



We make the following disclosure covering material information on the impact of the Resolution by the House Committee on Legislative Franchises (the “Resolution”), dated July 10, 2020, denying the franchise application of ABS-CBN Corporation (“ABS-CBN” or the “Company”) to construct, install, establish, operate, and maintain radio and television broadcasting stations in the Philippines.

The Resolution significantly affects the Company’s Media, Networks, and Studio Entertainment (MNSE) operations, specifically the Company’s free-to-air business in the Philippines. For the unaudited period ended September 30, 2019, 68% of the revenues of this MNSE segment was free-to-air advertising, which revenue amounted to Php15.9B as of said period.

On an unaudited consolidated basis, free-to-air advertising was approximately 50% of the Company’s unaudited consolidated revenue for the period ended September 30, 2019.

In terms of material contracts and/or financial obligations that will be affected by the non-renewal of its broadcast franchise, ABS-CBN is currently in discussions with its creditor banks with respect to its long-term debts as discussed below. We are not aware of other material contracts, nor have we received any claims or demands, the payment obligations of which will be adversely affected by the Resolution.

To mitigate the impact of the denial of the franchise application and of COVID-19:

- A. The Company plans to continue to operate in other businesses that do not require a legislative franchise, such as, international licensing and distribution, digital and cable businesses, as well as, continue with the syndication of content through various streaming services.
- B. The Company takes into consideration the probable shift of consumer behavior in terms of accessing content, as well as, the ever-changing

technology available to the public. Likewise, the Company takes into consideration the impact of COVID 19 in other business segments.

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- C. The Company has adopted and continues to implement cost control measures, reducing general administrative expenses (GAEX) or overhead, rationalizing capital expenditures, and streamlining its manpower requirements as discussed below. Given the reduced operations, the Company is reviewing its current business models, structures, processes and systems, for a more agile, efficient and effective organization.
- D. The Company will focus on businesses that will generate growth in revenues and is reducing investments in non-core activities. The Company has recently announced the closure of KidZania Manila due to conditions brought by the COVID-19 pandemic.

The Company and its creditor banks are confident that with the proper security in place, the Company's obligations to its creditor banks will be satisfied in accordance with the existing terms of, including payment schedules, under the relevant loan agreements.

The Company is likewise confident that any payments or financial obligations that may arise under its customary or usual business agreements are manageable and will not have a material adverse impact on ABS-CBN at this time. The Company is committed to honor all existing obligations for goods delivered and services

rendered by its third party suppliers and/or to negotiate new terms for these obligations, should it be necessary.

The Company continues to explore and intends to pursue all available remedies and courses of action, and will comply with relevant legal, regulatory and contractual requirements, to be able to sustain its current and future business operations, which do not necessarily involve broadcast only.

The denial of the franchise application of ABS-CBN to construct, install, establish, operate, and maintain radio and television broadcasting stations in the Philippines does not affect the primary franchise of ABS-CBN to exist as a corporation and does not affect the rights of its shareholders.

Prior to the Resolution, it had been five months since parts of the country, including the National Capital Region, were placed under community quarantine, three months since the National Telecommunications Commission (“NTC”) directed ABS-CBN to cease operating all its radio and television stations throughout the Philippines, and almost a month since the NTC likewise directed the shutdown of ABS-CBN’s Digital Terrestrial Television (DTT) network. With the passage of the Resolution, the Company is no longer authorized to operate as a broadcast company.

All of these unfortunate events, beyond the control of the Company, have adversely affected its ability to operate without incurring further losses. Even as the Company takes all possible measures to protect and preserve its operations, and is continuously exploring alternative ways to be able to sustain its business as discussed above, the Company is constrained to implement a retrenchment program effective at the close of business hours of August 31, 2020.

In accordance with the requirements of the Labor Code, the Company will submit the necessary reports to the proper offices of the Department of Labor and Employment, inform all the affected employees, and provide the affected employees their separation pay in accordance with the law.