with the above nationality requirements.

Land Ownership

The ownership of land by foreign nationals is subject to restrictions provided under the Philippine Constitution and related statutes. Under Section 7, Article XII of the Philippine Constitution, in relation to Section 2, Article XII thereof, and Chapter 5 of Commonwealth Act No. 141, private land shall not be transferred or conveyed except to Filipino nationals or to corporations or associations organized under the law of the Philippines and whose capital is least 60% owned by Filipino nationals. A corporation with more than 40% foreign equity may be allowed to lease private land for a period of 25 years, renewable for another 25 years.

Globe acquires properties for purposes of its telecommunications infrastructure, and must therefore comply with the above land ownership requirements under the law.

Foreign Investments Act of 1991

The Foreign Investments Act of 1991 (“**FIA**”) liberalized the entry of foreign investment into the Philippines. Under the FIA, foreigners can own as much as 100% equity in domestic market enterprises, except in areas

specified in the Foreign Investment Negative List. This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws.

For the purpose of complying with nationality laws, the term “Philippine National” is defined under the FIA as any of the following:

- a citizen of the Philippines;
- a domestic partnership or association wholly owned by citizens of the Philippines;
- a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines;
- a corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code of the Philippines, of which 100% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos; or
- a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of Philippine Nationals.

For as long as the percentage of Filipino ownership of the capital stock of the corporation is at least 60% of the total shares outstanding and voting, the corporation shall be considered as a Philippine national.

The above definitions are relevant to Globe, as it must comply with nationality requirements applicable to public utility operators.

Data Privacy

Data Privacy Act

R.A. 10173, otherwise known as the Data Privacy Act of 2012 (“**Data Privacy Act**”), governs the processing of all types of personal information (i.e., personal, sensitive, and privileged information) in the hands of the government or private natural or juridical persons through the use of ICT, which refers to a system for generating, sending, receiving, storing or otherwise processing electronic data messages or electronic documents and includes the computer system or other similar device by or which data is recorded, transmitted or stored and any procedure related to the recording, transmission or storage of electronic data, electronic message, or electronic document. The law mandated the creation of a National Privacy Commission (“**NPC**”), which shall administer and implement the provisions of the Data Privacy Act and ensure compliance of the Philippines with international standards set for data protection. The Philippines recognizes the need to protect the fundamental human right of privacy and of communication, while ensuring free flow of information to promote innovation and growth. It also identifies the vital role of information and communications technology in nation building and its inherent obligation to ensure that personal information in ICT in the government and in the private sector are secured and protected.

The Data Privacy Act seeks to protect the confidentiality of “personal information”, which is defined as “any information, whether recorded in material form or not, from which the identity of an individual is apparent or can be reasonably and directly ascertained by the entity holding the information, or when put together with other information would directly and certainly identify an individual.” The law provides for certain rights of a data subject or an individual whose personal information is being processed. The law imposes certain obligations on “personal information controllers” and “personal information processors”. It also provides for penal and monetary sanctions for violations of its provisions.

As an entity which processes and collects personal data pursuant to its business operations, the regulations of the NPC as well as the provisions of the Data Privacy Act are significant to Globe.

Sustainability And Corporate Social Responsibility

Environmental Laws

Network and telecommunications infrastructure constructed by Globe generally must comply with Philippine environmental regulations. Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate (“**ECC**”) prior to commencement. The Department of Environment and Natural Resources (“**DENR**”), through its regional offices or through the Environmental Management Bureau (the “**EMB**”), determines whether a project is environmentally critical or located in an environmentally critical area. As a requirement for the issuance of an ECC, an environmentally critical project must submit an Environmental Impact Statement (“**EIS**”)

to the EMB while a project in an environmentally critical area is generally required to submit an Initial Environmental Examination (“**IEE**”) to the proper EMB regional office. In the case of an environmentally critical project within an environmentally critical area, an EIS is mandatory.

The EIS refers to both the document and the study of a project’s environmental impact, including a discussion of the scoping agreement identifying critical issues and concerns as validated by the EMB, environmental risk assessment if determined necessary by the EMB during the scoping, environmental management program, direct and indirect consequences to human welfare and the ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the terms and conditions of an EIS or an IEE may vary from project to project, as a minimum it contains all relevant information regarding the project’s environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Philippine government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System; and that the proponent is committed to implementing its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein before or during the operations of the project and in some cases, during the project’s abandonment phase.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are required to include a commitment to establish an Environmental Monitoring Fund when an ECC is eventually issued. In any case, the establishment of an Environmental Monitoring Fund must not occur later than the initial construction phase of the project. The Environmental Monitoring Fund must be used to support the activities of a multi-partite monitoring team, which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

Social Return on Investment Framework

To fulfill the Group’s vision to serve the Philippine economy as a whole, the Group consistently makes investments beyond its revenue generating activities. These programs span various focus areas such as education, environmental conservation and digital inclusion. Through these initiatives, the Group contributes to its key strategic pillars of sustainability. The Group ensures that none of its operations have a negative impact on local communities. The Group is dedicated to support community building activities in partnership with the government in geographies of its operations, to ensure holistic growth and development.

The Group strives to ensure that sustainability permeates its entire operations including employee engagement, customer experience and service, community relations, selling practices and product labelling, responsible business operations, supply chain and environmental responsibility, waste and hazardous materials management, material sourcing and efficiency, public policy, customer privacy and data security, employee well-being, business ethics and economic impact and financial performance.

Sustainability at the Group 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 Group aims to contribute to 10 of the UN Sustainable Development Goals (“**SDGs**”), with a special focus on SDG 9: Industry, Innovation and Infrastructure by promoting innovation and technology for greater social impact. Together with business growth, the Group actively participates 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 (“**UNGC**”), committed to implementing universal sustainability principles. “Globe Bridging Communities” is the corporate social responsibility arm of the Group, 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 the Group’s key stakeholders.

The Group releases its integrated report annually and is guided by the principles of the following frameworks:

- International Integrated Reporting Council International <IR> Framework;
- Global Reporting Initiative standards;
- Task Force on Climate-related Financial Disclosures recommendations;
- Sustainability Accounting Standards Board;
- the United Nations SDGs;
- the UNGC;
- the ASEAN Corporate Governance Scorecard principles;
- the Philippine Securities and Exchange Commission (“**Philippine SEC**”);
- Integrated Annual Corporate Governance Report Sustainability Reporting Principles; and
- Philippine SEC Memorandum Circular No. 4, series of 2019 recommendations on Sustainability Reporting for Publicly Listed Companies.

Globe's Environmental, Social and Corporate Governance rating by MSCI Inc. as of 21 April 2020 is BBB.

Corporate Law

Revised Corporation Code of the Philippines

Republic Act No. 11232, or the Revised Corporation Code, the general law which governs all Philippine corporations, including Globe, provides the following salient features:

- a. corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Revised Corporation Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the Philippine Securities and Exchange Commission (“**SEC**”) that it elects to retain its specific corporate term under its current Articles of Incorporation.
- b. material contracts between Globe and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least 2/3 of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.
- c. the right of stockholders to vote in the election of directors or trustees, or in shareholders meetings, may now be done through remote communication or in absentia if authorised by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or in absentia are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or in absentia, the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option; and
- d. in case of transfer of shares of listed companies, the SEC may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the SEC.

The Revised Corporation Code refers to the PCA in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the PCA thresholds.

Intellectual Property

Intellectual Property Code

Globe has registered several brand names with the Intellectual Property Office, the independent regulatory agency responsible for registration of patents, trademarks and technology transfers in the Philippines.

Under the Intellectual Property Code of the Philippines, the rights to a trademark are acquired through the registration with the Bureau of Trademarks of the Intellectual Property Office, which is the principal government agency involved in the registration of brand names, trademarks, patents and other registrable intellectual property materials.

Upon registration, the Intellectual Property Office (“**IPO**”) shall issue a certificate of registration to the owner of the mark, which shall confer the right to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar signs or containers for goods or services which are identical or similar to those in respect of which the mark is registered. The said certificate of registration shall also serve as prima facie evidence of the validity of registration and the registrant’s ownership of the mark. A certificate of registration shall remain in force for an initial period of 10 years and may be renewed for periods of 10 years at its expiration.

Globe has also registered the following patent: “A Method of Switching the Billing Mode of a Subscriber’s Mobile Phone Services from Postpaid to Prepaid and Vice-Versa Using One Subscriber Identity Module (“**SIM**”) Card Having One Mobile Phone Number”.

Under the Intellectual Property Code, patentable inventions include any technical solution of a problem in any field of human activity which is new, involves an inventive step and is industrially applicable. It may be, or may relate to, a product, or process, or an improvement of any of the foregoing.

The patent application is to be published in the IPO Gazette together with a search document established by or on behalf of the IPO, citing any documents that reflect prior art, after the expiration of 18 months from the filing date or priority date. After publication of a patent application, any interested party may inspect the application documents filed with the IPO. The term of a patent shall be 20 years from the filing date of the application.

Consumer Protection

Consumer Act of the Philippines

Republic Act No. 7394, otherwise known as the Consumer Act of the Philippines (“**Consumer Act**”), the provisions of which are principally enforced by the DTI, seeks to: (a) protect consumers against hazards to health and safety, (b) protect consumers against deceptive, unfair and unconscionable sales acts and practices; (c) provide information and education to facilitate sound choice and the proper exercise of rights by the consumer; (d) provide adequate rights and means of redress; and (e) involve consumer representatives in the formulation of social and economic policies.

This law imposes rules to regulate such matters as: (a) consumer product quality and safety; (b) the production, sale, distribution and advertisement of food, drugs, cosmetics and devices as well as substances hazardous to the consumer’s health and safety; (c) fair, honest consumer transactions and consumer protection against deceptive, unfair and unconscionable sales acts or practices; (d) practices relative to the use of weights and measures; (e) consumer product and service warranties; (f) compulsory labeling and fair packaging; (g) liabilities for defective products and services; (h) consumer protection against misleading advertisements and fraudulent sales promotion practices; and (i) consumer credit transactions.

The Consumer Act establishes quality and safety standards with respect to the composition, contents, packaging, labeling and advertising of products and prohibits the manufacture for sale, offer for sale, distribution, or importation of products which are not in conformity with applicable consumer product quality or safety standards promulgated thereunder.

Consumer Protection Guidelines

The NTC has issued Memorandum Circular No. 05-06-2007, which provides the Consumer Protection Guidelines, specifically applicable to public telecommunications entities such as Globe. The Consumer Protection Guidelines

reiterate several subscriber rights, including the right of a subscriber to be treated equally as other similarly situated consumers; the right of subscribers to confidentiality of their data, and to the use of their data only for purposes they have authorized; the right of a subscriber to be charged only in accordance with the terms and conditions the subscriber has agreed to; and many others. Non-compliance with the Consumer Protection Guidelines could lead to administrative and penal sanctions.

Local Government

The Local Government Code

The Local Government Code (“LGC”) establishes the system and powers of provincial, city, municipal, and barangay governments in the country. The LGC general welfare clause states that every local government unit (“LGU”) shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of general welfare.

LGUs exercise police power through their respective legislative bodies. Specifically, the LGU, through its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of the prosperity, and the promotion of the morality, peace, good order, comfort, convenience, and general welfare of the locality and its inhabitants. Ordinances can reclassify land, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

Globe must also comply with LGU regulations.

Labor Law

Globe, as an employer, must comply with regulations covering all employers under Philippine law.

Labor Code of the Philippines

The Department of Labor and Employment or DOLE is the Philippine government agency mandated to formulate policies, implement programs and services, and serves as the policy-coordinating arm of the Executive Branch in the field of labor and employment. The DOLE has exclusive authority in the administration and enforcement of labor and employment laws such as the Labor Code of the Philippines (“Labor Code”) and the Occupational Safety and Health Standards, as amended, and such other laws as specifically assigned to it or to the Secretary of the DOLE.

Department Order No. 174, Series of 2017 (“D.O. 174”) was issued by the DOLE providing for the guidelines on contracting and subcontracting, as provided for under the Labor Code. It has reiterated the policy that Labor-only Contracting is absolutely prohibited where: (a) (i) the contractor or subcontractor does not have substantial capital, or does not have investments in the form of tools, equipment, machineries, supervision, work premises, among others; and (ii) the contractor’s or subcontractor’s employees recruited and placed are performing activities which are directly related to the main business operation of the principal; or (b) the contractor or subcontractor does not exercise the right to control over the performance of the work of the employee. Subsequently, DOLE issued Department Circular No. 1, Series of 2017, clarifying that the prohibition under D.O. 174 does not apply to business process outsourcing, knowledge process outsourcing, legal process outsourcing, IT Infrastructure outsourcing, application development, hardware and/or software support, medical transcription, animation services, and back office operations or support.

Occupational Safety and Health Standards Law

R.A. 11058 or the Occupational Safety and Health Standards Law mandates employers, contractors or subcontractors and any person who manages, controls or supervises the work, to furnish the workers a place of employment free from hazardous conditions that are causing or are likely to cause death, illness or physical harm to the workers. It also requires giving complete job safety instructions or orientation and to inform the workers of all hazards associated with their work, health risks involved or to which they are exposed, preventive measures to eliminate or minimize the risks and steps to be taken in cases of emergency.

An employer, contractor or subcontractor who wilfully fails or refuses to comply with the Occupational Safety and Health Standards shall be administratively liable for a fine. Further, the liability of the employer, project owner, general contractor, contractor or subcontractor, if any, and any person who manages, controls or supervises the work, shall be solidary.

Social Security System, PhilHealth and the Pag-IBIG Fund

An employer or any person who uses the services of another person in business, trade, industry or any undertaking is required under R.A. 8282 to ensure coverage of employees following procedures set out by the law and the Social Security System (“SSS”). Under the said law, social security coverage is compulsory for all employees under 60 years of age. An employer must deduct and withhold from its compulsorily covered employees their monthly contributions based on a given schedule, pay its share of contribution and remit these to the SSS within a period set by law and/or SSS regulations.

Employers are likewise required to ensure enrolment of its employees in a National Health Program administered by the Philippine Health Insurance Corporation, a government corporation attached to the DOH tasked with ensuring sustainable, affordable and progressive social health insurance pursuant to the provisions of the National Health Insurance Act of 1995, as amended by the R.A. 11223, otherwise known as the Universal Health Care Act. The registration, accurate and timely deductions and remittance of contributions to the Philippine Health Insurance Corporation is mandatory as long as there is employer-employee relationship.

Under the Home Development Mutual Fund Law of 2009, all employees who are covered by the Social Security Act of 1997 must also be registered with and covered by the Home Development Mutual Fund, more commonly referred to as the Pag-IBIG Fund. It is a national savings program as well as a fund to provide affordable shelter financing to Filipino employees. The employer is likewise mandated to deduct and withhold, pay and remit to the Pag-IBIG Fund the respective contributions of the employees under the prescribed schedule.

Labor Code Provision on Retirement Pay

The Philippine Labor Code provides that, in the absence of a retirement plan provided by their employers, private sector employees who have reached 60 years of age or more, but not beyond 65 years of age, the compulsory retirement age for private-sector employees without a retirement plan, and who have rendered at least five years of service in an establishment, may retire and receive a minimum retirement pay equivalent to one-half month's salary for every year of service, with a fraction of at least six months being considered as one whole year.

For the purpose of computing the retirement pay, “one-half month’s salary” shall include all of the following: 15 days salary based on the latest salary rate; in addition, 1/12 of the thirteenth month pay and the cash equivalent of five days of service incentive leave pay. Other benefits may be included in the computation of the retirement pay upon agreement of the employer and the employee or if provided in a collective bargaining agreement.

DOLE Mandated Work-Related Programs

Under the Comprehensive Dangerous Drugs Act, a national drug abuse prevention program implemented by the DOLE must be adopted by private companies with 10 or more employees. For this purpose, employers must adopt and establish company policies and programs against drug use in the workplace in close consultation and coordination with the DOLE, labor and employer organizations, human resource development managers and other such private sector organizations. DOLE Department Order No. 053-03 sets out the guidelines for the implementation of Drug-Free Workplace policies and programs for the private sector.

The employer or the head of the work-related, educational or training environment or institution, also has the duty to prevent or deter the commission of acts of sexual harassment and to provide the procedures for the resolution, settlement or prosecution of such cases. Under the Anti-Sexual Harassment Act, the employer will be solidarily liable for damages arising from the acts of sexual harassment committed in the workplace if the employer is informed of such acts by the offended party and no immediate action is taken. Notwithstanding this, the victim of sexual harassment is not precluded from instituting a separate and independent action for damages and other affirmative relief. Any person who violates the provisions of this law shall, upon conviction, be penalized by imprisonment of not less than one month nor more than six months, or a fine of not less than ₱10,000 nor more than ₱20,000, or both such fine and imprisonment, at the discretion of the court. Any action arising from the violation of the provisions of this law shall prescribe in three years.

Moreover, the Philippines AIDS Prevention and Control Act requires all private workplaces to have a policy on HIV and AIDS and to implement a workplace program in accordance with the Philippines AIDS Prevention and Control Act. The workplace policies aim to manage sensitive issues, such as confidentiality of medical information and continuation of employment for HIV-positive staff, and to avoid the discrimination of any employee due to HIV/AIDS. Any HIV/AIDS-related information of workers should be kept strictly confidential and kept only on medical files, whereby access to it is strictly limited to medical personnel.

All private workplaces are also required to establish policies and programs on solo parenting, Hepatitis B, and tuberculosis prevention and control.

Owing to the spread of COVID-19, the Department of Trade and Industry and DOLE have issued guidelines on workplace prevention and control of COVID-19. The guidelines provide for the wearing of face masks by all employees, temperature checks, disinfection of equipment or vehicles entering a premises, and social distancing measures, among others.

FOREIGN EXCHANGE AND FOREIGN INVESTMENT REGULATIONS

Foreign Exchange Regulations

Since 1992, the foreign exchange rules and regulations of the BSP have been liberalised. Under present regulations, as a general rule, foreign exchange may be freely sold and purchased outside the Philippine banking system.

The Manual of Regulations on Foreign Exchange Transactions provides, inter alia, that (i) publicly-guaranteed private sector foreign/foreign currency loans/borrowers require BSP approval, and such loans and borrowers must be registered with the BSP to allow servicing of payments using foreign exchange purchased from within the Philippine banking system; (ii) private sector foreign loans/borrowings that are not publicly-guaranteed and not covered by item (iii) below require registration with the BSP if these will be ultimately serviced with foreign exchange purchased from within the Philippine banking system; and (iv) the following private sector loans do not require prior BSP approval or subsequent registration before their payment may be serviced using foreign exchange purchased from within the Philippine banking system if such loans are duly reported to the BSP by the borrower or creditor using prescribed forms – (a) foreign currency loans of resident borrowers from banks operating in the Philippines that are not publicly-guaranteed and are reported by the creditor bank to the BSP, (b) short-term loans in the form of export advances from buyers abroad of resident exporters/borrowers, (c) foreign obligations of residents under deferred letters of credit or under documents against acceptance or open account arrangements with a term of more than one (1) year that are not guaranteed by foreign governments/official export credit agencies and (d) short-term trade loans of resident exporters/importers from offshore banking units (“**OBU**”) and non-resident non-bank creditors that have been granted under BSP-reported lending programs, provided certain reports are submitted by the borrower and creditor OBU to the BSP.

For purposes of the foregoing, the Philippine banking system comprises banks operating under Philippine banking laws (principal of which is the General Banking Law of 2000, Republic Act No. 8791) and subsidiaries or affiliates of Philippine banks organised as foreign exchange corporations which buy, own or sell foreign exchange. The Philippine foreign exchange market outside the Philippine banking system comprises the market made by various entities that are licensed to engage in the business of buying and selling foreign currency, such as Philippine corporations with foreign currency revenues, non-Philippine banks and individuals and other non-bank entities owning foreign exchange or deposits in foreign currency deposit units or FCDUs.

Registration of Foreign Loans and Foreign Investments

The Issuer intends to register the Notes with the BSP within six months from the utilization of the proceeds of the Notes to allow for flexibility to purchase U.S. dollars from the Philippine banking system. While neither approval from or registration with the BSP for the issuance of offshore borrowings of the Issuer is required for legal validity and enforceability of such obligations, registration with the BSP is would, assuming the BSP determines the applicant to be eligible for such registration under certain criteria, allow a borrower to access the Philippine banking system to obtain foreign currency, such as U.S. dollars to service such debt or guarantee obligations. Otherwise, the payment currency must be obtained from other sources as described above. These other sources of foreign currency outside the Philippine banking system may be subject to greater exchange rate volatility and liquidity constraints. Foreign currency received as revenue or held by any person (that is not a bank) in the Philippines can be freely traded within and freely remitted outside the Philippines, without being subject to these foreign exchange restrictions imposed by the BSP.

TAXATION

The statements herein regarding taxation are based on the laws in force as of the date of this Offering Circular and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of Notes.

Philippine Taxation

The following is a general description of certain Philippine tax aspects of the Notes. It is based on the “**Tax Code**” (the National Internal Revenue Code of 1997, as amended, including by Republic Act No. 10963), the regulations promulgated thereunder and judicial and ruling authorities in force as of the date of this Offering Circular, all of which are subject to changes occurring after such date, which changes could be made on a retroactive basis.

As used in this section, the term “resident alien” refers to an individual whose residence is within the Philippines and who is not a citizen of the Philippines while the term “non-resident alien” means an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who stays in the Philippines for an aggregate period of more than 180 days during any calendar year is considered a “non-resident alien doing business in the Philippines”; otherwise, such non-resident alien is considered a “non-resident alien not engaged in trade or business within the Philippines”. A “resident foreign corporation” is a foreign corporation engaged in trade or business in the Philippines and a “non-resident foreign corporation” is a foreign corporation that is not engaged in trade or business within the Philippines. The term “non-Philippine holders” refers to beneficial owners of the Notes who are (1) non-resident aliens not engaged in trade or business within the Philippines or (2) non-resident foreign corporations.

Value-Added Tax

Gross receipts derived by dealers in securities from the sale of the Notes in the Philippines shall be subject to a value-added tax of 12%. For dealers in securities, the term “gross receipt” means gross selling price less acquisition cost of the Notes sold. Meanwhile, “dealer in securities” means a merchant of stock or securities, whether an individual partnership or corporation, with an established place of business, regularly engaged in the purchase of securities and their resale to customers, that is, one who as a merchant buys securities and sells them to customers with a view to the gains and profits that may be derived therefrom.

Documentary Stamp Taxes

Under the Tax Code, a documentary stamp tax is imposed upon every original issue of debt instruments, such as bonds including the Notes, at the rate of ₱1.50 on each ₱200, or fractional part thereof, of the issue price of such debt instruments; provided, that for debt instruments with terms of less than one year, the documentary stamp tax to be collected shall be proportionate to the ratio of the debt instrument’s term in number of days to 365 days. The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted or transferred when the obligation or right arises from Philippine sources, the property is situated in the Philippines, or where the subject of the contract is located or used in the Philippines.

No documentary stamp tax is imposed on the assignment of the Notes as long as there is no change in the maturity date or in the remaining period of coverage or the material Terms and Conditions, or for as long as there is neither a renewal or issuance of new Notes in the name of the transferee nor a novation of the Notes.

Interest on the Notes

The tax treatment of interest generally depends on the type of instrument from which the interest arises and whether the class of taxpayer receiving the interest is a resident or a non-resident for Philippine tax purposes. Alternative forms of obtaining funds from borrowing from the public (which for this purpose means more than nineteen lenders) such as debt instruments, long-term deposits or investment certificates, currency bank deposits, trust funds and similar instruments are considered deposit substitutes and interest derived from such instruments are generally subject to a 20% final withholding tax if received by Philippine citizens, resident aliens, non-resident aliens engaged in trade or business within the Philippines, domestic corporations and resident foreign corporations (all of which may generally be considered as “residents” in respect of taxation of Philippine-sourced income). Interest on debt instruments not covered by the foregoing instruments received by the same categories of residents will form part of their taxable income and will be subject to ordinary income tax rates (at graduated rates from 0% – 35% for individuals and 30% regular corporate income tax or 2% minimum corporate income tax (“MCIT”), as the case may be, for domestic and resident foreign corporations), subject to the withholding by the issuer of an amount equivalent to 15% of such interest, which shall be creditable against the income tax liability of the resident for the relevant taxable year.

Interest on debt instruments that are not considered deposit substitutes received by non-residents will generally be subject to final withholding tax at the rate of (i) 25%, if the holder is a non-resident alien not engaged in trade or business within the Philippines, or (ii) 30%, if the holder is a non-resident foreign corporation. However, the interest earned by a non-resident foreign corporation from debt instruments that qualify as “foreign loans” are subject to a final withholding tax at the rate of 20%. “Foreign loans” arise when a non-resident creditor lends funds in a foreign currency directly to a resident debtor, and are evidenced by documents that are denominated in foreign currency and the loans are payable in foreign currency. Interest income of a non-resident alien not engaged in trade or business within the Philippines or of a non-resident foreign corporation may be subject to preferential tax rate pursuant to a treaty obligation to which the Philippine government is bound, subject to such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief.

The tax withheld constitutes a final settlement of Philippine tax liability in respect of such interest income earned by the non-resident individual not engaged in trade or business within the Philippines or by the non-resident foreign corporation.

Sale or other Disposition of the Notes

Any gain, profit or income from sale or disposition of personal property will generally be considered as Philippine-sourced income only if sold within the Philippines. If the Noteholder is only subject to Philippine tax on Philippine-sourced income (e.g., foreign corporations, alien individuals), and presumably the situs of any part of the sale or disposition of the Notes will take place outside of the Philippines, any gain such Noteholder may derive from any sale or disposition of the Notes outside of the Philippines will generally not be considered as Philippine-sourced income and not be subject to Philippine income tax.

On the other hand, if the Noteholder is subject to Philippine tax on both Philippine-sourced and foreign-sourced income (e.g., resident citizens, domestic corporations), any gain realized by the Noteholder from the sale or disposition of the Notes will generally be subject to Philippine income tax. A Noteholder will recognize a gain or loss from the sale or disposition of the Notes in an amount equal to the difference between the amount realized from such disposition and such Noteholder’s basis in the Notes.

Under Section 32(B)(7)(g) of the Tax Code, gains realised from the sale, exchange or retirement of bonds, debentures and other certificates of indebtedness with a maturity date of more than five years (as measured from the date of issuance of such bonds, debentures or other certificates of indebtedness) (“**Long Term Bonds**”) are exempt from income tax.

If the Notes are considered ordinary assets, gains from the sale or disposition of such Notes within the Philippines will be included in the computation of taxable income, which, after being reduced by the applicable deductions, is subject to ordinary income tax rates (at graduated rates from 0%-35% for individuals who are Philippine citizens, whether residents or non-residents, or resident foreign individuals or non-resident aliens engaged in trade or business in the Philippines, and 30% regular corporate income tax or 2% MCIT, as the case may be, for domestic and resident foreign corporations). On the other hand, gains realised from the sale or transfer of the Notes by a holder who is a non-resident alien not engaged in trade or business within the Philippines are subject

to final withholding tax at the rate of 25%. Gains derived by non-resident foreign corporations on the sale or other disposition of the Notes shall form part of their gross income which is subject to a 30% final withholding tax. Such gains by a non-resident alien not engaged in trade or business within the Philippines or by a non-resident foreign corporation may be subject to preferential tax rate pursuant to a treaty obligation to which the Philippine government is bound, subject to such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief.

If the Notes are considered as capital assets of individual Noteholders, gains from the sale or disposition of such Notes shall be subject to the same income tax rates as if the Notes were held as ordinary assets, except that if the gain is realised by an individual who held the Notes for a period of more than 12 months prior to the sale, only 50% of the gain will be recognised and included in the computation of taxable income, subject to the applicable deductions. On the other hand, if the Notes were held by an individual for a period of 12 months or less, 100% of the gain will be included in the computation of the taxable income.

There are proposed tax measures currently pending in the Philippine legislature seeking to simplify taxation of passive income and financial instruments including the removal of distinctive treatment of trading gains derived from debt instruments based on the length of the period of the instrument. Generally, the proposed tax measures seek to impose a single rate of 15% final tax on interest income dividends and capital gains.

Estate and Donor's Taxes

As the Notes are issued by a corporation organised or constituted in the Philippines in accordance with Philippine laws, they are deemed to have a Philippine situs and their transfer by way of succession or donation is subject to Philippine estate and donor's taxes.

The transfer by a deceased person, whether a Philippine resident or a non-Philippine resident, to his heirs of the Notes shall be subject to an estate tax which is levied on the net estate of the deceased at a rate of 6%. A transfer of the Notes by way of gift or donation shall be subject to donor's tax at a rate of 6% based on the total net gifts in excess of ₱250,000.00 exempt gifts made by the donor during the calendar year when the Notes were transferred, whether the donee is a stranger or not.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor. The estate tax and the donor's tax, in respect of the Notes, shall not be collected in respect of intangible property, such as the Notes, (1) if the deceased, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (2) if the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his death or donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

In case the Notes are transferred for less than adequate and full consideration in money or money's worth, the amount by which the fair market value of the Notes exceeds the value of the consideration may be deemed a gift and donor's taxes may be imposed on the transferor of the Notes. Transfer of the Notes made in the ordinary course of business (a transaction which is *bona fide*, at arm's length, and free from any donative intent) is considered as made for an adequate and full consideration in money or money's worth.

Tax Exempt Status

Noteholders who are exempt from, are not subject to final withholding tax, or are subject to a lower rate of final withholding tax on interest income paid by the Issuer may avail of such exemption or preferential withholding tax rate by submitting the necessary documents. The BIR has prescribed certain procedures for availment of such exemption or preferential withholding tax rate. Assuming the payments to be made by the Issuer are subject to withholding tax, subject to the filing of the Issuer's application and its approval by the BIR, the Issuer will not withhold or will withhold at a reduced rate provided that such holder furnishes the Issuer with the following documents, in form and substance prescribed by the Issuer:

- (i) (a) For (1) tax-exempt corporations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code); (2) cooperatives duly registered with the

Cooperative Development Authority; and (3) BIR-approved pension fund and retirement plan – certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR. For this purpose, a tax exemption certificate or ruling shall be deemed “valid, current and subsisting” if it has not been more than 3 years since the date of effectivity specified therein;

(b) For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Noteholder’s current, valid and subsisting Certificate of Accreditation as PERA Administrator;

(c) For all other tax-exempt entities (including, but not limited to, (1) non-stock, non-profit educational institutions; (2) government-owned or -controlled corporations; and (3) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) – certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax;

(d) With respect to tax treaty relief, (1) certificate of tax residence issued for the current year (whether using the form prescribed in their country of residence, or using Part I (D) of the Certificate of Tax Residence for Tax Treaty Relief (“CORTT”) Form prescribed under Revenue Memorandum Order No. 8-2017), and (2) duly accomplished CORTT Form (particularly Part I (A), (B) and (C), and Part II (A), (B), (C) and (D)); and (e) Any other document that the Issuer may require from time to time;

- (ii) a duly notarised declaration and undertaking in the prescribed form, executed by (ii.a) the Corporate Secretary or any authorised representative, who has personal knowledge of the exemption based on his official functions, if the Noteholder purchases Notes for its account, or (ii.b) the Trust Officer, if the Noteholder is a universal bank authorised under Philippine law to perform trust and fiduciary functions and purchase the Notes pursuant to its management of tax-exempt entities (i.e., Employee Retirement Fund, etc.), declaring and warranting that the same Noteholder named in the tax exemption certificate described in (i) above, is specifically exempt from the relevant tax or is subject to a preferential tax rate for the relevant tax, undertaking to immediately notify the Issuer of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold the Issuer free and harmless against any claims, actions, suits, and liabilities, or any tax or charge resulting from the non-withholding of the required tax; and
- (iii) if applicable, such other documentary requirements as may be reasonably required by the Issuer, or as may be required under applicable regulations of the relevant taxing or other authorities; provided further that, all sums payable by the Issuer to tax-exempt entities shall be paid in full without deductions for Taxes, duties, assessments, or government charges, subject to the submission by the Noteholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Issuer.

If the regular rate mentioned above is withheld by the Issuer, instead of the reduced rate, the Noteholder may file a claim for a refund from the BIR. However, because the refund process in the Philippines could be cumbersome, requiring the filing of an administrative claim and the possible filing of a judicial appeal, it may be impractical to pursue such a refund.

Gross Receipts Tax

Bank and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

- Maturity period is five years or less 5%
- Maturity period is more than five years 1%

In case the maturity period is shortened through pre-termination, the maturity period is to be reckoned to end as of the date of pre-termination for purposes of classifying the transaction, and the correct rate of tax shall be applied accordingly.

Non-bank financial intermediaries not performing quasi-banking functions doing business in the Philippines are likewise subject to gross receipts tax. Gross receipts of such entities derived from sources within the Philippines from interests, commissions and discounts from lending activities are taxed in accordance with the following schedule based on the remaining maturities of the instruments from which such receipts are derived:

- Maturity period is five years or less 5%
- Maturity period is more than five years 1%

In case the maturity period is shortened through pre-termination, the maturity period is to be reckoned to end as of the date of pre-termination for purposes of classifying the transaction, and the correct rate of tax shall be applied accordingly.

If the net trading gains realised within the taxable year on the sale or disposition of the Notes by banks and nonbank financial intermediaries performing quasi-banking functions are considered as gross receipts derived from sources within the Philippines, such gains shall be subject to gross receipts tax at the rate of 7%.

Taxation outside the Philippines

The tax treatment of a non-resident holder of any of the Notes by jurisdiction outside the Philippines will vary depending on the tax laws applicable to such holder by reason of domicile or business activities and may vary depending upon such holder's situation. Each holder of any of the Notes should consult its own tax adviser as to the particular tax consequences on such holder acquiring, owning and disposing of the Notes, including the applicability and effect of any state, local and national laws.

U.S. Foreign Account Tax Compliance Withholding

Certain provisions of the United States Internal Revenue Code of 1986 (the "Code") and applicable U.S. Treasury regulations implementing these provisions (commonly referred to as "FATCA") may impose a 30% withholding tax on "foreign passthru payments" made by a "foreign financial institution" (an "FFI") made on or after 1 January 2019 or six months after final U.S. Treasury regulations defining the term "foreign passthru payment" are filed with the Federal Register. Under current guidance, the term "foreign passthru payment" is not defined and it is therefore not clear whether or to what extent payments on the Notes would be considered foreign passthru payments if we were considered to be an FFI. The United States has entered into an intergovernmental agreement with the Netherlands (the "IGA") which potentially modifies the FATCA withholding regime, including the definition of an FFI. Under FATCA and the IGA, we may be treated as an FFI and, therefore, foreign passthru payments on the Notes may be subject to withholding tax under FATCA or the IGA. Investors in the Notes should consult their tax advisors regarding the potential impact of FATCA, the IGA and any non-U.S. legislation implementing FATCA, on their investment in the Notes.

FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. The Issuer's obligations under the Notes are discharged once it has paid the common depository or common safekeeper for the clearing systems and the Issuer has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries.

To ensure compliance with FATCA and the relevant regulations, each taxpayer is hereby notified that: (a) any tax discussion herein is not intended or written to be used, and cannot be used by the taxpayer for the purpose of avoiding U.S. Federal income tax penalties that may be imposed on the taxpayer; (b) any such tax discussion was written to support the promotion or marketing of the transactions or matters addressed herein; and (c) the taxpayer should seek advice based on the taxpayer's particular circumstances from their independent tax advisors.

THE GLOBAL CERTIFICATES

The Global Certificates contain the following provisions which apply to the Notes in respect of which they are issued whilst they are represented by the Global Certificates, some of which modify the effect of the Terms and Conditions of the 2030 Notes and the Terms and Conditions of the 2035 Notes, respectively. Terms defined in the Terms and Conditions of the 2030 Notes and the Terms and Conditions of the 2035 Notes, respectively, have the same meaning below.

Each series of Notes will be represented initially by a Global Certificate, which will be registered in the name of a nominee of, and deposited with, a common depositary on behalf of Euroclear and Clearstream, Luxembourg. The following paragraphs apply separately to each series of the Notes, the Global Certificate representing such series of Notes and the holders of such Notes.

ACCOUNTHOLDERS

For so long as all of the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of a clearing system, each person (other than another clearing system) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate principal amount of such Notes (each an “**Accountholder**”) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression “**Noteholders**” and references to “**holding of Notes**” and to a “**holder of Notes**” shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the nominee for the relevant clearing system (“**Relevant Nominee**”) in accordance with and subject to the terms of the Global Certificate. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Relevant Nominee.

CANCELLATION

Cancellation of any Notes following its redemption or purchase by the Issuer will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders and by the annotation of the appropriate schedule to the Global Certificate.

PAYMENTS

Payments of principal and distributions in respect of Notes represented by the Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Notes, against presentation and surrender of the Global Certificate to or to the order of the Registrar or such other Agent as shall have been notified to the holder of the Global Certificates for such purpose.

Each payment will be made to or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

Distributions of amounts with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Registrar, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system’s rules and procedures.

A record of each payment made will be endorsed on the appropriate schedule to the Global Certificate by or on behalf of the Registrar and shall be prima facie evidence that payment has been made.

NOTICES

So long as all the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by the Conditions. For so long as the Notes are listed on the SGX-ST, notices shall also be published in the manner required by the rules and regulations of the SGX-ST.

REGISTRATION OF TITLE

Registration of title to Notes in a name other than that of the Relevant Nominee will not be permitted unless Euroclear or Clearstream, Luxembourg, as appropriate, notifies the Issuer that it is unwilling or unable to continue as a clearing system in connection with the Global Certificate, and in each case a successor clearing system selected by the Issuer and approved by the Trustee, the Principal Paying Agent and the Registrar is not appointed by the Issuer within 90 days after receiving such notice from Euroclear or Clearstream, Luxembourg. In these circumstances title to a Note may be transferred into the names of holders notified by the Relevant Nominee in accordance with the Conditions, except that Certificates in respect of Notes so transferred may not be available until 21 days after the request for transfer is duly made.

TRANSFERS

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear, Clearstream, Luxembourg and their respective participants in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg and their respective direct and indirect participants, as more fully described under “*Clearance and Settlement of The Notes*”. No Noteholder may require the transfer of a Note to be registered during the period from the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) on the date before the relevant due date for any payment of principal or distributions on the Notes.

RECORD DATE

Interest on the Notes due on an Interest Payment Date will be paid to the holder shown on the register of Noteholders at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date (the “**Record Date**”).

CALCULATION OF INTEREST

So long as the Notes are represented by the Global Certificate and such Global Certificate is held on behalf of a clearing system, the Issuer has promised, *inter alia*, to pay Interest in respect of such Notes from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Terms and Conditions, save that the calculation is made in respect of the total aggregate amount of the Notes represented by such Global Certificate.

CLEARANCE AND SETTLEMENT OF THE NOTES

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream, Luxembourg (together, the “Clearing Systems”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them takes any responsibility for the accuracy of this section. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer or any other party to the Agency Agreement or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Custodial and depositary links have been established with Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and transfers of the Notes associated with secondary market trading.

THE CLEARING SYSTEMS

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry of changes in the accounts of their participants. Euroclear and Clearstream, Luxembourg provide their respective participants with, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of interest and principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Principal Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system’s rules and procedures.

Registration and Form

Book-entry interests in the Notes held through Euroclear and Clearstream, Luxembourg will be evidenced by the Global Certificate, registered in the name of nominee of the common depositary of Euroclear and Clearstream, Luxembourg. The Global Certificate will be held by a common depositary for Euroclear and Clearstream, Luxembourg. Beneficial ownership in Notes will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream, Luxembourg.

The aggregate holdings of book-entry interests in the Notes in Euroclear and Clearstream, Luxembourg will be reflected in the book-entry accounts of each such institution. Euroclear and Clearstream, Luxembourg, as the case may be, and every other intermediate holders in the chain to the beneficial owner of book-entry interests in the Notes, will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interest in the Notes. The Registrar will be responsible for maintaining a record of the aggregate holdings of Notes registered in the name of the common nominee for Euroclear and Clearstream, Luxembourg or, if individual Certificates are issued in the limited circumstances described under “*The Global Certificates —Registration of Title*”, holders of Notes represented by those individual Certificates. The Principal Paying Agent will be responsible for ensuring that payments received by it from the Issuer for holders of interests in the Notes held through Euroclear and Clearstream, Luxembourg are credited to Euroclear or Clearstream, Luxembourg, as the case may be.

The Issuer will not impose any fees in respect to the Notes; however, holders of book-entry interest in the Notes may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream, Luxembourg.

CLEARANCE AND SETTLEMENT PROCEDURES

Initial Settlement

Upon their original issue, the Notes will be in global form represented by the Global Certificate. Interests in the Notes will be in uncertificated book-entry form. Purchasers electing to hold book-entry interests in the Notes through Euroclear and Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional eurobonds. Book-entry interests in the Notes will be credited to Euroclear and Clearstream, Luxembourg participants' securities clearance accounts on the business day following the Issue Date against payment (for value the Issue Date).

Secondary Market Trading

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional participants.

GENERAL

Although the foregoing sets out the procedures of Euroclear and Clearstream, Luxembourg in order to facilitate the transfers of interests in the Notes among participants of Euroclear and Clearstream, Luxembourg, none of Euroclear and Clearstream, Luxembourg is under any obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time.

None of the Issuer, the Group, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants of their respective obligations under the rules and procedures governing their operations.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Joint Lead Managers dated 16 July 2020 (the **Subscription Agreement**), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell, and the Joint Lead Managers have agreed severally and not jointly, to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Notes.

Joint Lead Managers	Principal Amount of the 2030 Notes to be Subscribed	Principal Amount of the 2035 Notes to be Subscribed
BPI Capital Corporation.....	U.S.\$30,000,000	U.S.\$30,000,000
The Hongkong and Shanghai Banking Corporation Limited.....	U.S.\$135,000,000	U.S.\$135,000,000
J.P. Morgan Securities plc.....	U.S.\$135,000,000	U.S.\$135,000,000
Total	U.S.\$300,000,000	U.S.\$300,000,000

The Subscription Agreement provides that the Issuer will indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Notes. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and their affiliates have performed and may perform in the future various financial advisory, investment banking and commercial banking services for the Issuer and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer and/or its affiliates in the ordinary course of their business.

The Joint Lead Managers or certain of their affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. The Issuer or the Joint Lead Managers may pay commissions to certain third parties (including, without limitation, commission or rebate to private banks).

The Joint Lead Managers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Joint Lead Managers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its subsidiaries, jointly controlled entities or associated companies and may be paid fees in connection with such services from time to time. In the ordinary course of their various business activities, the Joint Lead Managers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Issuer or its subsidiaries, jointly controlled entities or associated companies, including the Notes, may be entered into at the same time or proximate to offers and sales of the Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes. The Joint Lead Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

If a jurisdiction requires that the offering of Notes be made by a licenced broker or dealer and the Joint Lead Managers or any of their respective affiliates is a licenced broker or dealer in that jurisdiction, such offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction. The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Notes is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

OFFERING AND SELLING RESTRICTIONS

General

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Notes are subject to restrictions and may not be made except pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

None of the Issuer or the Joint Lead Managers makes any representation that any action has been or will be taken in any jurisdiction by the Issuer or the Joint Lead Managers that would, or is intended to permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Notes, or possession or distribution of this Offering Circular (in preliminary, proof or final form), any amendment or supplement thereto issued in connection with the proposed resale of the Notes or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Each of the Joint Lead Managers will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes this Offering Circular (in preliminary, proof or final form) or any such other material, in all cases at its own expense. The Joint Lead Managers will also ensure that no obligations are imposed on the Issuer in any such jurisdiction as a result of any of the foregoing actions. The Issuer will have no responsibility for, and the Joint Lead Managers will not obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. The Joint Lead Managers are not authorised to make any representation or use any information in connection with the issue, subscription and sale of the Notes other than as contained in, or which is consistent with, the Offering Circular or any amendment or supplement to it.

Persons into whose hands this Offering Circular comes are required by the Issuer and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Offering Circular or any other offering material relating to the Notes, in all cases at their own expense.

United States

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States except in accordance with Regulation S or pursuant to any other exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Manager has, severally and not jointly, represented and warranted that it has not offered or sold, and agreed that it will not offer or sell, any Notes constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes. Terms used in this paragraph have the meanings given to them by Regulation S.

United Kingdom

Each Manager has, severally and not jointly, represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended including by the Financial Services Act 2012 (the “FSA”) (the “FSMA”)) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

European Economic Area and the United Kingdom

Each Manager has, severally and not jointly, represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area or the UK. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
 - (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.
- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Hong Kong

Each Manager has, severally and not jointly, represented, warranted and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to professional investors as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a prospectus as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (“C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the SFO and any rules made under the SFO.

Singapore

Each Manager has, severally and not jointly, acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the MAS. Accordingly, each Manager has, severally and not jointly, represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA), pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments), (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "FIEA"). Each Manager has, severally and not jointly, represented, warranted and agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Philippines

THE NOTES BEING OFFERED OR SOLD HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE PHILIPPINE SEC UNDER THE SRC. ANY FUTURE OFFER OR SALE OF THE NOTES WITHIN THE PHILIPPINES IS SUBJECT TO THE REGISTRATION REQUIREMENTS UNDER THE SRC UNLESS SUCH OFFER OR SALE IS MADE UNDER CIRCUMSTANCES IN WHICH THE OFFER OR SALE QUALIFIES OR AS AN EXEMPT TRANSACTION UNDER THE SRC.

Under Republic Act No. 8799, known as the SRC, and its implementing rules, securities, such as the Notes, are not permitted to be sold or offered for sale or distribution within the Philippines unless such securities are registered with the Philippine SEC or are otherwise exempt securities or sold pursuant to an exempt transaction.

The offer or sale of the Notes in the Philippines to (a) primary institutional lenders pursuant to Rule 10.1.4 of the implementing rules of the SRC or (b) persons who are qualified buyers pursuant to Section 10.1(l) of the SRC qualify as exempt transactions. The Issuer has not applied for or obtained and will not obtain confirmation from the Philippine SEC that the offer and sale of the Notes within the Philippines qualifies as an exempt transaction. It is not required that the Philippine SEC confirm the exemption of such offers or sales from the registration requirements of the SRC. Each of the Joint Lead Managers has, severally and not jointly, represented, warranted and agreed that it has not and will not sell or offer for sale or distribution any Notes in the Philippines except to "primary institutional lenders" pursuant to Rule 10.1.4 of the implementing rules of the SRC or to "qualified buyers" pursuant to Section 10.1(l) of the SRC. Prospective investors should take note of the transfer restrictions set out in the implementing rules of the SRC.

GENERAL INFORMATION

- (1) **Clearing Systems:** The 2030 Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under Common Code number 220751031. The International Securities Identification Number for the 2030 Notes is XS2207510319. The 2035 Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under Common Code number 220751058. The International Securities Identification Number for the 2035 Notes is XS2207510582.
- (2) **Listing of Notes:** Approval-in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. For so long as the Notes of a series are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore where the Notes of that series may be presented or surrendered for payment or redemption, in the event that the Global Certificate representing Notes of that series is exchanged for definitive Certificates representing Notes of that series. In addition, in the event that the Global Certificate representing Notes of that series is exchanged for definitive Certificates representing Notes of that series, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates representing Notes of that series, including details of the paying agent in Singapore. The Notes of each series will be traded on the SGX-ST in a minimum board lot size of U.S.\$200,000 for as long as the Notes of that series are listed on the SGX-ST and the rules of the SGX-ST so require.
- (3) **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of the Notes was authorised by the approval of the Finance Committee of the Board of Directors dated 16 July 2020. Authority to approve the Terms and Conditions of the 2030 Notes and the Terms and Conditions of the 2035 Notes has been delegated to the Finance Committee by the Board of Directors of the Issuer.
- (4) **No Material Adverse Change:** Except as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Group since 31 March 2020 and no material adverse change in the financial position, trading position or prospects of the Group since 31 March 2020.
- (5) **Litigation:** Save as disclosed in this Offering Circular, the Group is not involved in any governmental, legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this Offering Circular, a significant adverse effect on the financial position or trading position of the Group, and the Group is not aware that any such proceedings are pending or threatened.
- (6) **Available Documents:** Copies of the following documents will be available for inspection from the Issue Date during normal business hours at the specified office of the Issuer at The Globe Tower, 32nd Street corner 7th Avenue, Bonifacio Global City, Taguig City, Philippines, so long as any of the Notes is outstanding:
 - (a) Articles of Incorporation of the Issuer;
 - (b) copies of the annual reports of the Group for the years ended 31 December 2017, 2018 and 2019;
 - (c) the Trust Deed; and
 - (d) the Agency Agreement.
- (7) **Auditors:** The Audited Consolidated Financial Statements appearing in this Offering Circular have been audited by Navarro Amper & Co., an affiliate of Deloitte Asia Pacific Limited and part of the Deloitte Network, independent auditors, and the Unaudited Interim Condensed Consolidated Financial Statements appearing in this Offering Circular have been reviewed by, Isla Lipana & Co., PwC Philippines, a member firm of PricewaterhouseCoopers International Limited, independent auditors, as set forth in their reports appearing herein.

GLOSSARY

AC	Ayala Corporation
AHL.....	Adspark Holdings, Inc.
AMAX.....	AutoloadMax
Ant Financial.....	Ant Financial Services Group
Asiacom.....	Asiacom Philippines, Inc.
Asticom	Asticom Technology, Inc.
BAP	The Bankers' Association of the Philippines
BAHC.....	Bow Arken Holdings Company Inc.
Bayantel.....	Bayan Telecommunications, Inc.
Bay Group	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)
BCC.....	Bonifacio Communications Corporation
Bell Tel.....	Bell Telecommunication Philippines, Inc.
BHC	Brightshare Holdings Corporation
BSP.....	Bangko Sentral ng Pilipinas
CAAP	Civil Aviation Authority of the Philippines
CBA	Collective bargaining agreement
CFU.....	Customer facing unit
CMP Regulations 2018	Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore
Controlling Shareholders.....	Ayala Group and STI
DHUSD.....	Department of Human Settlements and Urban Development
DICT	Department of Information and Communications Technology
Digitel.....	Digitel Telecommunications Philippines, Inc.
DILG	Department of Interior and Local Government
DITO	DITO Telecommunity Corporation
DPWH.....	Department of Public Works and Highways
EC Pay.....	Electronic Commerce Payments (EC Pay), Inc.

FATCA.....	Foreign Account Tax Compliance Act
FOBN.....	Fiber Optic Backbone Network
GB.....	means gigabyte
GIEE.....	Globetel Internacional European España, S.L.
GFI.....	Globe Fintech Innovations, Inc.
GMI.....	Globe Mobilé Italy S.r.l.
Group.....	Globe Telecom, Inc. and its consolidated subsidiaries
GSM.....	Global System for Mobile Communication
GTEU.....	Globetel European Limited
GTI.....	GTI Business Holdings, Inc.
GTIC.....	GTI Corporation
GTHI.....	Global Telehealth, Inc.
GTHK.....	Globe Telecom HK Limited
GTowers.....	GTowers, Inc.
GTSG.....	Globetel Singapore Pte. Ltd.
GXI.....	G-Xchange, Inc.
Innove.....	Innove Communications, Inc.
ICT.....	information and communications technology
IP.....	Internet protocol
IRR.....	Implementing Rules and Regulations of the PCC
IRU.....	Indefeasible rights of use
Islacom.....	Isla Communications Company, Inc.
IT.....	information technology
LIB.....	Liberty Telecom Holdings, Inc.
LTE.....	Long-Term Evolution
Kickstart.....	Kickstart Ventures, Inc.
MB.....	megabyte
MC 16-002.....	PCC Memorandum Circular No. 16-002
Merger Rules.....	Rules on Merger Procedure

Mynt.....	Globe Fintech Innovations, Inc.
NTC.....	National Telecommunications Commission
PCA.....	Philippine Competition Act
PCC.....	Philippine Competition Commission
PDS.....	Philippine Dealing System
petabyte.....	means 1024 terabytes or a million GB
PFRS 16.....	PFRS 16, Leases
Philippine SEC.....	The Philippine Securities and Exchange Commission
PHILVOLCS.....	Philippine Institute of Volcanology and Seismology
PLDT.....	Philippine Long Distance Telephone Company
PPE.....	Personal Protective Equipment
PSE.....	Philippine Stock Exchange
RDC.....	Robert Dollar Company
SDN-NFV.....	Software defined network and network function virtualization
SFA.....	Securities and Futures Act (Chapter 289) of Singapore
SGX-ST.....	Singapore Exchange Securities Trading Limited
Smart.....	Smart Communications, Inc.
SME.....	small- and medium-sized enterprises
SMS.....	Short message service
Spectrum.....	Tori Spectrum Telecom, Inc.
STI.....	Singapore Telecom Int'l. Pte. Ltd.
Tao.....	TaoDharma
TechGlobal.....	TechGlobal Data Center, Inc.
UKGT.....	UK Globetel Limited
VAS.....	Value Added Services
VOIP.....	Voice-over-internet-protocol
VTI.....	Vega Telecom, Inc.
Yondu.....	Yondu Inc.

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE ISSUER AS OF 31 DECEMBER 2018 AND 2019 AND FOR THE YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019

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GLOBE TELECOM, INC. AND SUBSIDIARIES

Interim Condensed Consolidated Financial Statements
As of March 31, 2020 and December 31, 2019
For the periods ended March 31, 2020 and 2019





Report on Review of Unaudited Interim Condensed Consolidated Financial Statements

To the Board of Directors and Shareholders of
Globe Telecom, Inc.
27th Floor, The Globe Tower
32nd Street Corner 7th Avenue
Bonifacio Global City, Taguig

Introduction

We have reviewed the accompanying unaudited interim condensed consolidated statement of financial position of Globe Telecom, Inc. and Subsidiaries as at March 31, 2020 and the related unaudited interim condensed consolidated statements of total comprehensive income, statements of changes in equity and statements of cash flows for the three-month periods ended March 31, 2020 and 2019, and notes, comprising a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and fair presentation of these unaudited interim condensed consolidated financial statements in accordance with Philippine Accounting Standard 34, “*Interim Financial Reporting*” as issued by the Financial Reporting Standards Council. Our responsibility is to express a conclusion on these unaudited interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with Philippine Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Isla Lipana & Co.

Report on Review of Unaudited Interim Condensed
Consolidated Financial Statements
To the Board of Directors and Shareholders of
Globe Telecom, Inc.
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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unaudited interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with Philippine Accounting Standard 34.

Isla Lipana & Co.

A handwritten signature in black ink that reads "Aldie P. Garcia". The signature is written in a cursive style with a large, prominent "G" at the end.

Aldie P. Garcia
Partner

CPA Cert. No. 107076

P.T.R. No. 0011459, issued on January 7, 2020, Makati City

SEC A.N. (individual) as general auditors 107076 SEC; Category A,

valid to audit 2019 to 2023 financial statements

SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021

TIN 923-763-007

BIR A.N. 08-000745-128-2019, issued on September 18, 2019; effective until September 17, 2022

BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
May 4, 2020



GLOBE TELECOM, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		March 31, 2020	December 31, 2019
Notes		(Unaudited)	(Audited)
<i>(In Thousand Pesos)</i>			
ASSETS			
Current Assets			
Cash and cash equivalents	3	P14,519,101	P8,298,092
Trade receivables – net	4	22,903,121	21,138,950
Contract assets and deferred contract costs – net	5	7,927,340	8,339,219
Inventories and supplies – net		3,742,685	4,713,572
Derivative assets – current		305,389	301,624
Prepayments and other current assets	6	22,285,933	18,948,015
		71,683,569	61,739,472
Noncurrent Assets			
Property and equipment – net	7	186,498,895	182,662,528
Intangible assets and goodwill – net	8	15,818,537	15,553,097
Right of use assets– net	9	3,687,482	3,566,280
Investments in associates and joint ventures	11	33,758,891	34,473,865
Deferred income tax assets – net		1,884,144	1,866,591
Derivative assets – net of current portion		413,535	125,331
Deferred contract costs – net of current portion	5	246,395	289,663
Other noncurrent assets		4,183,723	4,013,910
		246,491,602	242,551,265
TOTAL ASSETS		P318,175,171	P304,290,737
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables and accrued expenses	12	P55,906,909	P56,979,315
Contract liabilities and deferred revenues – current	5	9,548,155	8,764,803
Loans payable – current	13	18,531,427	12,919,898
Derivative liabilities – current		570,455	547,046
Lease liabilities – current	9	1,059,340	981,817
Provisions		2,644,163	2,622,318
Income tax payable		2,268,198	1,761,984
		90,528,647	84,577,181
Noncurrent Liabilities			
Loans payable – net of current portion	13	126,158,411	122,942,837
Contract liabilities – net of current portion	5	71,326	49,869
Deferred income tax liabilities – net		6,070,882	5,057,641
Derivative liabilities – net of current portion		197,672	291,270
Lease liabilities	9	2,765,232	2,681,800
Pension liabilities		4,004,653	3,738,430
Other long-term liabilities		3,788,459	3,704,712
		143,056,635	138,466,559
Total Liabilities		233,585,282	223,043,740
Equity			
Capital Stock	14	8,452,995	8,452,995
Additional paid in capital		36,808,776	36,808,776
Cost of share-based payments		510,303	447,656
Other reserves	14.6	(1,465,229)	(1,766,610)
Retained earnings		40,135,082	37,169,604
Equity attributable to equity holders of the Parent		84,441,927	81,112,421
Non-controlling interest		147,962	134,576
Total Equity		84,589,889	81,246,997
TOTAL LIABILITIES AND EQUITY		P318,175,171	P304,290,737

See accompanying Notes to Interim Consolidated Financial Statements.



GLOBE TELECOM, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Three-Month Period Ended March 31			
2020			
2019			
	Notes	(Unaudited)	(Unaudited)
<i>(In Thousand Pesos, Except Per Share Figures)</i>			
REVENUES			
Service revenues		P36,881,974	P36,003,039
Nonservice revenues		4,309,378	4,633,028
		41,191,352	40,636,067
INCOME (LOSSES)			
Equity in net losses of associates and joint ventures	11	(708,210)	(516,798)
Interest income		73,329	195,676
Gain on disposal of property and equipment – net		42,064	17,351
Other income – net	15	396,263	124,404
		(196,554)	(179,367)
COSTS AND EXPENSES			
General, selling and administrative expenses	16.1	15,178,125	14,295,580
Depreciation and amortization	16.2	8,639,488	7,995,932
Cost of inventories sold		4,530,397	4,615,626
Interconnect costs	21.1	303,573	806,821
Finance costs	16.3	1,655,900	1,797,252
Impairment and other losses	16.4	1,051,101	1,149,529
		31,358,584	30,660,740
INCOME BEFORE INCOME TAX		9,636,214	9,795,960
PROVISIONS FOR INCOME TAX			
Current		2,162,421	2,062,550
Deferred		879,212	1,003,628
		3,041,633	3,066,178
NET INCOME		6,594,581	6,729,782
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will be reclassified into profit or loss in subsequent periods:			
Transactions on cash flow hedges – net	14.6	224,860	(456,546)
Exchange differences arising from translations of foreign investments	14.6	4,047	(8,438)
		228,907	(464,984)
Item that will not be reclassified into profit or loss in subsequent periods:			
Changes in fair value of financial assets at FVOCI	14.6	69,790	148,899
Remeasurement loss on defined benefit plan	14.6	(16,406)	-
		53,384	148,899
TOTAL OTHER COMPREHENSIVE INCOME		282,291	(316,085)
TOTAL COMPREHENSIVE INCOME		P6,876,872	P6,413,697

(Forward)



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

	Notes	Three-Month Period Ended March 31	
		2020 (Unaudited)	2019 (Unaudited)
<i>(In Thousand Pesos, Except Per Share Figures)</i>			
Total net income attributable to:			
Equity holders of the Parent		₱6,581,195	₱6,732,581
Non-controlling interest		13,386	(2,799)
		6,594,581	6,729,782
Total comprehensive income attributable to:			
Equity holders of the Parent		6,863,486	6,416,496
Non-controlling interest		13,386	(2,799)
		₱6,876,872	₱6,413,697
Earnings Per Share			
Basic	17	₱48.34	₱49.54
Diluted	17	₱48.08	₱49.33
Cash dividends declared per common share	14.3	₱27.00	₱22.75

See accompanying Notes to Interim Consolidated Financial Statements.



GLOBE TELECOM, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Three-Month Period Ended March 31, 2020 (Unaudited)									
	Notes	Capital Stock (Note 14.2)	Additional Paid-in Capital	Cost of Share-Based Payments	Other Reserves (Note 14.6)	Retained Earnings	Total Equity Attributable to Parent	Non-controlling Interest	Total
<i>(In Thousand Pesos)</i>									
As of January 1, 2020		₱8,452,995	₱36,808,776	₱447,656	(₱1,766,610)	₱37,169,604	₱81,112,421	₱134,576	₱81,246,997
Total comprehensive income for the year					282,291	6,581,195	6,863,486	13,386	6,876,872
Dividends on Common Stock	14.3	-	-	-	-	(3,596,627)	(3,596,627)	-	(3,596,627)
Share based compensation	16.1	-	-	62,647	-	-	62,647	-	62,647
Reclassification of fair value gain on investment in equity securities at FVOCI	14.6	-	-	-	19,090	(19,090)	-	-	-
As of March 31, 2020		₱8,452,995	₱36,808,776	₱510,303	(₱1,465,229)	₱40,135,082	₱84,441,927	₱147,962	₱84,589,889

For the Three-Month Period Ended March 31, 2019 (Unaudited)									
	Notes	Capital Stock (Note 14.2)	Additional Paid-in Capital	Cost of Share-Based Payments	Other Reserves (Note 14.6)	Retained Earnings	Total Equity Attributable to Parent	Non-controlling Interest	Total
<i>(In Thousand Pesos)</i>									
As of January 1, 2019, as previously stated		₱8,445,238	₱36,528,251	₱417,345	₱561,103	₱27,167,398	₱73,119,335	₱24,172	₱73,143,507
Adjustment on initial application of PFRS 16, net of tax	2.2	-	-	-	-	336,464	336,464	505	336,969
As of January 1, 2019, as restated		8,445,238	36,528,251	417,345	561,103	27,503,862	73,455,799	24,677	73,480,476
Total comprehensive income for the year		-	-	-	(316,085)	6,732,581	6,416,496	(2,799)	6,413,697
Dividends on Common Stock	14.3	-	-	-	-	(3,026,961)	(3,026,961)	-	(3,026,961)
Share based compensation	16.1	-	-	36,533	-	-	36,533	-	36,533
Exercise of stock options	14.2	45	1,162	(312)	-	-	895	-	895
Reclassification of fair value gain on investment in equity securities at FVOCI	14.6	-	-	-	(75,777)	75,777	-	-	-
As of March 31, 2019		₱8,445,283	₱36,529,413	₱453,566	₱169,241	₱31,285,259	₱76,882,762	₱21,878	₱76,904,640

See accompanying Notes to Interim Consolidated Financial Statements.



GLOBE TELECOM, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Three-Month Period Ended March 31	
		2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		<i>(Unaudited and In Thousand Pesos)</i>	
Income before income tax		₱9,636,214	₱9,795,960
Adjustments for:			
Depreciation and amortization	16.2	8,639,488	7,995,932
Impairment and other losses	16.4	1,051,101	1,149,529
Finance costs	16.3	1,655,900	1,797,252
Equity in net losses of associates and joint ventures	9	708,210	516,798
Foreign exchange losses – net	15	(84,462)	26,563
Pension expense	16.1	221,632	131,225
Interest income		(73,329)	(195,676)
Share based compensation	16.1	62,647	36,533
(Gain) Loss on derivative instruments -net	15	34,973	(25,254)
Gain on disposal of property and equipment		(42,064)	(17,351)
(Gain) Loss on settlement and remeasurement of ARO	15	751	(2,880)
Gain on pre - termination of lease commitments		-	(4)
Operating income before working capital changes		21,811,061	21,208,627
Changes in operating assets and liabilities:			
Decrease (Increase) in:			
Trade Receivables		(2,816,690)	239,331
Inventories and supplies		917,745	422,563
Contract Assets		455,148	72,718
Prepayments and other current assets		(4,216,278)	(2,524,429)
Other noncurrent assets		(26,260)	(391,678)
Increase (Decrease) in:			
Trade payables and accrued expenses		(2,178,084)	(461,624)
Other long-term liabilities		53,541	(17,641)
Contract Liabilities and deferred revenues		804,809	(379,324)
Cash generated from operations		14,804,992	18,168,543
Income tax paid		(1,053,181)	(52,008)
Net cash flows from operating activities		13,751,811	18,116,535
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment		(10,653,084)	(8,730,934)
Investment in joint ventures	11	(10,000)	(1,129,000)
Intangible assets	8	(5,447)	(24,746)
Collections of loans receivable from related parties		250,000	70,000
Proceeds from sale of property and equipment		48,850	28,762
Interest received		74,356	230,368
Cash out flow from acquisition of subsidiaries	10	(26,829)	-
Dividends received		-	10,684
Proceeds from disposal of an investment in equity securities at FVOCI		-	124,056
Net cash flows used in investing activities		(₱10,322,154)	(₱9,420,810)

(Forward)



GLOBE TELECOM, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Three-Month Period Ended March 31	
		2020	2019
<i>(Unaudited and In Thousand Pesos)</i>			
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings:			
Long-term		₱9,852,220	₱-
Short-term		700,000	-
Repayments of long-term borrowings:		(1,647,028)	(9,877,500)
Payments of dividends to stockholders:	14.3		
Common		(3,596,627)	(3,026,961)
Preferred		(260,030)	(260,030)
Exercise of stock options		-	895
Payment of lease liabilities		(367,974)	(265,265)
Interest paid		(1,749,925)	(1,954,564)
Net cash used in financing activities		2,930,636	(15,383,425)
NET DECREASE IN CASH AND CASH EQUIVALENTS		6,360,293	(6,687,700)
NET FOREIGN EXCHANGE DIFFERENCE ON CASH AND CASH EQUIVALENTS		(139,284)	20,424
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		8,298,092	23,226,386
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD		₱14,519,101	₱16,559,110

See accompanying Notes to Interim Consolidated Financial Statements.



GLOBE TELECOM, INC. AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1 Corporate Information and Basis of Financial Statement Preparation

Corporate Information

The interim condensed consolidated financial statements of Globe Telecom, Inc. and Subsidiaries (the "Globe Group") as of and for the three-month period ended March 31, 2020 and 2019 were authorized for issue in accordance with a resolution of the Board of Directors (BOD) on May 4, 2020.

1.1 Globe Telecom, Inc.

Globe Telecom, Inc. (hereafter referred to as "Globe Telecom" or The "Parent Company") is a stock corporation organized under the laws of the Philippines on January 16, 1935, and enfranchised under Republic Act (RA) No. 7229 and its related laws to render any and all types of domestic and international telecommunications services. Globe Telecom is one of the leading providers of digital wireless communications services in the Philippines under the Globe Postpaid and Prepaid, and Touch Mobile (TM) using a fully digital network. It also offers domestic and international long distance communication services or carrier services. Globe Telecom's head office is located at The Globe Tower, 32nd Street corner 7th Avenue, Bonifacio Global City, Taguig, Metropolitan Manila, Philippines. Globe Telecom is listed in the Philippine Stock Exchange (PSE) and has been included in the PSE composite index since September 17, 2001. Major stockholders of Globe Telecom include Ayala Corporation (AC), Singapore Telecom International Pte Ltd. (Singtel) and Asiacom Philippines, Inc. None of these companies exercise control over Globe Telecom.

1.2 Innove Communications, Inc. (Innove)

Globe Telecom owns 100% of Innove, a stock corporation organized under the laws of the Philippines and enfranchised under RA No. 11151 and its related laws to render any and all types of domestic and international telecommunications services. Innove holds a license to provide digital wireless communication services in the Philippines. Innove also has a license to establish, install, operate and maintain a nationwide local exchange carrier (LEC) service, particularly integrated local telephone service with public payphone facilities and public calling stations, and to render and provide international and domestic carrier and leased line services.

On November 2, 2015, Innove and Techzone Philippines incorporated TechGlobal Data Center, Inc. (TechGlobal), a joint venture company formed for the purpose of operating and managing all kinds of data centers, and providing information technology-enabled, knowledge-based and computer-enabled support services. Innove and Techzone hold ownership interest of 49% and 51%, respectively. TechGlobal started commercial operations in August 2017.

1.3 GTI Business Holdings, Inc. (GTI) and Subsidiaries

Globe Telecom owns 100% of GTI. GTI was incorporated and registered under the laws of the Philippines, on November 25, 2008, as a holding company.

1.4 GTI Corporation (GTIC)

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



1.5 Globe Telecom HK Limited (GTHK)

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

1.6 Globetel European Limited (GTEU) and Subsidiaries

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

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

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

1.7 Globetel Singapore Pte. Ltd. (GTSG)

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

1.8 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.

1.9 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.



1.10 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).

1.11 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 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. House Bill No. 5797 was substituted by House Bill No. 6371 on February 24, 2020 and was approved by the 18th Congress on March 10, 2020. House Bill No. 6371 was transmitted and received by the Senate of the Philippines on March 11, 2020

1.12 TaoDharma Inc. (Tao)

Globe Telecom owns 67% of Tao, an entity incorporated and registered under the laws of the Philippines. Tao operates and maintains retail stores in strategic locations within the Philippines that sells telecommunications or internet-related services, and devices, gadgets and accessories.

1.13 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.



1.14 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.

1.15 Electronic Commerce Payments, Inc. (EC Pay)

On October 25, 2019, Globe Telecom acquired 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.

Basis of Preparation and Presentation

The interim condensed consolidated financial statements have been prepared in accordance with the Philippine Accounting Standard (PAS) 34- Interim Financial Reporting. Accordingly, the interim condensed consolidated financial statements do not include all of the information required in the annual audited financial statements, and should be read in conjunction with the Globe Group's annual financial statements as at and for the year ended December 31, 2018.

The preparation of the financial statements in compliance with the Philippine Financial Reporting Standards (PFRS) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

The accompanying interim condensed consolidated financial statements have been prepared under the historical cost convention method, except for:

- certain financial instruments carried at fair value
- certain financial instruments carried at amortized cost;
- inventories carried at net realizable value;
- investments in associates and joint ventures in which equity method of accounting is applied;
- retirement benefit obligation measured at the present value of the defined benefit obligation net of the fair value of the plan assets

The interim 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.

The estimates and assumptions used in the accompanying interim condensed consolidated financial statements are consistent with those followed in the preparation of the Globe Group's consolidated financial statements as at and for the year ended December 31, 2019, and are based upon management's evaluation of relevant facts and circumstances as at the date of the interim condensed consolidated financial statements. Actual results could differ from such estimates.

2 Adoption of New and Revised Accounting Standards

The accounting policies adopted in the preparation and presentation of the interim condensed consolidated financial statements are consistent with prior years, except for the effects of the adoption of new and revised accounting standards set out below.

2.1 Adoption of New and Revised Standards Effective January 1, 2020

In the current year, the Globe Group has applied a number of amendments to PFRS and interpretation issued by IASB that are effective for annual period that begins on January 1, 2020. The adoption has not had any material impact on the disclosures or on the amounts reported in the consolidated financial statements.

2.1.1 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.

2.1.2 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.

2.1.3 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 IASB 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.

2.2 Adoption of New and Revised Accounting Standards Effective January 1, 2019

The Globe Group adopted PFRS 16, Leases, when it became effective on January 1, 2019.

The adoption of PFRS 16 resulted in the recognition right of use asset and lease liabilities in the consolidated statement of financial position for all lease transactions except for short term leases and leases of low value assets. The lease liabilities were measured using the present value of future lease payments of the non-cancellable periods of the lease, discounted using the Globe Group's incremental borrowing rate at transition date. The right of use assets at transition date were measured at an amount equal to the lease liability, adjusted by the prepaid rentals relating to those leases that remained outstanding in the consolidated statement of financial position immediately before the date of initial application.

In adopting PFRS 16, the Globe Group used the modified retrospective approach wherein the cumulative effect of the initial application of the standards were recognized at January 1, 2019, and the comparative periods were not restated. The following table shows the individual line items affected by the adjustments from the adoption of PFRS 16. Accounts not affected by the new standards are excluded in the presentation.

	December 31, 2018	Effect of PFRS 16	January 1, 2019
ASSETS			
	<i>(In Thousand Pesos)</i>		
Prepayments and other current assets	₱15,794,767	(₱39,915)	₱15,754,852
Right of use – net	-	3,483,205	3,483,205
LIABILITIES AND EQUITY			
Liabilities			
Other long-term liabilities	5,367,209	(481,115)	4,886,094
Deferred income tax liabilities – net	3,918,493	144,146	4,062,639
Lease liabilities	-	3,443,290	3,443,290
Equity			
Retained earnings	27,167,398	336,464	27,503,862
Non-controlling interest	24,172	505	24,677

3 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:

	March 31 2020 (Unaudited)	December 31 2019 (Audited)
	<i>(In Thousand Pesos)</i>	
Cash on hand and in banks	₱9,280,651	₱3,728,294
Cash equivalents	5,238,450	4,569,798
	₱14,519,101	₱8,298,092

The Globe Group's cash equivalents consist of short-term, highly liquid time deposit placements.

The principal noncash transactions are as follows:

	For the Three Month Period Ended March 31	
	2020	2019
	<i>(Unaudited and In Thousand Pesos)</i>	
(Increase) decrease in liabilities related to the acquisition of property and equipment and intangible assets	(₱1,427,501)	₱1,088,948
Capitalized ARO	-	(3,565)

Cash flows from financing activities include non-cash change arising from foreign exchange gains or losses and amortization of debt issue cost among others amounting to ₱219.80 million and ₱119.98 million in 2020 and 2019, respectively.

4 Trade Receivables – net

The account consists of the following:

		March 31	December 31
	Note	2020 (Unaudited)	2019 (Audited)
		<i>(In Thousand Pesos)</i>	
Trade receivables			
Subscribers receivables		₱26,060,981	₱23,554,867
Traffic settlements – net	21.1	1,574,522	1,904,982
Dealers		1,189,400	1,935,236
Others		3,005,426	3,161,346
		31,830,329	30,556,431
Less allowance for impairment losses:			
Trade receivables			
Subscribers		8,094,582	8,618,104
Traffic settlements and others		832,626	799,377
		8,927,208	9,417,481
		₱22,903,121	₱21,138,950

Impairment loss on trade receivables amounted to ₱902.76 million and ₱868.52 million for the three-month period ended March 31, 2020 and 2019, respectively (see [Note 16.4](#))

The Globe Group analyzes its subscribers' receivables and contract assets based on internal credit rating. The table below shows the analysis of the Globe Group's subscribers' receivables and contract assets.



March 31, 2020

	High Quality	Medium Quality	Low Quality	Terminated Accounts	Total
<i>(In Thousand Pesos)</i>					
Wireless subscribers receivables:					
Consumer	₱4,639,063	₱2,208,307	₱946,048	₱1,473,241	₱9,266,659
Key corporate accounts	959,493	142,383	126,942	1,171,541	2,400,359
Other corporations and SME	571,255	168,208	5,699	42,440	787,602
	6,169,811	2,518,898	1,078,689	2,687,222	12,454,620
Wireline subscribers receivables:					
Consumer	841,922	942,654	390,809	2,730,858	4,906,243
Key corporate accounts	4,189,470	951,922	571,986	1,841,615	7,554,993
Other corporations and SME	219,280	294,080	157,741	474,024	1,145,125
	5,250,672	2,188,656	1,120,536	5,046,497	13,606,361
Total subscribers' receivables	11,420,483	4,707,554	2,199,225	7,733,719	26,060,981
Wireless contract assets					
Consumer	4,029,106	1,932,290	270,800	27,138	6,259,334
Key corporate accounts	601,885	92,002	18,562	7,076	719,525
Other corporations and SME	409,835	119,233	2,782	6,990	538,840
	5,040,826	2,143,525	292,144	41,204	7,517,699
Total subscribers' receivables and contracts assets	₱16,461,309	₱6,851,079	₱2,491,369	₱7,774,923	₱33,578,680

December 31, 2019

	High Quality	Medium Quality	Low Quality	Terminated Accounts	Total
<i>(In Thousand Pesos)</i>					
2019					
Wireless subscribers receivables:					
Consumer	₱4,308,644	₱1,337,781	₱771,013	₱2,255,493	₱8,672,931
Key corporate accounts	418,062	80,521	54,425	1,162,158	1,715,166
Other corporations and SMEs	495,137	73,159	3,143	151,044	722,483
	5,221,843	1,491,461	828,581	3,568,695	11,110,580
Wireline subscribers receivables:					
Consumer	687,389	539,126	287,567	2,359,190	3,873,272
Key corporate accounts	3,919,246	849,667	518,313	2,185,751	7,472,977
Other corporations and SMEs	150,774	164,219	48,307	734,738	1,098,038
	4,757,409	1,553,012	854,187	5,279,679	12,444,287
Total subscribers' receivables	9,979,252	3,044,473	1,682,768	8,848,374	23,554,867
Wireless contract assets					
Consumer	₱4,907,241	₱1,342,050	₱273,103	₱97,684	₱6,620,078
Key corporate accounts	460,551	75,944	2,926	13,958	553,379
Other corporations and SMEs	697,806	58,551	18,069	13,389	787,815
	6,065,598	1,476,545	294,098	125,031	7,961,272
Total subscribers' receivables and contracts assets	₱16,044,850	₱4,521,018	₱1,976,866	₱8,973,405	₱31,516,139



The Globe Group's credit risk rating comprises the following categories:

- High quality accounts are accounts considered to be of good quality, have consistently exhibited good paying habits, and are unlikely to miss payments. High quality accounts primarily include strong corporate and consumer accounts with whom the Globe Group has excellent payment experience.
- Medium quality accounts are accounts that exhibited good paying habits but may require minimal monitoring with the objective of moving accounts to high quality rating. Medium quality accounts primarily include subscribers whose creditworthiness can be moderately affected by adverse changes in economic and financial conditions, but will not necessarily, reduce the ability of the subscriber to fulfill its obligations. It includes customers with whom the Globe Group has limited experience and therefore, creditworthiness needs to be further established over time.
- Low quality accounts are accounts which exhibit characteristics that are identified to have increased likelihood to miss payments. Low quality accounts are subject to closer monitoring and scrutiny with the objective of managing risk and moving accounts to improved rating category. It primarily includes mass consumer, corporate and SME customers whose creditworthiness are easily affected by adverse changes in economic and financial conditions.
- Terminated accounts are accounts in cancelled status. Although there is a possibility that terminated accounts may still be collected by exhausting collection efforts, the probability of recovery has significantly deteriorated.

5 Contracts with Customers

5.1 Contract Assets and Deferred Contract Costs – net

The following table provides the components of contract assets and deferred contract costs:

	March 31 2020 (Unaudited)	December 31 2019 (Audited)
	<i>(In Thousand Pesos)</i>	
Contract assets - net	₱6,723,765	₱7,045,794
Deferred contract costs	1,449,970	1,583,088
	8,173,735	8,628,882
Less current portion	7,927,340	8,339,219
Noncurrent portion	₱246,395	₱289,663



5.1.1 Contract Assets

The following table provides information about contract assets with customers:

	March 31 2020 (Unaudited)	December 31 2019 (Audited)
	<i>(In Thousand Pesos)</i>	
Contract assets	₱7,517,699	₱7,961,272
Allowance for impairment loss	(793,934)	(915,478)
	₱6,723,765	₱7,045,794

Movements in the contract assets for the periods are as follows:

	Note	Three – Month Period Ended March 31 2020	2019
		<i>(Unaudited and in Thousand Pesos)</i>	
Contract assets			
Balance at beginning of the year		₱7,961,272	₱8,672,121
Additions during the period		2,003,769	2,321,782
Reductions during the period		(2,254,596)	(2,221,589)
Write-offs		(192,746)	-
Balance at end of period		7,517,699	8,772,314
Allowance for impairment loss			
Balance at beginning of the year		(915,478)	(1,547,789)
Impairment loss	16.4	(71,202)	(145,518)
Write-offs		192,746	-
Balance at end of period		(793,934)	(1,693,307)
Contract assets - net		₱6,723,765	₱7,079,007

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 stand - alone selling price 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.



5.1.2 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:

	March 31 2020 (Unaudited)	December 31 2019 (Audited)
<i>(In Thousand Pesos)</i>		
Cost to obtain contracts with customers:		
Commissions	₱926,710	₱1,039,265
Cost to fulfill contracts with customers		
Installation costs	523,260	543,823
	₱1,449,970	₱1,583,088

Deferred contract costs are capitalized and subsequently amortized on a straight-line basis over the term of the subscription contract. Movements of deferred contract costs for the period are as follows:

	Three – Month Period Ended March 31	
	2020	2019
<i>(Unaudited and in Thousand Pesos)</i>		
Balance at beginning of the year	₱1,583,088	₱1,662,891
Amounts capitalized during the period	399,476	505,865
Amounts recognized as expense	(532,594)	(533,257)
Balance at end of period	₱1,449,970	₱1,635,499

5.2 Contract Liabilities and Other Deferred Revenues

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

	March 31 2020 (Unaudited)	December 31 2019 (Audited)
<i>(In Thousand Pesos)</i>		
Current		
Deferred revenue from wireless subscribers under prepaid arrangements	₱4,290,104	₱4,094,957
Advance monthly service fees	3,282,296	2,937,868
Deferred revenue rewards	1,620,630	1,431,103
Contract liability from wireline services	218,296	241,419
Others	136,829	59,456
	9,548,155	8,764,803
Noncurrent		
Contract liability from wireline services	71,326	49,869
	₱9,619,481	₱8,814,672



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 time.

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

	Three – Month Period Ended March 31	
	2020	2019
	<i>(Unaudited and in Thousand Pesos)</i>	
Contract liabilities		
Balance at beginning of the year	₱291,288	₱360,743
Additions during the period	113,974	121,040
Reductions during the period	(115,640)	(125,685)
Balance at end of period	₱289,622	₱356,098

6 Prepayment and Other Current Assets

This account consists of:

	Note	March 31	December 31
		2020	2019
		(Unaudited)	(Audited)
		<i>(In Thousand Pesos)</i>	
Advance payments to suppliers and contractors	21.2	₱12,142,598	₱10,449,595
Prepayments		4,115,621	2,740,940
Non-trade receivables – net		2,058,292	2,292,367
Deferred input VAT		1,403,584	1,162,679
Creditable withholding tax		922,968	976,295
Input VAT – net		872,989	720,307
Others		769,881	605,832
		₱22,285,933	₱18,948,015

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

Non-trade receivables – net consists of:

	March 31	December 31
	2020	2019
	(Unaudited)	(Audited)
	<i>(In Thousand Pesos)</i>	
Current portion of loans to related parties	₱586,620	₱656,620
Due from related parties	466,578	631,490
Advances to employees	162,565	192,219
Others	931,422	900,931
	2,147,185	2,381,260
Allowance for impairment loss	(88,893)	(88,893)
	₱2,058,292	₱2,292,367



7 Property and Equipment – net

The rollforward analysis of this account follows:

March 31, 2020

	Telecommunication Equipment	Buildings, Land and Leasehold Improvement	Cable System	Office Equipment	Transportation Equipment	Assets Under Construction	Total
<i>(In Thousand Pesos)</i>							
Cost							
At January 1, 2020	₱303,175,287	₱65,145,442	₱26,662,138	₱16,741,736	₱3,184,871	₱25,417,091	₱440,326,565
Additions	240,883	246	-	25,574	116,813	12,020,449	12,403,965
Retirements/disposals	(4,691)	(99)	-	(1,009,500)	(168,825)	(2,492)	(1,185,607)
Reclassifications (Note 8)	7,279,216	1,165,921	21	122,410	-	(10,309,226)	(1,741,658)
Remeasurement of ARO	(2,280)	-	-	-	-	-	(2,280)
At March 31, 2020	310,688,415	66,311,510	26,662,159	15,880,220	3,132,859	27,125,822	449,800,985
Accumulated Depreciation and Amortization							
At January 1, 2020	191,534,721	30,361,677	17,289,445	14,546,211	2,139,220	-	255,871,274
Depreciation and amortization (Note 16.2)	5,404,541	744,738	250,202	318,095	99,423	-	6,816,999
Retirements/disposals	(4,360)	(94)	-	(1,009,446)	(162,501)	-	(1,176,401)
At March 31, 2020	196,934,902	31,106,321	17,539,647	13,854,860	2,076,142	-	261,511,872
Accumulated Impairment							
At January 1, 2020	1,219,011	15,313	-	-	-	558,439	1,792,763
Write-off	-	-	-	-	-	(2,545)	(2,545)
At March 31, 2020	1,219,011	15,313	-	-	-	555,894	1,790,218
Carrying amount at March 31, 2020	₱112,534,502	₱35,189,876	₱9,122,512	₱2,025,360	₱1,056,717	₱26,569,928	₱186,498,895
Carrying amount at December 31, 2019	₱110,421,555	₱34,768,452	₱9,372,693	₱2,195,525	₱1,045,651	₱24,858,652	₱182,662,528



March 31, 2019

	Telecommunication Equipment	Buildings, Land and Leasehold Improvement	Cable System	Office Equipment	Transportation Equipment	Assets Under Construction	Total
<i>(In Thousand Pesos)</i>							
Cost							
At January 1, 2019	₱271,677,263	₱59,699,937	₱26,682,217	₱15,780,704	₱2,975,487	₱23,987,705	₱400,803,313
Additions	160,855	2,952	-	22,991	130,240	7,645,591	7,962,629
Retirements/disposals	(22,675)	(101)	(3,026)	(15,820)	-	-	(41,622)
Reclassifications (Note 8)	4,823,913	1,129,723	-	89,415	7,878	(6,922,807)	(871,878)
Remeasurement of ARO	(12,819)	-	-	-	-	-	(12,819)
At March 31, 2019	276,626,537	60,832,511	26,679,191	15,877,290	3,113,605	24,710,489	₱407,839,623
Accumulated Depreciation and Amortization							
At January 1, 2019	170,812,209	27,467,103	16,283,949	13,028,408	1,975,468	-	229,567,137
Depreciation and amortization (Note 16.2)	4,893,804	690,472	256,297	459,768	92,607	-	6,392,948
Retirements/disposals	(20,907)	(61)	(1,179)	(8,064)	-	-	(30,211)
Reclassifications	(2,920)	(5,510)	-	552	7,878	-	-
Remeasurement of ARO	(10,624)	-	-	-	-	-	(10,624)
At March 31, 2019	175,671,562	28,152,004	16,539,067	13,480,664	2,075,953	-	235,919,250
Accumulated Impairment							
At January 1, 2019	1,219,011	25,173	-	-	9,860	588,364	1,842,408
Additions (Note 16.4)	-	-	-	-	-	26,700	26,700
At March 31, 2019	1,219,011	25,173	-	-	9,860	615,064	1,869,108
Carrying amount at March 31, 2019	₱99,735,964	₱32,655,334	₱10,140,124	₱2,396,626	₱1,027,792	₱24,095,425	₱170,051,265



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 8](#)).

Investments in cable systems include the cost of the Globe Group's ownership share in the capacity of certain cable systems under a joint venture or a consortium or private cable set-up and indefeasible rights of use (IRUs) of circuits in various cable systems. It also includes the cost of cable landing station and transmission facilities where the Globe Group is the landing party.

The Globe Group uses its borrowed funds to finance the acquisition of self constructed property and equipment. Borrowing costs incurred relating to these acquisitions were included in the cost of property and equipment using 4.73% and 5.36% capitalization rates for the three-months period ended March 31, 2020 and 2019, respectively. The Globe Group's total capitalized borrowing costs amounted to ₱323.38 million and ₱317.08 million for the three-month period ended March 31, 2020 and 2019, respectively. (see [Note 13](#))

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 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 March 31, 2020 (see [Note 13.1](#)).

8 Intangible Assets and Goodwill - net

The rollforward analysis of this account follows:

March 31, 2020

	Application Software and Licenses	Goodwill	Other Intangible Assets	Total Intangible Assets and Goodwill
Cost				
At January 1	₱40,991,234	₱2,899,319	₱2,627,365	₱46,517,918
Additions	5,447	-	-	5,447
Retirements/disposals	(25,148)	-	-	(25,148)
Reclassifications (Note 7)	1,741,658	-	-	1,741,658
At March 31	42,713,191	2,899,319	2,627,365	48,239,875
Accumulated Amortization				
At January 1	29,739,945	-	1,224,876	30,964,821
Amortization (Note 16.2)	1,441,601	-	40,064	1,481,665
Retirements/disposals	(25,148)	-	-	(25,148)
At March 31	31,156,398	-	1,264,940	32,421,338
Carrying Amount at March 31, 2020	₱11,556,793	₱2,899,319	₱1,362,425	₱15,818,537
Carrying Amount at December 31, 2019	₱11,251,289	₱2,899,319	₱1,402,489	₱15,553,097

March 31, 2019

	Application Software and Licenses	Goodwill	Other Intangible Assets	Total Intangible Assets and Goodwill
Cost				
At January 1	₱35,541,741	₱1,140,248	₱2,174,325	₱38,856,314
Additions	24,746	-	-	24,746
Reclassifications (Note 7)	871,878	-	-	871,878
At March 31	36,438,365	1,140,248	2,174,325	39,752,938
Accumulated Amortization				
At January 1	24,174,859	-	983,186	25,158,045
Amortization (Note 16.2)	1,278,755	-	75,799	1,354,554
At March 31	25,453,614	-	1,058,985	26,512,599
Carrying Amount at March 31, 2019	₱10,984,751	₱1,140,248	₱1,115,340	₱13,240,339

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:

	Notes	March 31 2020 (Unaudited)	December 31 2019 (Audited)	March 31 2019 (Unaudited)
<i>(In Thousand Pesos)</i>				
BTI		₱1,140,248	₱1,140,248	₱1,140,248
EC Pay	10.2	1,218,548	1,218,548	-
Yondu	10.1	540,523	540,523	-
		₱2,899,319	₱2,899,319	₱1,140,248

The Globe Group conducts its annual impairment test of goodwill related to the acquisition of BTI 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. Based on the impairment testing performed in the third fiscal quarter of 2019, the CGU's recoverable amount exceeds its carrying value. Accordingly, no impairment loss was recognized on goodwill arising from acquisition of BTI.

Allocation of goodwill arising from the acquisition of EC Pay, Inc. and Yondu, Inc. to specific CGU is still being finalized and is expected to be completed in 2020.

9 Lease commitments

9.1 Right of use assets– net

The rollforward analysis of this account follows:

March 31, 2020

	Network Sites	Transportation Equipment	Corporate Office	Stores	Leased lines	Total
Cost	<i>(In Thousand Pesos)</i>					
At January 1	₱2,889,165	₱936,483	₱671,067	₱226,082	₱2,666	₱4,725,463
Additions	340,337	108,648	-	12,159	-	461,144
Pre-terminations	-	(850)	-	-	-	(850)
At March 31	3,229,502	1,044,281	671,067	238,241	2,666	5,185,757
Accumulated Amortization						
At January 1	543,048	339,566	196,849	78,273	1,447	1,159,183
Depreciation (Note16.2)	156,699	99,290	54,574	28,452	362	339,377
Pre-terminations	-	(285)	-	-	-	(285)
At March 31	699,747	438,571	251,423	106,725	1,809	1,498,275
Carrying Amount at March 31	₱2,529,755	₱605,710	₱419,644	₱131,516	₱857	₱3,687,482
Carrying Amount at December 31, 2019	₱2,346,117	₱596,917	₱474,218	₱147,809	₱1,219	₱3,566,280

March 31, 2019

	Network Sites	Transportation Equipment	Corporate Office	Stores	Leased lines	Total
Cost	<i>(In Thousand Pesos)</i>					
Transition adjustment (Note 2.2)	₱2,261,738	₱584,297	₱552,803	₱81,701	₱2,666	₱3,483,205
Additions	17,707	31,522	-	-	-	49,229
Pre-terminations	-	(655)	-	-	-	(655)
At March 31	2,279,445	615,164	552,803	81,701	2,666	3,531,779
Accumulated Amortization						
Depreciation (Note16.2)	124,684	65,845	48,669	7,575	362	247,135
Pre-terminations	-	(219)	-	-	-	(219)
At March 31	124,684	65,626	48,669	7,575	362	246,916
Carrying Amount at March 31	₱2,154,761	₱549,538	₱504,134	₱74,126	₱2,304	₱3,284,863

9.2 Lease liability

The following table provides the components of lease liabilities:

	March 31 2020 (Unaudited)	December 31 2019 (Audited)
		<i>(In Thousand Pesos)</i>
Network sites	₱2,627,700	₱2,408,958
Transportation Equipment	619,888	610,316
Corporate Office	437,666	489,194
Stores	138,361	153,843
Leased lines	957	1,306
	3,824,572	3,663,617
Less current portion	1,059,340	981,817
	₱2,765,232	₱2,681,800

Interest expense on lease liabilities amounted to ₱68.64 million and ₱64.58 million for the three month period ending March 31, 2020 and 2019, respectively (see [Note 16.3](#))

Short-term leases and leases of low-value assets charged as operating expenses amounted to ₱1,331.52 million and ₱1,575.55 million for the three-month period ended March 31, 2020 and 2019, respectively (see [Note 16.1](#)).

Payments of lease liabilities amounted to ₱367.97 million and ₱265.27 million for the three-month period ended March 31, 2020 and 2019, respectively.

10 Business Combinations

10.1 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. 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. Goodwill recognized arising on acquisition amounted to ₱540.52 million (See [Note 8](#))

10.2 Investment in EC Pay

On October 25, 2019, Globe Telecom acquired 77% of equity interest in EC Pay for a total amount of ₱1,540.00 million. EC Pay is a company engaged in the provision of information technology and electronic commerce related solutions, and operates a multi-tiered platform that offers secure electronic solutions for various transactions such as load purchases. The transaction was accounted for as an acquisition of a subsidiary. The Globe Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's net assets acquired and liabilities assumed. Goodwill recognized arising on acquisition amounted to ₱1,218.55 million (See [Note 8](#)). Unpaid balance from acquisition in 2019 amounting to ₱26.83 million was subsequently paid on February 21, 2020.

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.

11 Investments in Associates and Joint Ventures

This account consists of the following:

	March 31 2020 (Unaudited)	December 31 2019 (Audited)
	<i>(In Thousand Pesos)</i>	
VTI, BAHC and BHC	₱32,768,482	32,755,463
Mynt	827,305	1,563,980
TechGlobal	89,489	90,893
Bridge Mobile Pte. Ltd (BMPL)	51,818	51,926
Konsulta	11,797	11,603
Telecommunications Connectivity, Inc. (TCI)	10,000	-
	₱33,758,891	₱34,473,865

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

	Three – Month Period Ended March 31	
	2020	2019
	<i>(Unaudited and in Thousand Pesos)</i>	
Investments in associates:		
Yondu	₱-	₱2,851
Investments in joint ventures:		
Mynt	(736,675)	(515,373)
VTI, BAHC and BHC	29,758	(3,293)
Konsulta	194	560
TechGlobal	(1,404)	(1,522)
BMPL	(83)	(21)
	(₱708,210)	(₱516,798)

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

		Three – Month Period Ended March 31	
	Note	2020	2019
		<i>(Unaudited and in Thousand Pesos)</i>	
VTI, BAHC and BHC	14.6	(₱16,739)	₱-
BMPL	14.6	(25)	(747)
		(₱16,764)	(₱747)



Investment in Associates

11.1 Investment in Yondu

Yondu was an associate of Globe Telecom and is engaged in the development and creation of wireless products and services accessible through mobile devices or other forms of communication devices. It also provides internet and mobile value added services, information technology and technical services including software development and related services. Yondu is registered with the Department of Transportation and Communication (DOTC) as a content provider.

On September 11, 2019, Globe Telecom reacquired 51% of the outstanding shares of Yondu which increased its controlling interest to 100% (see [Note 10.1](#))

Investment in Joint Ventures

11.2 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). It also owns, directly and indirectly, equity stakes in various enfranchised companies, including Bell Telecommunication Philippines, Inc. (Bell Tel), Eastern Telecom Philippines, Inc. (Eastern Telecom), Cobaltpoint Telecommunication, Inc (formerly Express Telecom, Inc.), and Tori Spectrum Telecom, Inc., among others.

The acquisition provided Globe Telecom an access to certain frequencies assigned to Bell Tel in the 700 Mhz, 900 Mhz, 1800 Mhz, 2300 Mhz and 2500 Mhz bands through a co-use arrangement approved by the NTC on May 27, 2016.

The memorandum of agreement between Globe and PLDT provides for both parties to pool resources and share in the profits and losses of the companies on a 50%-50% basis with a view to being financially self-sufficient and able to operate or borrow funds without recourse to the parties.

11.3 Investment in Mynt

Mynt is engaged in purchasing, subscribing, owning, holding and assigning real and personal property, shares of stock and other securities. Mynt holds 100% ownership interest on Fuse and GXI. Fuse operates as a lending company. GXI is registered with Bangko Sentral ng Pilipinas (BSP) as a remittance agent and electric money issuer. GXI handles the mobile payment and remittance service using the Globe Group's network as transport channel under GCash brand.

The Globe Group invested ₱1,129 million of additional capital in the three-month period ended March 31, 2019.

11.4 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.

11.5 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.

11.6 Investment in Globe Telehealth, Inc. (Konsluta)

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 Globe Telehealth, Inc. 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.

11.7 Investment in TCI

On January 17, 2020, Globe Telecom, Dito Telecommunity and Smart Communications incorporated a joint venture company, Telecommunications Connectivity, Inc. (TCI) in line with the new mobile number portability initiative of the government under RA 11202 also known as the "Mobile Number Portability Act" ("the MNP Act")

TCI is expected to bring In the technical infrastructure to fulfill its primary function as a clearing house for the three mobile operators to ensure the smooth implementation of number porting services.

The Globe Group invested P10.00 million for 33.33% ownership TCI.

12 Trade Payables and Accrued Expenses

This account consists of:

		March 31 2020 (Unaudited)	December 31 2019 (Audited)
		<i>(In Thousand Pesos)</i>	
Accrued expenses		₱21,767,145	₱25,477,531
Accrued project costs	21.2	12,959,657	12,558,734
Trade payables		10,307,876	8,871,939
Taxes payable		5,858,453	4,315,397
Traffic settlements - net	21.1	678,635	993,030
Dividends payable		-	260,030
Other creditors		4,335,143	4,502,654
		₱55,906,909	₱56,979,315

Accrued expenses consists of the following:

	March 31 2020 (Unaudited)	December 31 2019 (Audited)
	<i>(In Thousand Pesos)</i>	
Services	₱5,433,462	₱5,795,411
Repairs and maintenance	4,567,808	4,165,209
General, selling and administrative	3,294,153	3,687,094
Advertising	2,773,197	3,022,973
Lease	2,518,957	2,899,002
Manpower	1,296,361	3,907,900
Utilities	1,230,242	1,274,691
Interest	652,965	725,251
	₱21,767,145	₱25,477,531

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

13 Loans Payable

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

	March 31 2020 (Unaudited)	December 31 2019 (Audited)
Uncommitted		
Peso	₱16,350	₱16,350
Dollar	USD 83.9	USD 93.9
Committed		
Peso	₱3,000	₱3,000

There are no long term committed credit facilities as of March 31, 2020 and December 31, 2019.

The Globe Group's loans payable consists of the following:

	March 31 2020 (Unaudited)	December 31 2019 (Audited)
	<i>(In Thousand Pesos)</i>	
Term Loans:		
Peso	₱110,903,627	₱106,697,990
Dollar	26,817,063	22,200,060
	₱137,720,690	128,898,050
Retail bonds	6,969,148	6,964,685
	₱144,689,838	135,862,735
Less current portion	(18,531,427)	(12,919,898)
Net of current portion	₱126,158,411	₱122,942,837

The maturities of loans payable at nominal values as of March 31, 2020 follow (in thousands pesos):

Due in:	
2020	₱12,000,677
2021	7,872,406
2022	14,980,043
2023	17,953,005
2024 and thereafter	92,470,273
	₱145,276,404

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

	Maturities	Interest Rates
Term Loans:		
Peso	2020-2031	3.68% to 7.91% in 2020
	2019-2031	4.25% to 7.91% in 2019
Dollar	2020-2027	1.70% to 6.00% in 2020
	2019-2027	3.23% to 6.00% in 2019
Retail bonds	2020-2023	4.89% to 5.28% in 2020
	2019-2023	4.89% to 6.00% in 2019

Unamortized debt issuance costs included in the above long-term debt amounted to ₱586.57 million and ₱547.33 million as of March 31, 2020 and December 31, 2019, respectively.

Total interest expense recognized in the interim consolidated profit or loss related to long-term debt amounted to ₱1,388.18 million and ₱1,589.28 million for the three-months period ended March 31, 2020 and 2019 (see [Note 16.3](#))

Total interest expenses capitalized as part of property and equipment amounted to ₱323.38 million and ₱317.08 million in March 31, 2020 and 2019, respectively (see [Note 7](#)).

13.1 Term Loans

Globe Telecom has unsecured term loans which consists of dollar and peso-denominated term loans subject to fixed and floating interest rates.

The Globe Group also has a secured debt amounting to USD1.7 million as of March 31, 2020 arising from its acquisition of BTI (see [Note 7](#)).

Outstanding short-term loans amounted to ₱700.00 million and nil as of March 31, 2020 and December 31, 2019, respectively.

13.2 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 ₱5,500.00 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.

13.3 Loan Covenants

The loan agreements with banks and other financial institutions provide for certain restrictions and requirements with respect to, among others, maintenance of financial ratios and percentage of ownership of specific shareholders, incurrence of additional long-term indebtedness or guarantees and creation of property encumbrances.

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

- Total debt* to equity not exceeding 3:1,
- Total debt* to EBITDA not exceeding 3.5:1;
- Debt service coverage exceeding 1.3 times; and
- Secured debt ratio not exceeding 0.2 times.

** Composed of loans payable and net derivative liabilities.*

As of March 31, 2020 and December 31, 2019, the Globe Group is not in breach of any loan covenants.

14 Equity

Globe Telecom's authorized capital stock as of March 31, 2020 and December 31, 2019 consists of (amounts in thousands 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:

	March 31, 2020		March 31, 2019	
	Shares	Amount	Shares	Amount
<i>(In Thousand Pesos and Number of Shares)</i>				
Voting preferred stock	158,515	₱792,575	158,515	₱792,575
Non-voting Preferred Stock	20,000	1,000,000	20,000	1,000,000
Common stock	133,208	6,660,420	133,054	6,652,708
Total capital stock		₱8,452,995		₱8,445,283

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

14.1 Preferred Stock

Non-Voting Preferred Stock

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 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 stocks are declared upon the sole discretion of the Globe Telecom's BOD.

14.2 Common Stock

The rollforward of outstanding common shares follows:

	Three – Month Period Ended March 31			
	2020		2019	
	Shares	Amount	Shares	Amount
	<i>(In Thousand Pesos and Number of Shares)</i>			
At beginning of year	133,208	₱6,660,420	133,053	₱6,652,663
Exercise of stock options	-	-	1	45
At end of period	133,208	₱6,660,420	133,054	₱6,652,708

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

14.3 Cash Dividends

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

	Per Share	Amount	Date	
			Record	Payment
	<i>(In Thousand Pesos, Except Per Share Figures)</i>			
Dividends on Common stock:				
February 11, 2019	22.75	3,026,961	February 26, 2019	March 13, 2019
February 3, 2020	27	3,596,627	February 17, 2020	March 4, 2020

14.4 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.

14.5 Retained Earnings Available for Dividend Declaration

The total unrestricted retained earnings available for dividend declaration amounted to ₱21,954.95 million as of March 31, 2020. This amount excludes the undistributed net earnings of consolidated subsidiaries, accumulated equity in net earnings of joint ventures accounted for under the equity method, and unrealized gains recognized on asset and liability, currency translations and unrealized gains on fair value adjustments. The Globe Group is subject to loan covenants that restrict its ability to pay dividends.

14.6 Other Reserves

March 31, 2020

	Cash flow hedges	Investment in equity securities	Currency translation adjustment	Remeasurement on pension liabilities	Total
<i>(Unaudited and In Thousand Pesos)</i>					
As of January 1, 2020	(₱264,436)	₱660,311	(₱62,623)	(₱2,099,862)	(₱1,766,610)
Other comprehensive income for the period					
Fair value changes	183,089	99,700	-	-	282,789
Share in OCI from investment in joint venture (see Note 11)	-	-	(25)	(16,739)	(16,764)
Remeasurement on pension liabilities	-	-	-	476	476
Transferred to profit or loss	138,139	-	-	-	138,139
Exchange differences	-	-	4,072	-	4,072
Income tax effect	(96,368)	(29,910)	-	(143)	(126,421)
	224,860	69,790	4,047	(16,406)	282,291
Reclassification of fair value gain on investment in equity securities at FVOCI	-	19,090	-	-	19,090
As of March 31, 2020	(₱39,576)	₱749,191	(₱58,576)	(₱2,116,268)	(₱1,465,229)

March 31, 2019

	Cash flow hedges	Investment in equity securities	Currency translation adjustment	Remeasurement on pension liabilities	Total
<i>(Unaudited and In Thousand Pesos)</i>					
As of January 1, 2019	₱948,919	₱293,848	₱44,654	(₱726,318)	₱561,103
Other comprehensive income for the period					
Fair value changes	(701,440)	180,237	-	-	(521,203)
Transferred to profit or loss	49,231	-	-	-	49,231
Exchange differences	-	-	(7,691)	-	(7,691)
Share in OCI from investment in joint venture (see Note 11)	-	-	(747)	-	(747)
Income tax effect	195,663	(31,338)	-	-	164,325
	(456,546)	148,899	(8,438)	-	(316,085)
Reclassification of fair value gain on investment in equity securities at FVOCI	-	(75,777)	-	-	(75,777)
As of March 31, 2019	₱492,373	₱366,970	₱36,216	(₱726,318)	₱169,241

15 Other Income - net

This account consists of:

	Three-Month Period Ended March 31	
	2020	2019
<i>(Unaudited and In Thousand Pesos)</i>		
(Loss) Gain on derivative instruments – net	(₱34,973)	₱25,254
Foreign exchange gain (loss) - net	84,462	(26,563)
(Loss) Gain on settlement and remeasurement of ARO	(751)	2,880
Lease	2,758	14,678
Management fees	12,946	12,946
Others	331,821	95,209
	₱396,263	₱124,404

16 Cost and Expenses

16.1 General, selling and administrative expenses:

This account consists of:

	Note	Three-Month Period Ended March 31	
		2020	2019
<i>(In Thousand Pesos)</i>			
Staff costs		₱3,824,700	₱3,054,494
Professional and other contracted services		2,920,562	3,174,203
Repairs and maintenance		2,461,200	1,986,214
Utilities, supplies and other administrative expenses		1,425,916	1,470,139
Lease	9.2	1,331,520	1,575,548
Selling, advertising and promotions		1,258,234	1,424,913
Taxes and licenses		720,943	661,458
Insurance and security services		493,785	416,094
Courier, delivery and miscellaneous expenses		483,759	349,946
Others		257,506	182,571
		₱15,178,125	₱14,295,580

Staff cost includes pension expense amounting to ₱221.63 million and ₱131.23 million, and share based compensation amounting to ₱62.65 million and ₱36.53 million for the three-month period ended March 31, 2020 and 2019, respectively

16.2 Depreciation and amortization

The account consist of:

	Notes	Three-Month Period Ended March 31	
		2020	2019
<i>(Unaudited and In Thousand Pesos)</i>			
Property and equipment	7	₱6,816,999	₱6,392,948
Intangible assets	8	1,481,665	1,354,554
Right of use assets– net	9.1	339,377	247,135
Investment properties		1,447	1,295
		₱8,639,488	₱7,995,932

Investment properties consist of building and improvements which are held to earn rentals. The net carrying amount of investment properties included as part of other noncurrent assets in the statements of financial position amounted to ₱18.48 million and ₱19.92 million as of March 31, 2020 and December 31, 2019, respectively.

16.3 Finance Costs

This account consists of:

	Notes	Three-Month Period Ended March 31	
		2020	2019
<i>(Unaudited and In Thousand Pesos)</i>			
Loans payable	13	₱1,388,179	₱1,589,276
Swap costs		122,804	74,732
Lease liabilities	9.2	68,635	64,584
ARO accretion expense		39,273	51,802
Pension liabilities		35,524	16,673
Others		1,485	185
		₱1,655,900	₱1,797,252

16.4 Impairment and other losses

This account consists of:

	Notes	Three-Month Period Ended March 31	
		2020	2019
<i>(Unaudited and In Thousand Pesos)</i>			
Impairment loss on:			
Trade receivables	4	₱902,764	₱868,523
Contract assets	5	71,202	145,518
Property and equipment	7	-	26,700
Other assets		-	1,313
Provisions for:			
Inventory obsolescence and market decline		53,143	84,186
Other probable losses		23,992	23,289
		₱1,051,101	₱1,149,529

17 Earnings Per Share

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

	Three-Month Period Ended March 31	
	2020	2019
Net income attributable to common shareholders	₱6,581,195	₱6,732,581
Less: Dividends on preferred shares		
Non-voting preferred shares	130,015	130,015
Convertible voting preferred shares	12,420	11,627
Net income attributable to common shareholders for basic earnings per share (a)	6,438,760	6,590,939
Add dividends on preferred shares		
Convertible voting preferred shares	12,420	11,627
Net income attributable to common shareholders for diluted earnings per share (b)	6,451,180	6,602,566
Common shares outstanding, beginning	133,208	133,053
Add exercise of stock options	-	1
Weighted average number of shares for basic earnings per share (c)	133,208	133,054
Dilutive shares arising from:		
Dilutive effect of share based compensation plans	535	371
Convertible preferred shares	425	406
Stock options	-	16
Adjusted weighted average number of common stock for diluted earnings per share (d)	134,168	133,847
Basic earnings per share (a/c)	₱48.34	₱49.54
Diluted earnings per share (b/d)	₱48.08	₱49.33

18 Financial Instruments

18.1 Categories of Financial Assets and Financial Liabilities

The table below presents the carrying value of Globe Group's financial instruments by category as of March 31, 2019 and December 31, 2018:

	Notes	March 31 2020 (Unaudited)	December 31 2019 (Audited)
<i>(In Thousand Pesos)</i>			
Financial Assets			
Derivative assets			
Designated as cash flow hedges (FVOCI)		₱716,141	₱425,696
Not designated as hedges (FVPL)		2,783	1,259
Financial assets at FVOCI:			
Investment in equity securities – net		2,318,293	2,137,781
Financial assets at amortized cost			
Cash and cash equivalents	3	14,519,101	8,298,092
Trade receivables – net	4	22,903,121	21,138,950
Contract assets – net	5	6,723,765	7,045,794
Non-trade receivables	6	1,471,672	1,635,747
Loans receivable from related parties		586,620	656,620
		₱49,241,496	₱41,339,939
Financial Liabilities:			
Derivative liabilities			
Designated as cash flow hedges (FVOCI)		₱751,909	₱767,358
Not designated as hedges (FVPL)		16,218	70,958
Financial liabilities at amortized cost			
Trade payables and accrued expenses*	12	50,048,456	52,663,918
Loans payable	13	144,689,838	135,862,735
Lease liabilities	9.2	3,824,572	3,663,617
Other long term liabilities**		1,013,180	962,079
		₱200,344,173	₱193,990,665

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

**Other long term liabilities do not include ARO which is not considered financial liabilities

18.2 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 (In thousands):

	March 31		December 31	
	2020 (Unaudited)		2019 (Audited)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Derivative assets ¹	₱718,924	₱718,924	₱426,955	₱426,955
Investment in equity securities ¹	2,318,293	2,318,293	2,137,781	2,137,781
	₱3,037,217	₱3,037,217	₱2,564,736	₱2,564,736
Financial Liabilities				
Derivative liabilities ¹	₱768,127	₱768,127	₱838,316	₱838,316
Loans payable ²	144,689,838	153,614,254	135,862,735	145,473,115
	₱145,457,965	₱154,382,381	₱136,701,051	₱146,311,431

¹ Measured at fair value on a recurring basis

² Fair value is disclosed only in the Notes to Financial Statements

The following discussions are methods and assumptions used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value.

Non-Derivative Financial Instrument

The fair values of cash and cash equivalents, trade receivables, contract assets, non-trade receivables, trade payables and accrued expenses are approximately equal to their carrying amounts considering the short-term maturities of these financial instruments.

The fair value of loans receivable from related parties was estimated based on the present value of all future cash flows discounted using the prevailing market rate of interest for a similar instrument. The resulting fair value of loans receivable from related parties approximates the carrying amount.

The fair value of investments in equity securities are based on quoted prices of similar instruments and recent funding round prices of identical or similar instruments.

For variable rate loans payable that reprice every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates. For variable rate loans payable that reprice every six months, the fair value is determined by discounting the principal amount plus the next interest payment using the prevailing market rate for the period up to the next repricing date. The discount rate used is 0.1207% for USD floating loans.

For noninterest bearing and fixed rate loans payable, the fair value was estimated as the present value of all future cash flows discounted using the prevailing market rate of interest for a similar instrument.

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 not material given that the Globe Group deals its derivatives with large foreign and local banks with very minimal risk of default.

Fair Value Hierarchy

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

	Fair value measurement using			Total
	Level 1	Level 2	Level 3	
March 31, 2020	<i>(In Thousand Pesos)</i>			
Financial Assets				
Derivative assets	P-	P718,924	P-	P718,924
Investment in equity securities	404,240	1,914,053	-	2,318,293
Financial Liabilities				
Derivative liabilities	-	768,127	-	768,127
Loans payable	-	153,614,254	-	153,614,254
December 31, 2019				
Financial Assets				
Derivative assets	P-	P426,955	P-	P426,955
Investment in equity securities	402,200	1,735,581	-	2,137,781
Financial Liabilities				
Derivative liabilities	-	838,316	-	838,316
Loans payable	-	145,473,115	-	145,473,115

There were no transfers from Level 1 and Level 2 fair value measurements for the periods ended March 31, 2020 and December 31, 2019. The Globe Group has no financial instruments classified under Level 3.

19 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.

20 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):

	March 31, 2020			
	(Unaudited)			
	Mobile Communications Services	Wireline Communications Services	Others	Consolidated
	<i>(In Thousand Pesos)</i>			
REVENUES:				
Service revenues:				
External customers:				
Data	₱18,470,828	₱3,250,423	₱-	₱21,721,251
Voice	5,288,667	696,624	-	5,985,291
SMS	3,033,833	-	-	3,033,833
Broadband	-	5,779,956	-	5,779,956
Others	-	-	361,643	361,643
	26,793,328	9,727,003	361,643	36,881,974
Nonservice revenues:				
External customers	3,962,999	343,044	3,335	4,309,378
Segment revenues	30,756,327	10,070,047	364,978	41,191,352
EBITDA	16,589,830	3,700,407	185,441	20,475,678
Depreciation and amortization	(5,693,475)	(2,923,329)	(22,684)	(8,639,488)
EBIT	10,896,355	777,078	162,757	11,836,190
NET INCOME (LOSS) BEFORE TAX	8,684,631	791,890	159,693	9,636,214
Provision for income tax	(2,247,918)	(764,761)	(28,954)	(3,041,633)
NET INCOME (LOSS)	₱6,436,713	₱27,129	₱130,739	₱6,594,581
Core net income after tax				₱6,559,939
Intersegment revenues	(₱348,114)	(₱407,839)	(₱809,681)	(₱1,565,634)
Interest income	38,433	25,019	9,877	73,329
Finance cost	(1,634,508)	(20,199)	(1,193)	(1,655,900)
Equity in net losses of joint ventures	(708,210)	-	-	(708,210)
Impairment and other losses	888,451	162,589	61	1,051,101
Total additions to property and equipment and intangible assets	10,574,310	1,829,614	5,488	12,409,412
Cost of inventories sold	(3,823,873)	(649,202)	(57,322)	(4,530,397)
Operating expenses	(10,342,624)	(5,720,438)	(122,215)	(16,185,277)
Cash Flows				
Net cash from (used in):				
Operating activities	₱13,729,049	₱962,048	(₱939,286)	₱13,751,811
Investing activities	(8,515,449)	(1,802,663)	(4,042)	(10,322,154)
Financing activities	2,163,200	88,096	679,340	2,930,636

March 31, 2019				
(Unaudited)				
	Mobile Communications Services	Wireline Communications Services	Others	Consolidated
<i>(In Thousand Pesos)</i>				
REVENUES:				
Service revenues:				
External customers:				
Data	P16,487,975	P3,136,219	P-	P19,624,194
Voice	6,197,795	710,330	-	6,908,125
SMS	4,196,915	-	-	4,196,915
Broadband	-	5,207,354	-	5,207,354
Others	-	-	66,451	66,451
	26,882,685	9,053,903	66,451	36,003,039
Nonservice revenues:				
External customers	4,535,123	97,905	-	4,633,028
Segment revenues	31,417,808	9,151,808	66,451	40,636,067
EBITDA	16,660,983	3,249,885	8,485	19,919,353
Depreciation and amortization	(4,983,624)	(3,007,058)	(5,250)	(7,995,932)
EBIT	11,677,359	242,827	3,235	11,923,421
NET INCOME BEFORE TAX	9,409,297	295,630	91,033	9,795,960
Provision for income tax	(2,364,593)	(675,229)	(26,356)	(3,066,178)
NET INCOME (LOSS)	P7,044,704	(P379,599)	P64,677	P6,729,782
Core net income after tax				P6,732,007
Intersegment revenues	(P291,689)	(P395,957)	(P682,479)	(P1,370,125)
Interest income	103,966	89,506	2,204	195,676
Finance cost	(1,758,570)	(35,050)	(3,632)	(1,797,252)
Equity in net losses of associates and joint ventures	(516,798)	-	-	(516,798)
Impairment and other losses	1,020,755	128,706	68	1,149,529
Total additions to property and equipment and intangible assets	5,682,634	2,303,837	904	7,987,375
Cost of inventories sold	(4,516,630)	(98,457)	(539)	(4,615,626)
Operating expenses	(10,240,195)	(5,803,466)	(57,427)	(16,101,088)
Cash Flows				
Net cash from (used in):				
Operating activities	P16,528,983	P1,110,839	P476,713	P18,116,535
Investing activities	(7,737,818)	(1,007,893)	(675,099)	(9,420,810)
Financing activities	(15,675,827)	(95,500)	387,902	(15,383,425)

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

	Notes	Three-Month Period Ended March 31	
		2020 (Unaudited)	2019 (Unaudited)
(In Thousand Pesos)			
EBITDA		₱20,475,678	₱19,919,353
Depreciation and amortization	16.2	(8,639,488)	(7,995,932)
Finance costs	16.3	(1,655,900)	(1,797,252)
Gain (loss) on derivative instruments	15	(34,973)	25,254
Foreign exchange gain (loss) – net	15	84,462	(26,563)
Equity share in net losses of associates and joint ventures	11	(708,210)	(516,798)
Interest income		73,329	195,676
Gain on disposal of property and equipment - net		42,064	17,351
Other items		(748)	(25,129)
Income before income tax		₱9,636,214	₱9,795,960

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

	Three-Month Period Ended March 31	
	2020 (Unaudited)	2019 (Unaudited)
(In Thousand Pesos)		
CORE NIAT	₱6,559,939	₱6,732,007
Gain (Loss) on derivative instruments - net	(24,481)	17,677
Foreign exchange gains (losses) – net	59,123	(18,594)
Others	-	(1,308)
NIAT	₱6,594,581	₱6,729,782

20.1 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.

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.



20.1.1 Mobile communication voice net service revenues

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 depending on the prepaid value reloaded by the subscriber 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.

20.1.2 Mobile SMS service revenues

Mobile SMS service revenues consist of local and international 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 payouts to content providers.

20.1.3 Mobile communication data net service revenues

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 and net of payouts to content providers.

20.2 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.

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.

20.2.1 *Wireline voice service revenues*

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'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.

20.2.2 *Wireline data service revenues*

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.

20.2.3 *Broadband service revenues*

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.

21 Agreements and Commitments

21.1 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 three-month period ended March 31, 2020 and 2019 amounted to ₱303.57 million and ₱806.82 million, respectively.

Net traffic settlements receivables amounted to ₱1,574.52 million and ₱1,904.98 million while net traffic settlements payable amounted to ₱678.64 million and ₱993.03 million as of March 31, 2020 and December 31, 2019, respectively (see [Notes 4 and 12](#)).

21.2 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 March 31, 2020 and December 31, 2019 included in the "Trade payables and accrued expenses" account in the consolidated statements of financial position amounted to ₱12,959.66 million and ₱12,558.73 million, respectively (see [Note 12](#)). The settlement of these liabilities is dependent on the payment terms and project milestones agreed with the suppliers and contractors. As of March 31, 2020 and December 31, 2019, the unapplied advances made to suppliers and contractors relating to purchase orders issued amounted to ₱12,142.60 million and ₱10,449.56 million, respectively (see [Note 6](#)).

21.3 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.

21.4 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.

22 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 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 LBN 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.

23 Events After Reporting Period

Dividend Declaration

On May 5, 2020, the BOD approved the declaration of the second quarter cash dividend of ₱24.83 per common share, payable to common stockholders of record as of May 18, 2020. Total dividends amounting to ₱3.30 billion will be payable on June 3, 2020.

On the same date, the BOD approved the declaration of the second semi-annual cash dividend for holders of its non-voting preferred shares on record as of July 28, 2020. The amount of the cash dividend shall be at a fixed rate of 5.2006% per annum calculated in respect of each share by reference to the offer price of ₱500 per share on a 30/360 day basis for the six-month dividend period. Total amount of the cash dividend will be payable on August 24, 2020.

Impact of Corona Virus (COVID19) on Globe's Operations

In December 2019, a human infection known as COVID-19 originated in China. COVID-19 subsequently spread to other parts of the world, including the Philippines. In a bid to contain the spread, the Philippine government imposed Enhanced Community Quarantine (ECQ) over the entire Luzon, including the National Capital Region, effective March 16, 2020 wherein mass public transport facilities were suspended and non-essential businesses were ordered to temporarily close down, among other measures.

As a telecommunications company, the Globe Group was deemed to be an essential business and continued to provide telecommunication services to its subscribers. Nonetheless, the Globe Group experienced business disruptions brought about by the ECQ which include full work from home operations with critical skeletal force in place, suspension of Globe store operations, limitations in employee resources, slowdown in wireless and wireline network build activities, and supply chain disruptions, among others.

While the Globe Group expects that this matter may cause further interruptions, the extent to which it may impact the results of operations, financial condition, and cash flows cannot be ascertained as of the date of issuance of this interim consolidated financial statements as it depends on future developments which are highly uncertain.

24 Financial Soundness Indicators

	March 31 2020	December 31 2019
Financial Ratios		
Debt to EBITDA	1.97	1.86
Debt Service Coverage Ratio	4.56	2.99
Interest Coverage Ratio	9.92	9.53
Debt to Equity (D/E Ratio) - gross	1.71	1.68
Debt to Equity (D/E Ratio) - net	1.54	1.58
Debt to Total Capitalization - book	0.63	0.63
Debt to Total Capitalization - market	0.35	0.33
Total Asset to Equity Ratio	3.76	3.75
Current Ratio	0.79	0.73
Solvency Ratio	0.07	0.27
Profitability Margins		
EBITDA Margins	56%	51%
Net Profit Margin	18%	15%
Return on Equity	27%	29%

GLOBE TELECOM, INC. AND SUBSIDIARIES

Consolidated Financial Statements
December 31, 2019, 2018 and 2017



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	₱8,298,092	₱23,226,386
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		₱304,290,737	₱299,498,109
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables and accrued expenses	17	₱56,979,315	₱56,219,366
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		₱304,290,737	₱299,498,109

See accompanying Notes to Consolidated Financial Statements.



GLOBE TELECOM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	For the Years Ended December 31		
		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

	Notes	For the Years Ended December 31		
		2019	2018	2017
<i>(In Thousand Pesos, Except Per Share Figures)</i>				
Total net income attributable to:				
Equity holders of the Parent		₱22,269,340	₱18,640,740	₱15,065,779
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
		₱20,030,720	₱19,719,865	₱15,626,478
Earnings Per Share				
Basic	31	₱162.96	₱135.91	₱109.22
Diluted	31	₱162.20	₱135.40	₱109.01
Cash dividends declared per common share	22.3	₱91.00	₱91.00	₱91.00

See accompanying Notes to Consolidated Financial Statements.



GLOBE TELECOM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Year Ended December 31, 2019									
	Notes	Capital Stock (Note 22.2)	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, 2019, as previously stated		₱8,445,238	₱36,528,251	₱417,345	₱561,103	₱27,167,398	₱73,119,335	₱24,172	₱73,143,507
Adjustment on initial application of PFRS 16, net of tax	3.2	-	-	-	-	336,464	336,464	505	336,969
As of January 1, 2019, as restated		8,445,238	36,528,251	417,345	561,103	27,503,862	73,455,799	24,677	73,480,476
Total comprehensive income for the period		-	-	-	(2,253,037)	22,269,340	20,016,303	14,417	20,030,720
Dividends on:	22.3								
Common Stock		-	-	-	-	(12,118,071)	(12,118,071)	-	(12,118,071)
Preferred Stock - voting		-	-	-	-	(50,027)	(50,027)	-	(50,027)
Preferred Stock – non-voting		-	-	-	-	(520,060)	(520,060)	-	(520,060)
Share-based compensation	29	-	-	325,160	-	-	325,160	-	325,160
Exercise of stock options	22.2	499	11,354	(4,300)	-	-	7,553	-	7,553
Issue of shares under share-based compensation plan	22.2	7,258	269,171	(276,429)	-	-	-	-	-
Forfeiture of stock option		-	-	(14,120)	-	9,884	(4,236)	-	(4,236)
Reclassification of accumulated share in an associate's other comprehensive income	22.6	-	-	-	1,101	(1,101)	-	-	-
Reclassification of fair value gain on investment in equity securities at FVOCI	22.6	-	-	-	(75,777)	75,777	-	-	-
Minority buyout from subsidiary		-	-	-	-	-	-	(536)	(536)
Non-controlling interest arising from business combination		-	-	-	-	-	-	96,018	96,018
As of December 31, 2019		₱8,452,995	₱36,808,776	₱447,656	(1,766,610)	₱37,169,604	₱81,112,421	₱134,576	₱81,246,997

(Forward)



GLOBE TELECOM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	For the Year Ended December 31, 2018							Total
		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	
<i>(In Thousand Pesos)</i>									
As of January 1, 2018, as previously stated		₱8,438,404	₱36,319,449	₱401,543	(₱352,375)	₱21,708,003	₱66,515,024	₱42,713	₱66,557,737
Adjustment on initial application of PFRS 15, net of tax	3.4	-	-	-	-	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	22.6	-	-	-	(180,444)	180,444	-	-	-
Non-controlling interest arising from business combination		-	-	-	-	-	-	145	145
As of December 31, 2018		₱8,445,238	₱36,528,251	₱417,345	₱561,103	₱27,167,398	₱73,119,335	₱24,172	₱73,143,507

(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:	22.3								
Common Stock		-	-	-	-	(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	22.6	-	-	-	178,285	(178,285)	-	-	-
Non-controlling interest adjustment arising from subscription		-	-	-	-	-	-	(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

	Notes	For the Years Ended December 31		
		2019	2018	2017
<i>(In Thousand Pesos)</i>				
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%
GTSG	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	₱76,329	₱-	₱-
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 ₱1,269.98 million and ₱926.20 million in 2019 and 2018, respectively.

Unpaid cash dividends declared related to non-voting preferred stock amounted to ₱260.03 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		₱23,554,867	₱27,798,284
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
		₱21,138,950	₱20,652,532

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		₱1,662,891	₱-
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		₱1,583,088	₱1,662,891

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	₱4,094,957	₱3,280,864
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
	₱8,814,672	₱8,097,950

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		₱360,743	₱-
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		₱291,288	₱360,743

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	₱ -	₱205,290	₱679,628
Principal only swaps**	97,700	-	217,622	53,016
Interest rate swaps	77,700	-	2,784	34,714
Derivative instruments not designated as hedges				
<i>Freestanding</i>				
Deliverable forwards*	82,000	-	1,259	13,273
Nondeliverable forwards*	30,000	-	-	57,685
Net			₱426,955	₱838,316

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	₱ -	₱1,787,777	₱203,983
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			₱2,363,366	₱311,654

*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	₱2,051,712	₱735,341
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	(₱411,361)	₱2,051,712

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		(₱735,670)	₱164,408
Swap costs	27	(366,952)	(220,061)
	22.6	(₱1,102,622)	(₱55,653)

9 Inventories and Supplies - net

This account consists of:

	2019	2018
	<i>(In Thousand Pesos)</i>	
Handsets, devices and accessories	₱2,761,286	₱2,977,904
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
	₱4,713,572	₱4,854,939

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

	Note	2019	2018	2017
		<i>(In Thousand Pesos)</i>		
Cost of inventories sold		₱18,554,814	₱18,645,314	₱13,013,437
Inventory obsolescence	28	713,717	377,775	403,037
		₱19,268,531	₱19,023,089	₱13,416,474

Cost of inventories sold consists of:

	2019	2018	2017
	<i>(In Thousand Pesos)</i>		
Handsets, devices and accessories	₱16,212,378	₱16,132,844	₱10,752,145
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
	₱18,554,814	₱18,645,314	₱13,013,437

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	₱10,449,595	₱9,459,239
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
		₱18,948,015	₱16,254,796

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	₱656,620	₱-
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)
		₱2,292,367	₱1,458,503

Impairment loss related to non-trade receivable amounted to nil in 2019 and 2018, and ₱37.47 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	₱271,677,263	₱57,423,228	₱26,682,217	₱15,780,704	₱2,975,487	₱2,276,709	₱23,987,705	₱400,803,313
Additions	739,310	22,367	-	58,048	448,380	-	44,482,801	45,750,906
Acquired on acquisition of a subsidiary (Note 14)	27,873	50,443	-	137,027	3,371	-	-	218,714
Retirements/disposals	(748,425)	(12,325)	(13,403)	(82,592)	(242,367)	-	(19,869)	(1,118,981)
Reclassifications (Note 12)	31,454,170	5,385,020	(6,676)	848,549	-	-	(43,033,546)	(5,352,483)
ARO Remeasurements	25,096	-	-	-	-	-	-	25,096
At December 31	303,175,287	62,868,733	26,662,138	16,741,736	3,184,871	2,276,709	25,417,091	₱440,326,565
Accumulated Depreciation and Amortization								
At January 1	170,812,209	27,467,103	16,283,949	13,028,408	1,975,468	-	-	229,567,137
Acquired on acquisition of a subsidiary (Note 14)	17,631	30,602	-	59,712	2,067	-	-	110,012
Depreciation and amortization (Note 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	₱110,421,555	₱32,493,664	₱9,372,693	₱2,195,525	₱1,045,651	₱2,274,788	₱24,858,652	₱182,662,528

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	₱246,755,268	₱53,507,948	₱26,526,807	₱15,068,540	₱2,916,558	₱2,278,343	₱23,842,575	₱370,896,039
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	₱99,646,043	₱29,932,873	₱10,398,268	₱2,752,296	₱990,159	₱2,274,788	₱23,399,341	₱169,393,768



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	(₱501,252)
Cash and cash equivalents acquired from Yondu	114,494
Net cash outflow on acquisition	(₱386,758)

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 ₱1,540.00 million. EC Pay is a company engaged in the provision of information technology and electronic commerce related solutions, and operates a multi-tiered platform that offers secure electronic solutions for various transactions such as load purchases. The transaction was accounted for as an acquisition of a subsidiary. The Globe Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's net assets acquired and liabilities assumed.

Globe's acquisition of EC Pay will add value to Globe's distribution channels, enabling them to offer a suite of mobile communication products and services via a single platform bringing the company a step closer to its vision of a digitally-enabled Philippines. The platform would enable small business owners to offer more mobile communication products and services which in turn would stimulate the e-commerce industry and the digital economy.

Details of the fair values upon acquisition of EC Pay in 2019 follows:

	Amount recognized on acquisition
	<i>(In Thousand Pesos)</i>
ASSETS	
Current assets	₱1,180,885
Property and equipment (Note 11)	18,021
Application and software (Note 12)	603
Other noncurrent assets	4,155
	<u>1,203,664</u>
LIABILITIES	
Current Liabilities	1,125,725
	<u>₱77,939</u>
Total net assets at fair value	₱77,939
Intangible assets arising on acquisition (Note 12)	
Contractual merchant network	₱176,190
Non-contractual merchant network	276,850
Platform	32,005
	<u>485,045</u>
Deferred tax liabilities	(145,514)
Net assets acquired and liabilities assumed	₱417,470
	<u>₱1,540,000</u>
Purchase consideration transferred	₱1,540,000
Net assets acquired and liabilities assumed	(417,470)
Non-controlling interest measured at proportionate share of its interest	96,018
	<u>₱1,218,548</u>
Goodwill arising on acquisition (Note 12)	₱1,218,548

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

Total purchase consideration	(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, BAHC 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		₱37,608,176	₱37,536,885
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	₱37,608,176
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		₱34,473,865	₱34,426,776

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	₱681,643	₱644,964	₱3,622,452	₱5,823,136	₱96,739	₱614,083	₱53,321
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	₱65,817	(₱732,339)	₱866,271	(₱5,622,939)	₱2,430	₱35,400	(₱6,436)
2018							
Statements of Financial Position:							
Current assets	₱551,384	₱585,163	₱3,082,664	₱2,664,868	₱74,229	₱608,627	₱36,141
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	₱78,077	(₱607,219)	₱819,632	(₱2,621,936)	(₱7,098)	₱20,562	(₱19,166)

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 ₱39.90 million in 2019 and 2018, respectively. Dividends receivable as of December 31, 2018 amounted to ₱61.02 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 2019-2031	3.70% to 7.91% in 2019 2.96% to 7.11% in 2018
Dollar	2020-2027 2019-2027	2.51% to 6.00% in 2019 2.08% to 5.00% in 2018
Retail bonds	2020-2023 2019-2023	4.89% to 6.00% in 2019 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

	Note	Amount of transaction			Outstanding Balance			Terms	Conditions
		Revenue and Other Income	Costs and Expenses charged to Profit or Loss	Cost and Expenses capitalized as Asset	Cash and Cash Equivalents (Note 31)	Amounts Owed by Related Parties	Amounts Owed to Related Parties		
Entities with joint control over the Company									
Singtel	21.1	P466,404	P333,714	P-	P-	P117,433	P55,876	Interest-free, settlement in cash	Unsecured, no impairment
AC	21.1	14,413	64,367	-	-	1,175	2,754	Interest-free, settlement in cash	Unsecured, no impairment
Jointly controlled entities									
BMPL	21.2	-	21,459	-	-	-	1,384	Interest-free, settlement in cash	Unsecured, no impairment
GFI/Mynt	21.2	51,786	322,045	-	-	550,141	53,346	Interest-free, settlement in cash	Unsecured, no impairment
Other related parties									
GGRP	21.3	31,093	-	-	-	548,000	-	3 years, 5.5%, settlement in cash	Unsecured, no impairment
BHI	21.3	6,473	-	-	-	108,620	-	3 years, 5.75%, settlement in cash	The P250.00 million is covered by a pledge agreement while the P45.00 million is fully secured by chattel mortgage agreement.
BEAM	21.3	-	175,604	-	-	-	-	-	-
Altimax	21.3	-	11,765	-	-	-	-	-	-
Key management personnel	21.6	-	470,000	-	-	-	-	-	-
Others	21.5	458,457	357,164	56,898	3,714,646	225,042	38,604	Interest-free excluding cash and cash equivalents, settlement in cash	Unsecured, no impairment
		P1,028,626	P1,756,118	P56,898	P3,714,646	P1,550,411	P151,964		

2018

	Note	Amount of transaction			Outstanding Balance			Terms	Conditions
		Revenue and Other Income	Costs and Expenses charged to Profit or Loss	Cost and Expenses capitalized as Asset	Cash and Cash Equivalents (Note 31)	Amounts Owed by Related Parties	Amounts Owed to Related Parties		
Entities with joint control over the Company									
Singtel	21.1	P639,399	P348,836	P-	P-	P255,535	P123,518	Interest-free, settlement in cash	Unsecured, no impairment
AC	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
GFI/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 P250.00 million is covered by a pledge agreement while the P45.00 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		
		P1,326,956	P2,315,323	P193,063	P1,704,573	P1,578,169	P711,433		

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		₱262,301	₱288,999
Due from related parties	10	631,490	562,550
Loans to related parties	10, 16	656,620	726,620
		₱1,550,411	₱1,578,169

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

21.7 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	₱466,404	₱639,399	₱695,985
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	₱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 ₱55.88 million and ₱123.52 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 ₱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 expense 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.



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
<i>(In Thousand Pesos, Except Per Share Figures)</i>				
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	₱440,402	₱332,525	₱71,876
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
		₱500,437	₱391,030	₱139,581

24 Other Income - net

This account consists of:

	Notes	2019	2018	2017
<i>(In Thousand Pesos)</i>				
Gain (loss) on derivatives instruments – net		(₱ 809,540)	₱1,004,171	(₱127,708)
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
		₱1,047,007	₱695,405	₱701,653

25 General, Selling and Administrative Expenses

This account consists of:

	Notes	2019	2018	2017
<i>(In Thousand Pesos)</i>				
Staff costs	29	₱15,479,606	₱13,271,175	₱12,238,114
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
		₱64,471,409	₱57,742,131	₱56,608,922

26 Depreciation and amortization

The account consists of:

	Notes	2019	2018	2017
<i>(In Thousand Pesos)</i>				
Property and equipment	11	₱27,183,301	₱24,895,449	₱22,825,049
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
		₱34,143,541	₱30,421,721	₱27,512,689

27 Financing Costs

This account consists of:

	Notes	2019	2018	2017
<i>(In Thousand Pesos)</i>				
Loans payable	19	₱5,937,695	₱5,748,853	₱4,776,242
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
		₱6,802,861	₱6,195,225	₱5,251,692

**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	₱3,340,156	₱2,972,345	₱4,041,510
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
		₱4,913,137	₱4,787,644	₱5,423,366

29 Staff Cost

This account consist of:

	2019	2018	2017
	<i>(In Thousand Pesos)</i>		
Short-term	₱13,993,233	₱12,441,135	₱11,511,970
Share based compensation	325,160	236,714	104,828
Pension	1,161,213	593,326	621,316
	₱15,479,606	₱13,271,175	₱12,238,114

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	₱523,152	₱593,326	₱621,316
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)
	₱3,184,452	₱607,150	₱196,690

The accrued pension is as follows:

	Note	2019	2018
		<i>(In Thousand Pesos)</i>	
Present value of benefit obligation		₱10,308,731	₱6,693,681
Fair value of plan assets		(6,570,301)	(5,234,216)
Accrued pension	20	₱3,738,430	₱1,459,465

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	₱6,693,681	₱6,635,722
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	₱10,308,731	₱6,693,681

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
Total	₱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%	(₱458,311)
	-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%	(₱177,138)
	-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	₱397,936	₱323,327
More than 1 year to 5 years	2,355,474	1,795,285
More than 5 years	4,689,956	3,521,929
	₱7,443,366	₱5,640,541

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*	₱1,866,591	₱2,075,065
Net deferred income tax liabilities (Globe, GCVH, GTI and KVI)	(5,057,641)	(3,918,493)
Net deferred income tax (liabilities) assets	(₱3,191,050)	(₱1,843,428)

*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
	2018	Movements				
		Acquired from a business combination	Profit or Loss	Other Comprehensive Income	Other equity item	
Deferred tax assets						
Allowance for impairment losses on receivables	₱3,711,267	₱5,591	(₱864,865)	₱-	₱-	₱2,851,993
Unearned revenues and advances already subjected to income tax	1,967,076	-	75,345	-	-	2,042,421
Accrued manpower cost	1,123,845	-	178,529	-	-	1,302,374
Accrued pension	814,264	(2,158)	147,475	587,420	-	1,547,001
Unrealized foreign exchange losses	810,409	7	(308,266)	-	-	502,150
ARO	701,327	-	66,346	-	-	767,673
Provision for claims and assessment	505,719	-	(12,981)	-	-	492,738
Cost of share-based payments	174,360	-	18,154	-	(4,236)	188,278
Accumulated impairment losses on property and equipment	159,442	-	(8,977)	-	-	150,465
<i>(forward)</i>						

	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	₱158,722	₱-	₱348	₱-	₱-	₱159,070
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)	(₱1,843,427)	(₱228,542)	(₱2,055,024)	₱1,084,325	(₱148,381)	(₱3,191,050)

	2018				
	2017	Movements			
		Profit or Loss	Comprehensive Income	Other equity item	2018
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	₱9,848,213	₱8,283,995	₱6,462,511
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	₱10,543,619	₱8,987,373	₱6,457,489

The current provision for income tax includes the following:

	2019	2018	2017
	<i>(In Thousand Pesos)</i>		
RCIT or MCIT, whichever is higher	₱8,335,287	₱7,151,614	₱5,942,221
Final tax	153,308	108,371	63,199
	₱8,488,595	₱7,259,985	₱6,005,420

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	₱605,282	₱605,282
Provision for probable loss	251,668	236,298
	₱856,950	₱841,580

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	₱22,269,340	₱18,640,740	₱15,065,779
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)	₱162.96	₱135.91	₱109.22
Diluted earnings per share (b/d)	₱162.20	₱135.40	₱109.01

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	₱3,867,223	₱1,318,821	₱863,317	₱ 5,708,844	₱11,758,205
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	₱15,295,496	₱4,908,323	₱1,872,456	₱8,973,405	₱31,516,139

The Globe Group's credit risk rating comprises the following categories:

- High quality accounts are accounts considered to be of good quality, have consistently exhibited good paying habits, and are unlikely to miss payments. High quality accounts primarily include strong corporate and consumer accounts with whom the Globe Group has excellent payment experience.
- Medium quality accounts are accounts that exhibited good paying habits but may require minimal monitoring with the objective of moving accounts to high quality rating. Medium quality accounts primarily include subscribers whose creditworthiness can be moderately affected by adverse changes in economic and financial conditions, but will not necessarily, reduce the ability of the subscriber to fulfill its obligations. It includes customers with whom the Globe Group has limited experience and therefore, creditworthiness needs to be further established over time.
- Low quality accounts are accounts which exhibit characteristics that are identified to have increased likelihood to miss payments. Low quality accounts are subject to closer monitoring and scrutiny with the objective of managing risk and moving accounts to improved rating category. It primarily includes mass consumer, corporate and SME customers whose creditworthiness are easily affected by adverse changes in economic and financial conditions.
- Terminated accounts are accounts in cancelled status. Although there is a possibility that terminated accounts may still be collected by exhausting collection efforts, the probability of recovery has significantly deteriorated.



For traffic settlements and other trade receivables, the Globe Group uses delinquency and past due information to analyze the credit risk. The tables below show the aging analysis of the Globe Group's traffic settlements and other trade receivables as of December 31, 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	₱765,314	₱-	₱193,377	₱166,732	₱502,133	₱1,627,556
Local	50,017	7,622	5,675	5,389	208,723	277,426
	₱815,331	7,622	199,052	172,121	710,856	₱1,904,982
Other trade receivables	3,379,480	530,089	311,039	121,312	754,662	5,096,582
Total	₱4,194,811	₱537,711	₱510,091	₱293,433	₱1,465,518	₱7,001,564

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	₱1,141,976	₱28	₱206,240	₱320,262	₱764,916	₱2,433,422
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	₱2,598,062	₱216,886	₱422,463	₱415,783	₱1,723,941	₱5,377,135

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	₱-	₱-
Short term		
Committed	₱3,000	₱3,000
Uncommitted		
USD	\$93.9	\$119
PHP	₱16,350	₱14,000

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	₱6,157,500	₱26,005,000	₱63,187,500
Floating rate			
USD notes	\$129,150	\$150,250	\$157,250
Philippine peso	₱210,000	₱6,860,000	₱11,720,000
Interest payable*			
PHP debt	₱6,014,003	₱15,105,917	₱13,598,501
USD debt	\$11,147	\$21,454	\$8,900

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

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*	₱51,540,513	₱-	₱-	₱51,540,513
Other long-term liabilities	-	-	865,354	865,354
	₱51,540,513	₱-	₱865,354	₱52,405,867

*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	₱89,644	₱54,151	₱79,146	₱59,574	₱-	₱-
Cross Currency Swaps	₱583,720	₱808,957	₱1,103,598	₱1,742,079	₱953,765	₱1,324,365
Principal Only Swaps	₱-	₱73,732	₱-	₱93,982	₱-	₱-

	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	₱4,283,050	\$-	₱-	\$-	₱-
Cross Currency Swaps- PHP	₱-	₱79,221	₱-	₱4,957,711	₱-	₱10,349,168
Cross Currency Swaps- USD	\$1,550	\$-	\$97,650	\$-	\$200,800	\$-
Principal Only Swaps- PHP	₱-	₱410,241	₱-	₱3,742,229	₱-	₱-
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)	₱425,696	₱2,363,366
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
	₱41,339,939	₱56,994,678
Financial Liabilities:		
Derivative liabilities		
Derivative liabilities designated as cash flow hedges (FVOCI)	₱767,358	₱235,993
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
	₱190,327,048	₱201,517,871

*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	₱426,955	₱-	₱426,955	(₱168,291)	₱258,664
Derivative liabilities	838,316	-	838,316	(168,291)	670,025
Traffic settlements receivable (Note 6)	2,948,547	(1,043,565)	1,904,982	-	1,904,982
Traffic settlements payable (Note 14)	2,036,595	(1,043,565)	993,030	-	993,030
December 31, 2018					
Derivative assets	₱2,363,366	₱-	₱2,363,366	(₱204,606)	₱2,158,760
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	₱426,955	₱426,955	₱2,363,366	₱2,363,366
Investment in equity securities ¹	2,137,781	2,137,781	1,442,940	1,442,940
	₱2,564,736	₱2,564,736	₱3,806,306	₱3,806,306
Financial Liabilities				
Derivative liabilities ¹	₱838,316	₱838,316	₱311,654	₱311,654
Loans payables ²	135,862,735	145,473,115	148,281,897	137,834,270
	₱136,701,051	₱146,311,431	₱148,593,551	₱138,145,924

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			Total
	Level 1*	Level 2	Level 3	
2018				
Financial Assets				
		<i>(In Thousand Pesos)</i>		
Derivative assets:				
Cross currency swaps	₱-	₱1,787,777	₱-	₱1,787,777
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		Consolidated
	Mobile Communications Services	Wireline Communications Services	
<i>(In Thousand Pesos)</i>			
REVENUES:			
Service revenues:			
External customers:			
Data	₱71,801,472	₱12,827,652	₱84,629,124
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)	₱25,480,463	(₱3,196,706)	₱22,283,757
Core net income after tax			₱22,450,847
Intersegment revenues	(₱4,359,314)	(₱1,541,929)	(₱5,901,243)
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	₱64,828,975	₱9,213,244	₱74,042,219
Investing activities	(46,034,742)	(8,996,037)	(55,030,779)
Financing activities	(28,273,799)	(4,983,554)	(33,257,353)

	2018		Consolidated
	Mobile Communications Services	Wireline Communications Services	
<i>(In Thousand Pesos)</i>			
REVENUES:			
Service revenues:			
External customers:			
Data	₱50,960,555	₱11,761,929	₱62,581,757
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)	₱22,224,061	(₱3,598,118)	₱18,625,943
Core net income after tax			₱18,734,587
Intersegment revenues	(₱4,101,948)	(₱1,697,538)	(₱5,799,486)
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	₱41,727,279	₱16,123,250	₱57,850,529
Investing activities	(33,616,425)	(9,035,328)	(42,651,753)
Financing activities	752,364	(4,187,410)	(3,435,046)

	2017		Consolidated
	Mobile Communications Services	Wireline Communications Services	
<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		₱76,031,433	₱65,127,115	₱53,325,671
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		₱32,827,376	₱27,613,316	₱21,541,702

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		₱22,450,847	₱18,734,587	₱13,546,018
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		₱22,283,757	₱18,625,943	₱15,084,213

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 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.

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.

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