BGE PAL LAW

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Enrique M. Belo (1922-2004)
Felipe L. Gozon
Magdangal B. Elma
Roberto O. Parel
Gener E. Asuncion
Roberto Rafael V. Lucila
Eric Vincent A. Estoesta

Anna-Teresa Gozon-Abrogar*
Pierre M. Cantara
Regino A. Moreno
Yvonne Angeli C. Lee Tupas
Maria Theresa E. De Mesa
Felipe M. Gozon Jr.
Maria Estelita B. Arles-Gozon
Jessalyn E. Echano

SPECIAL PROJECTS
Antonio A. Merelos
Angelita D. De Guzman
Maximilian Chua
Roberto Rafael N. Lucila II
Tanya Mia D. Perez

* On Leave

April 12 , 2019

Corporation Finance Department
Securities and Exchange Commission
SEC Building, EDSA,
Greenhills, Mandaluyong City

Attention: *Vicente Graciano P. Felizmenio, Jr.*
Director

Re : *GMA Network, Inc.*
Definitive Information Statement

Gentlemen:

Our client, GMA Network, Inc. (the "Corporation") filed its Preliminary Information Statement (SEC Form 20-IS) on April 3, 2019. In your letter dated April 4, 2019, which we received on April 10, 2019, you directed our client to amend the same in accordance with the remarks in your checklist attached to the letter.

In compliance thereof, we have incorporated the following:

(1) An updated discussion as of 2018 on the Corporation's independent public accountant, specifically the engagement of Ms. Belinda T. Beng Hui, partner of SGV & Co., to sign the Company's **2018** audited financial statements on page 22;

(2) The aggregate fees billed by SGV & Co. for the year 2017 and 2018 on page 22;

(3) The recommendation for re-appointment of SGV & Co., as the Corporation's external auditor on page 22;

(4) Included Items 7 and 8 in the Management Report to refer to the Financial Statements as an attachment and to discuss matters relating to the Corporation's external auditor, i.e., the aggregate fees billed for 2018 and 2017 by SGV & Co. on page 51;

(5) Price Information as of the latest practicable date (April 11, 2019) (kindly see page 63 of the Information Statement providing for the latest practicable date);

(6) Indicated that Atty. Felipe L. Gozon is also a trustee of the Academia Filipina Assn., Inc. under his profile on page 13;

(7) Indicated the new name of the venue of the meeting **"German Moreno Studio (formerly Studio 6)"** in the Notice of the Meeting and on pages 4 and 6 of the report;

(8) Revised portions of the MD&A which pertain to the presentation of the Corporation's revenues. From *Television and Radio airtime and Production and others*, the Corporation's revenues were grouped into *Advertising revenue and Subscriptions and others*. The regrouping was in line with PFRS 15 disclosure. Along with the regrouping, certain discussions on the revenues were updated to conform with the subtotals. The aforesaid revisions are on pages 40-41 and 45-47 of the report.

(9) Audited Financial Statements;

(10) Statement of Management's Responsibility signed under oath by the following: Chairman of the Board, Chief Executive Officer, pursuant to Bulletin No. 001 dated February 16, 2012, SRC Rule 68, as amended (kindly see cover page of the Audited Financial Statements).

(11) Additional Components of Financial Statements (SRC Rule 68, amended October 2011) (kindly refer to the AFS and the schedules thereto);

(12) Additional Disclosures set forth in Annex 68-D (kindly refer to the attachments to the AFS); and

(13) Additional Disclosures Requirements (SRC Rule 68, as amended October 2011) (kindly refer to the attachments to the AFS.

Moreover we corrected minor clerical errors and incorporated minimal formal revisions for purposes of clarity and presentation of the Definitive Information Statement.

With this, the undersigned respectfully request the Honorable Commission to approve its Definitive Information Statement so the Company may distribute the same to its stockholders.

Thank you very much.

Very truly yours,

BELO GOZON ELMA
PAREL ASUNCION & LUCILA

By:

ROBERTO RAFAEL V. LUCILA

MARIA ESTELITA A. GOZON

COVER SHEET

5	2	1	3						

S.E.C. Registration Number

GMA NETWORK INC.

(Company's Full Name)

GMA NETWORK CENTER
EDSA CORNER TIMOG AVE.
DILIMAN QUEZON CITY

Atty. Roberto Rafael V. Lucila

Contact Person

816-3716

Definitive Information Sheet

Month Day
Fiscal Year

20-IS

FORM TYPE

Month Day
Annual Meetings

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

April 12, 2019

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

To: All Stockholders of GMA Network, Inc.

Please be notified that the **Annual Meeting of the Stockholders** of **GMA Network, Inc.** will be held on **May 15, 2019** (Wednesday) at **10:00 a.m.** at the German Moreno Studio (formerly Studio 6), GMA Network Studios, EDSA corner GMA Network Drive, Diliman, Quezon City to consider, discuss or vote on the following:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting Held on May 16, 2018
4. Annual Report of the Chairman and Chief Executive Officer
5. Financial Report
6. Ratification of the Acts of the Board of Directors/Corporate Officers
7. Election of Directors (including the Independent Directors)
8. Election of the External Auditor
9. Consideration of such other business as may properly come before the meeting
10. Adjournment

Any stockholder may vote by proxy provided that such authorization remains unrevoked and on file with, or is submitted to, the undersigned at 15/F Sagittarius Building, H.V. De la Costa Street, Salcedo Village, Makati not later than May 3, 2019.

For purposes of the meeting, only stockholders of record as of April 15, 2019 are entitled to attend and vote in the said meeting.

For your convenience in registering your attendance, please bring any form of government issued ID.

The Organizational Meeting of the Board of Directors shall be held immediately after the Annual Stockholders' Meeting.

Thank you.

For the Board of Directors

ROBERTO RAFAEL V. LUCILA
Corporate Secretary

RATIONALE FOR THE SALIENT MATTERS CONTAINED IN THE AGENDA

Approval of the Minutes of the Annual Stockholders' Meeting Held on May 16, 2018

The approval of the minutes of the previous year's Annual Stockholders' Meeting is made part of the agenda for transparency and in order to comply with the requirements of the Company's By-laws, the corporation law, as well as the rules and regulations of the Securities and Exchange Commission ("SEC").

Annual Report of the Chairman and Chief Executive Officer

The annual report of the Chairman and the Chief Executive Officer is made part of the Agenda in order to inform the stockholders of the Company's ratings and financials during the previous year and to adhere to the principles of transparency and good corporate governance.

Financial Report

The Company's financial performance during the year 2018 has been detailed in the Audited Financial Statements (AFS) of the Company which were reviewed in audit by the Company's independent external auditor. The AFS have been reviewed and approved by the Board of Directors as recommended by the Audit and Risk Management Committee.

Ratification of the Acts of the Board of Directors/Corporate Officers

The Acts of the Board of Directors/Corporate Officers were duly deliberated upon prior to their approval and were conducted in the Company's ordinary course of business. The aforementioned acts of the Board of Directors are submitted for approval to the stockholders in compliance with the Company's By-laws, the corporation law, as well as the rules and regulations of the SEC.

Election of Directors (including the Independent Directors)

The current directors have been recommended by the Company's Nomination Committee for re-election. On the basis of the nominated directors' proven track record as shown by the results of the Company's performance and after review of their qualifications, the said directors were recommended for reelection by the Nomination Committee. Their appointment is submitted for approval to the stockholders in compliance with the Company's By-laws, the corporation law, as well as the rules and regulations of the SEC.

Election of the External Auditor

Upon the recommendation of the Audit and Risk Management Committee and after proper deliberation, the Board approved the re-appointment of SyCip Gorres & Velayo & Co. (SGV) as the Company's external auditor for 2019. The SGV's appointment is submitted for approval to the stockholders in compliance with the Company's By-laws, the corporation law, as well as the rules and regulations of the SEC.

We are not soliciting your proxy. However, if you are unable to attend the meeting but would like to be represented thereat, you may accomplish the proxy form herein provided below and submit the same to the Office of the Corporate Secretary at 15/F Sagittarius Building, H.V. De la Costa Street, Salcedo Village, Makati on or before **May 3, 2019.** You may deliver this form or send it in advance through fax no. (632) 812-0008. Validation of proxies shall be held on May 7, 2019 at 10:00 a.m. at GMA Network Center.

PROXY

I/We hereby name and appoint ____________________________, or in his/her absence, the Chairman of the Meeting, as my/our proxy at the Annual Stockholders' Meeting of GMA Network, Inc. to be held at Studio 6, GMA Network Studios, EDSA corner GMA Network Drive, Diliman, Quezon City on Wednesday, May 15, 2019 at 10:00 a.m. and at any postponement or adjournment thereof.

____
Name

____
Signature

____
Date

____
No. of Shares Held

SECURITIES AND EXCHANGE COMMISSION

AMENDED SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

OF

GMA NETWORK, INC.

1. Check the appropriate box:

   [ ] Preliminary Information Statement

   [✓] Definitive Information Statement

2. Name of Registrant as specified in its charter: **GMA Network, Inc.**

3. Province, country or other jurisdiction of incorporation or organization: **Philippines**

4. SEC Identification Number: **5213**

5. BIR Tax Identification Code **000-917-916-30**

6. Address of principal office Postal Code

   GMA Network Center, EDSA corner Timog Avenue, Diliman

7. Registrant's telephone number, including area code: **(632) 982-7777**

8. Date, time and place of the meeting of security holders: **May 15, 2019, 10:00 a.m., German Moreno Studio (formerly Studio 6), GMA Network Studios, EDSA corner GMA Network Drive, Diliman, Quezon City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders:

   April 22, 2019

10. ***In case of Proxy Solicitations:***

    Name of Person Filing the Statement/Solicitor: **Not Applicable**

    Address and Telephone No.: **Not Applicable**

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares Outstanding or Amount of Debt Outstanding
Common Stock	**3,361,047,000**
Preferred Stock	**7,499,507,184**

12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes ✓ No _______

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Philippine Stock Exchange / Common Stock

GMA NETWORK, INC.
INFORMATION STATEMENT

This Information Statement dated April 12, 2019 is being furnished to the stockholders of record of GMA Network, Inc. as of April 15, 2019 in connection with the Annual Stockholders' Meeting.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders.

(a) Date: May 15, 2019
Time: 10:00 a.m.
Place: German Moreno Studio (formerly Studio 6), GMA Network Studios EDSA corner GMA Network Drive, Diliman, Quezon City

(b) Approximate date when the Information Statement is first to be sent to security holders:

April 22, 2019

Item 2. Dissenters' Right of Appraisal

Title X of the Revised Corporation Code of the Philippines (Revised Corporation Code (2019)) grants to a shareholder the right to dissent and demand payment of the fair value of his share in certain instances, to wit: (1) in case any amendment to the corporation's articles of incorporation has the effect of changing and restricting the rights of any shareholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class; (2) in case of any sale, lease, exchange, transfer, mortgage or other disposition of all or substantially all of the corporate property or assets; (3) in case of merger or consolidation; and (4) in case the corporation decides to invest its funds in another corporation or business or for any purpose other than the primary purpose.

Under Section 41 of the Revised Corporation Code (2019), a stockholder is likewise given an appraisal right in cases where a corporation decides to invest its funds in another corporation or business.

The appraisal right may be exercised in accordance with Sections 81 and 82 of the Revised Corporation Code (2019), viz.:

SEC. 81. *How Right is Exercised.* – The dissenting stockholder who votes against a proposed corporate action may exercise the right of appraisal by making a written demand on the corporation for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken: *Provided*, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the corporation shall pay the stockholder, upon surrender of the certificate or certificates of stock representing the stockholder's shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If, within sixty (60) days from the approval of the corporate action by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: *Provided*, That no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment: *Provided, further*, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer the shares to the corporation.

SEC. 82. *Effect of Demand and Termination of Right.* – From the time of demand for payment of the fair value of a stockholder's shares until either the abandonment of the corporate action involved or the purchase of the said shares by the corporation, all rights accruing to such shares, including voting and dividend rights, shall be suspended in accordance with the provisions of this Code, except the right of such stockholder to receive payment of the fair value thereof: *Provided*, That if the dissenting stockholder is not paid the value of the said shares within thirty (30) days after the award, the voting and dividend rights shall immediately be restored.

None of the proposed corporate actions for the Company qualifies as an instance for a possible exercise by security holders of their appraisal rights under Title X of the Revised Corporation Code (2019).

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

(a) There is no matter to be acted upon in which any Director or Executive Officer is involved or had a direct, indirect or substantial interest.

(b) No Director has informed the Company of his opposition to any matter to be acted upon.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) GMA Network, Inc. ("the Company") has 3,361,047,000 common shares and 7,499,507,184 preferred shares subscribed and outstanding as of March 31, 2019. Every stockholder shall be entitled to one vote for each common or preferred share held as of the established record date.

(b) All stockholders of record as of the closing of business on April 15, 2019 are entitled to notice of and to vote at, the Company's Annual Stockholders' Meeting.

(c) With respect to the election of directors, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may accumulate said shares and give one candidate as many votes as the number of directors to be elected or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the total number of shares owned by him, multiplied by the whole number of directors to be elected.

(d) The following are the information on security ownership of certain record and beneficial owners and management:

(1) The security ownership of certain record and beneficial owners of more than 5% as of March 31, 2019 are as follows:

Title Of class	Name and Address of Beneficial Owner	Citizenship	Record / Beneficial	No. of shares Held	Percent Owned
Common	GMA Holdings, Inc. [1] Unit 5D Tower One, One McKinley Place, Bonifacio Global City	Filipino	PCD Nominee Corporation (shares voted by: Gilberto R. Duavit Jr. and/or Atty. Felipe L. Gozon)	730,769,000	21.72%
Common	Group Management & Development Inc. [2] No. 5 Wilson St., San Juan, Metro Manila	Filipino	The Record Owner is the Beneficial Owner (shares voted by: Gilberto R. Duavit, Jr.)	789,813,389	23.47%
Common	FLG Management & Development Corporation[3] 16/F Sagittarius Condo 1, HV Dela Costa Street, Salcedo Village, Makati City	Filipino	The Record Owner is the Beneficial Owner (shares voted by: Atty. Felipe L. Gozon)	663,929,027	19.73%
Common	M.A. Jimenez Enterprises, Inc. 2/F Sagittarius Condominium, H. V. De la Costa St., Salcedo Village, Makati City[4]	Filipino	The Record Owner is the Beneficial Owner (shares voted by: Joel Marcelo G. Jimenez and/or Laura J. Westfall)	453,882,095	13.49%
Common	Television International Corporation[5] 2/F Sagittarius Condominium, H. V. De la Costa St., Salcedo Village, Makati City	Filipino	The Record Owner is the Beneficial Owner (shares voted by: Joel Marcelo G. Jimenez and/or Laura J. Westfall)	334,378,037	9.94%

[1] The Board of Directors of GMA Holdings, Inc. has the power to decide how the shares owned in the Company are to be voted and has authorized Felipe L. Gozon and/or Gilberto R. Duavit, Jr. to vote on the company's shares in GMA Network, Inc.

[2] The Board of Directors of Group Management & Development, Inc. has authorized Gilberto R. Duavit, Jr. to vote on the common and preferred shares of the company in GMA Network, Inc.

[3] The Board of Directors of FLG Management & Development Corporation has authorized Felipe L. Gozon to vote on the common and preferred shares of the company in GMA Network, Inc.

[4] The Board of Directors of M.A. Jimenez Enterprises, Inc. has authorized Joel Marcelo G. Jimenez and/or Laura J. Westfall to vote on the common and preferred shares of the company in GMA Network, Inc.

[5] The Board of Directors of Television International Corporation has authorized Joel Marcelo G. Jimenez and/or Laura J. Westfall to vote on the common and preferred shares of the company in GMA Network, Inc.

Total Common Shares 2,972,771,548 88.36%					
Preferred	Group Management & Development Inc. No. 5 Wilson St., San Juan, Metro Manila	Filipino	The Record Owner is the Beneficial Owner (shares voted by: Gilberto R. Duavit, Jr.)	2,625,805,308	35.01%
Preferred	FLG Management & Development Corporation 16/F Sagittarius Condo 1, HV Dela Costa St., Salcedo Village, Makati City	Filipino	The Record Owner is the Beneficial Owner (shares voted by: Atty. Felipe L. Gozon)	2,181,898,644	29.09%
Preferred	M.A. Jimenez Enterprises, Inc. 2/F Sagittarius Condominium, H. V. De la Costa St., Salcedo Village, Makati City	Filipino	The Record Owner is the Beneficial Owner (shares voted by: Joel Marcelo G. Jimenez and/or Laura J. Westfall)	1,508,978,826	20.12%
Preferred	Television International Corporation 2/F Sagittarius Condominium, H. V. De la Costa St., Salcedo Village, Makati City	Filipino	The Record Owner is the Beneficial Owner (shares voted by: Joel Marcelo G. Jimenez and/or Laura J. Westfall)	1,111,661,610	14.82%
Total Preferred Shares 7,428,344,388 99.04%					

GMA Holdings, Inc. is 99% owned by Gilberto R. Duavit, Jr., Felipe L. Gozon and Joel Marcelo G. Jimenez. The shares of the Company owned by GMA Holdings, Inc. are covered by Philippine Deposit Receipts ("PDRs") which give the holder of each PDR the right to the delivery or sale of the underlying common share of the Company. The PDRs are listed with the Philippine Stock Exchange.

Group Management and Development, Inc., FLG Management and Development Corporation, M.A. Jimenez Enterprises, Inc. and Television International Corporation are significant shareholders of the Company.

(2) Security Ownership of Management as of March 31, 2019

As of March 31, 2019, the Company's directors and senior officers owned an aggregate of 7,001,354 common shares of the Company, equivalent to 0.21% of the Company's issued and outstanding common capital stock and 46,944 preferred shares equivalent to 0.00% of the Company's issued and outstanding preferred capital stock.

Stockholder Name	Position	Citizenship	Record / Beneficial (R/B)	No. of Common Shares Held	Percent of Common Shares	No. of Preferred Shares Held	Percent of Preferred Shares
Anna-Teresa M. Gozon	Director/Assistant Corporate Secretary	Filipino	R/B	3	0.01%	6	0.00%
Gilberto R. Duavit Jr.	Director/Pres. and COO	Filipino	R/B	4,007,005	0.11%	12	0.00%
Felipe L. Gozon	Director/Chairman and CEO	Filipino	R/B	3,181	0.00%	26,880	0.00%
Joel Marcelo G. Jimenez	Director	Filipino	R/B	292,003	0.01%	6	0.00%
Judith R. Duavit Vazquez	Director	Filipino	R/B	588,158	0.00%	378	0.00%
Laura J. Westfall	Director	Filipino	R/B	2	0.00%	6	0.00%
Felipe S. Yalong	Director/Executive Vice-President/Chief Financial Officer	Filipino	R/B	1,613,000	0.03%	6	0.00%
Jaime C. Laya	Independent Director	Filipino	R/B	294,001	0.0087%	0	0.00%
Artemio V. Panganiban	Independent Director	Filipino	R/B	1	0.00%	0	0.00%
Roberto Rafael V. Lucila	Corporate Secretary/Compliance Officer	Filipino	R/B	22,000	0.00%	0	0.00%
Marissa L. Flores	Senior Vice President – News and Public Affairs	Filipino		0	0.00%	0	0.00%
Ronaldo P. Mastrili	Senior Vice President – Finance and ICT	Filipino	R/B	182,000	0.0054%	0	0.00%
Lilybeth G. Rasonable	Senior Vice President – Entertainment TV	Filipino	R/B	0	0.00%	0	0.00%
Elvis B. Ancheta	Senior Vice President and Head, Engineering Group; Head, Transmission and Regional Engineering	Filipino		0	0.00%	0	0.00%

	Department						
Lizelle G. Maralag	Chief Marketing Officer	Filipino		0	0.00%	0	0.00%

(3) Voting Trust Holders of 5% or more

The Company has no notice of any person holding more than 5% of shares under a voting trust or similar agreement.

(4) Changes in Control

There are no existing provisions in the Articles of Incorporation or the By-Laws of the Company which will delay, defer or in any manner prevent a change in control of the Company. There have been no arrangements which have resulted in a change in control of the Company during the period covered by this report.

(5) The Philippine Constitution prohibits foreign ownership in mass media companies such as GMA Network, Inc.. Hence any such transfer of the shares (common or preferred) of the capital stock of the corporation shall be deemed null and void and will neither be recognized or registered in the books of the corporation. Thus, no part of the Company's equity (common or preferred) is owned by foreigners.

Item 5. Directors and Executive Officers

Nominees for Election as Members of the Board of Directors

The following are expected to be nominated as members of the Board of Directors for the ensuing year (2019-2020):

Anna Teresa M. Gozon
Gilberto R. Duavit, Jr.
Felipe L. Gozon
Joel Marcelo G. Jimenez
Judith R. Duavit-Vazquez
Laura J. Westfall
Felipe S. Yalong
Jaime C. Laya (*Independent Director*)
Artemio V. Panganiban (*Independent Director*)

All of the above nominees are incumbent directors. The nominees were formally nominated by Gilberto R. Duavit, Jr.. Gilberto R. Duavit, Jr. is not related to the nominated independent directors, Jaime C. Laya and Artemio V. Panganiban.

In 2007, the Company amended its By-Laws providing the procedure for nominating the directors of the Company. The By-Laws provide that all nominations to the Board of Directors shall be submitted in writing to the Nomination Committee at least thirty (30) working days before the date of the regular annual meeting of stockholders. On March 29, 2019, the Nomination Committee reviewed the qualifications of the nominees and approved the final list of candidates.

The members of the Nomination Committee are as follows:

Felipe L. Gozon (*Chairman*)
Gilberto R. Duavit, Jr.
Artemio V. Panganiban
Joel Marcelo G. Jimenez

Board of Directors, Officers and Senior Management

Under the Articles of Incorporation of the Company, the Board of Directors of the Company comprises nine (9) directors, two of whom are independent. The Board is responsible for the overall management and direction of the Company and meets regularly every quarter and other times as necessary, to be provided with updates on the business of the Company and consulted on the Company's material decisions. The directors have a term of one (1) year and are elected annually at the Company's stockholders meeting. A director who was elected to fill a vacancy holds the office only for the unexpired term of his predecessor. As of March 31, 2019, the Company's Board of Directors and Senior Management are composed of the following:

	Board of Directors			Senior Management		
Directors and Senior Management	**Nationality**	**Position**	**Year Position was Assumed**	**Position**	**Year Position was Assumed**	**Age**
Felipe L. Gozon	Filipino	Chairman/ Director	1975	Chief Executive Officer	2000	79
Judith R. Duavit-Vazquez	Filipino	Director	2018	N/A	N/A	56
Gilberto R. Duavit, Jr.	Filipino	Director	1999	President/Chief Operating Officer	2010	55
Anna Teresa M. Gozon	Filipino	Director/ Assistant Corporate Secretary	2000	N/A	N/A	47
Joel Marcelo G. Jimenez	Filipino	Director	2002	N/A	N/A	55
Laura J. Westfall	Filipino	Director	2002	N/A	N/A	51
Felipe S. Yalong	Filipino	Director/ Corporate Treasurer	2002	Executive Vice President/Chief Financial Officer	2011	62
Roberto Rafael V. Lucila	Filipino	Corporate Secretary	2017	Concurrently Compliance Officer	N/A	62
Marissa L. Flores	Filipino	N/A	N/A	Senior Vice President, News and Public Affairs	2004	55
Ronnie P. Mastrili	Filipino	N/A	N/A	Senior Vice President for Finance and ICT	2013	53
Lilybeth G. Rasonable	Filipino	N/A	N/A	Senior Vice President for Entertainment Group	2013	55
Artemio V. Panganiban	Filipino	Independent Director	2007	N/A	2007	82
Jaime C. Laya	Filipino	Independent Director	2007	N/A	2007	80
Elvis B. Ancheta	Filipino	N/A	N/A	Senior Vice President and Head, Engineering Group; Head, Transmission and Regional Engineering Department	2014	52
Lizelle G. Maralag	Filipino	N/A	2016	Chief Marketing Officer	2016	53

The following are descriptions of the business experiences of the Company's directors, officers and senior management:

Felipe L. Gozon, Filipino, 79 years old, is the Chairman of the Board of Directors and Chief Executive Officer of GMA Network, Inc.

Atty. Gozon is a Senior Partner at the Law Firm of Belo Gozon Elma Parel Asuncion & Lucila. He is also the Chairman of the Board/President/CEO of various companies including GMA Holdings, Inc., Citynet Network Marketing & Productions, Inc., RGMA Network, Inc., Alta Productions Group, Inc., GMA New Media, Inc., Media Merge Corporation, Digify, Inc., RGMA Marketing & Productions, Inc., Philippine Entertainment Portal, Inc., Script2010, Inc., FLG Management and Development Corporation, Gozon Development Corporation, Vista Montana Realty Development, Inc., Mont-Aire Realty and Development Corporation, BGE Holdings, Inc., Kenobe, Inc., Jeata Holdings and Management, Inc., Vitezon, Inc., Palawan Power Generation, Inc., Catanduanes Power Generation, Inc., Sycamore International Shipping Corp., Lex Realty, Inc., Justitia Realty & Management Corp., Gozon Foundation, Inc., GMA Kapuso Foundation, Kapwa Ko Mahal Ko Foundation, Inc., and The Potter and Clay Christian School Foundation, Inc.

Atty. Gozon is also a Director of GMA Worldwide, Inc., GMA Films, Inc., Antipolo Agri-Business & Land Dev. Corp., and Chamber of Commerce of the Philippine Islands. He is a Trustee of the Philippine Center for Entrepreneurship Foundation, Inc., theEnvironmental Heroes Foundation, Inc. and the Academia Filipina Assn., Inc.

Atty. Gozon is a recipient of awards for his achievements in law, media, public service, and business, including the prestigious Chief Justice Special Award given by the Chief Justice of the Philippines (1991), Presidential Award of Merit given by the Philippine Bar Association (1990 & 1993), CEO of the Year given by Uno Magazine (2004), Master Entrepreneur – Philippines (2004) by Ernst and Young, Outstanding Citizen of Malabon Award for Legal and Business Management by the Kalipunan ng Samahan sa Malabon (KASAMA) (2005), People of the Year by People Asia Magazine (2005), Outstanding Manilan Award in the field of Social Responsibility and Broadcasting given by the City Government of Manila (2011), Quezon City Gawad Parangal Most Outstanding Citizen for 2011 given by the City Government of Quezon (2011), Tycoon of the Decade Award given by BizNews Asia (2011), Lifetime Achievement Award given by the UP Alumni Association (2012), Certificate of Recognition given by the Civil Aeronautics Board (2012), Personality of the Year for Broadcast Media given by SKAL International Makati (2013), Outstanding Member-Achiever given by Phi Kappa Phi UP Chapter (International Honor Society) (2013), Visionary Management CEO Award given by BizNews Asia (2013), Lifetime Achievement Award given by UP Preparatory High School Alumni (2014), Entrepreneurship Excellence Award and Best Broadcast CEO Award given by BizNews Asia (2014), The Rotary Golden Wheel Award for Corporate Media Management given by Rotary International District 3780 and Quezon City Government (2014), and Global Leadership Award for Excellence in Media Sector (first Filipino to win the award) given by The Leaders International together with the American Leadership Development Association in Kuala Lumpur, Malaysia (2015). He is also listed among Biz News Asia's Power 100 (2003 to 2010).

Atty. Gozon earned his Bachelor of Laws degree from the University of the Philippines (among the first 10 of his class) and his Master of Laws degree from Yale University Law School. He was admitted to the Bar in 1962, placing 13th in the Bar examinations.

Gilberto R. Duavit, Jr., Filipino, 55 years old, is the President and Chief Operating Officer of the Network. He has been a Director of the Company since 1999 and is currently the Chairman of the Network's Executive Committee. Aside from GMA Network, Inc., he is the Chairman of the Board of GMA Network Films, Inc. and GMA Worldwide, Inc. He also serves as President and CEO of GMA Holdings, Inc., RGMA Marketing and Productions, Inc., Film Experts, Inc., and Dual Management and Investments, Inc. He is the President and a Director of Group Management and Development, Inc.;

President and Director of MediaMerge Corp., Citynet Network Marketing and Productions, Inc.; Director of RGMA Network, Inc., GMA New Media, Inc., Alta Productions Group, Inc., Optima Digital, Inc., and Mont-Aire Realty and Development Corp. He also serves as the President and a Trustee of GMA Kapuso Foundation, Inc. and a Trustee of the Guronasyon Foundation, Inc. and the HERO Foundation.

Mr. Duavit holds a Bachelor's Degree in Philosophy from the University of the Philippines.

Joel Marcelo G. Jimenez, Filipino, 55 years old, has been a Director of the Company since 2002. He is currently the Vice Chairman of the Executive Committee of GMA Network, Inc., President and CEO of Menarco Holdings, and the Chief Executive Officer of Alta Productions, Inc. He is a Director of RGMA Network, Inc., Executive Committee Chairman and Director of GMA New Media, Inc., Scenarios, Inc., and GMA Worldwide, Inc., besides also being a member of the Board of Directors of Malayan Savings and Mortgage Bank, and Unicapital Securities, Inc. He is also a Director of Nuvoland Philippines, a real-estate development company. He is a Trustee of GMA Kapuso Foundation, Inc.

He was educated in Los Angeles, California where he obtained a Bachelor's Degree in Business Administration from Loyola Marymount University. He also obtained a Master's Degree in Management from the Asian Institute of Management.

Felipe S. Yalong, Filipino, 62 years old, is the Executive Vice President and Chief Financial Officer of GMA Network, Inc. He is also the Head of the Corporate Services Group of the Network. He has been a Director of the Company since 2002. Aside from GMA Network, Inc., he also serves as Director and Corporate Treasurer of GMA Holdings, Inc., Scenarios, Inc., and GMA Network Films, Inc.; Director of Unicapital, Inc., and Majalco Finance and Investments, Inc.; Corporate Treasurer of RGMA Network, Inc., MediaMerge Corp.; Executive Vice President of RGMA Marketing and Productions, Inc.; and Corporate Treasurer of the Board of Trustees of GMA Kapuso Foundation, Inc..

Yalong was named CFO of the Year by ING FINEX in 2013.

He obtained a Bachelor of Science Degree in Business Administration Major in Accounting from the Philippine School of Business Administration and completed the Management Development Program at the Asian Institute of Management. He is a Certified Public Accountant.

Anna Teresa M. Gozon, Filipino, 47 years old, has been a Director of the Company since 2000. She graduated valedictorian from grade school and high school at Colegio San Agustin. She graduated cum laude, BS Management Engineering from Ateneo de Manila University and obtained her Bachelor of Laws degree from the University of the Philippines where she graduated valedictorian, cum laude. She later obtained her Master of Laws from Harvard University.

She is a junior partner in Belo Gozon Elma Parel Asuncion & Lucila and is an Associate Professor in the University of the Philippines, College of Law where she taught Taxation and Legal History.

She is currently Programming Consultant to the Chairman/CEO of GMA Network, Inc. and the President of GMA Films, Inc. and GMA Worldwide, Inc. She is a trustee of GMA Kapuso Foundation.

Judith D. Vazquez, Filipino, 56 years old, has been a Director of the Company since 1988. She is a member of the following special committees: Audit & Risk Committee and Compensation & Remuneration Committee. Moreover, she sits on the boards of the following GMA7 subsidiaries: RGMA, Inc., GMA New Media, Inc., GMA Worldwide, Inc., and GMA Films, Inc. She is a member of the Board of Trustees of the GMA Kapuso Foundation, Inc.

Judith is an acknowledged visionary and industry mover in Philippine Information and Communication

Technology space. In 1995, she laid the nation's first fiber in the Central Business District of Makati and developed the country's first ICT ready 24x7 intelligent skyscraper - 45-story 'The Peak Tower' and location of many 'Internet Firsts'.

Judith is the founder and chairman of PHCOLO, Inc. - the neutral interconnection site of telecommunications and Internet Service Provider companies on four platforms: fixed-line fiber, cable, wireless and satellite; founder and chairman of Vigil Investments Inc. and 107 Leviste Inc.

Her successful and visionary efforts in the field of Information and Communications Technology, have earned her the moniker "Godmother of the Philippine Internet," a position in Computerworld's list of "Philippines' Most Powerful in ICT" and "IT Executive of the Year" by the Philippine Cyber Press.

Her philanthropic endeavors include Asian Institute of Management's first Professorial Chair for Entrepreneurship and a lecture room at the University of the Philippines' School of Economics, among others. When her schedule permits, she is Senior Lecturer for Entrepreneurship at the College of Business Administration, University of the Philippines. She serves Harvard University as a volunteer alumni-interviewer of incoming freshman applicants.

□
Her international organization memberships include the APNIC (Asia Pacific's IP Addressing Body), Pacific Telecommunications Council, IEEE, Young Presidents'/World Presidents' Organization (YPO), AFCEA, INSA, USGIF and Harvard HBS Alumni Association Washington DC. She has served on the boards of the Management Association of the Philippines (MAP), Financial Executives Association of the Philippines (FINEX) and YPO Gold Washington DC - Baltimore.

□
Judith is a respected personality in Global Internet Governance circles. She was the first female Asian elected to an independent board seat at ICANN, Internet Corporation for Assigned Names and Numbers. And remains the only Asian female who has held this honor to this day.

Judith holds a Bachelor of Science degree in Business Economics from the University of the Philippines. She is an alumna of Harvard Business School, University of Michigan (Ann Arbor) and the Asian Institute of Management. Judith is a constant student and continuously grows her skills-base from TCP/IP networking, firewall/security architecture, to nascent and enterprise productivity technologies.

Laura J. Westfall, Filipino, 51 years old, has been a Director of the Company since 2000. She held the following positions in the Company — Senior Vice President of Corporate and Strategic Planning and Senior Vice President for Finance. In addition, she has served as Chairperson and President of GMA New Media. Prior to joining the Company, she worked for BDO Seidman – Los Angeles, an international audit and management consulting firm. She currently holds various positions in the Majent Menarco Group of Companies and serves as Board Member of Coffee Bean and Tea Leaf Philippines, and Museo Pambata. She is also President of the Yale Club of the Philippines.

She holds a Masters Degree in Public and Private Management from Yale University and a Bachelor of Science degree in Accounting from the University of Southern California. She is a Certified Public Accountant (CPA) in the State of California.

Chief Justice Artemio V. Panganiban, Filipino, 82 years old, has been an Independent Director of the Company since 2007. In 1995, he was named a Justice of the Supreme Court and in 2005, he was appointed Chief Justice of the Philippines — a position he held until December 2006. At present, he is also an Independent Director of these listed firms: First Philippine Holdings Corp., Metro Pacific Investments Corp., Manila Electric Company, Robinsons Land Corp., GMA Holdings, Inc., Philippine Long Distance Telephone Co., Petron Corporation, Asian Terminals, and a regular Director of Jollibee Foods Corporation. He is also an Adviser of Metropolitan Bank and Bank of the Philippine Islands (BPI), Chairman, Board of Advisers of Metrobank Foundation, Adviser of Double Dragon Properties, Chairman of the Board of the Foundation for Liberty and Prosperity, President of the Manila Cathedral Basilica Foundation, Chairman Emeritus of Philippine Dispute Resolution Center, Inc., and Member, Advisory Board of the World Bank (Philippines) and of the Asian Institute of Management Corporate Governance Council. Recently, he was named a Member of the Permanent Court of Arbitration based in The Hague, Netherlands. He also is a column writer of The Philippine Daily Inquirer.

Upon his retirement, he was unanimously conferred a Plaque of Acclamation by the Associate Justices of the Supreme Court as the "Renaissance Jurist of the 21st Century;" and an Award of Honor by the Philippine Bar Association. In recognition of his role as a jurist, lawyer, civic leader, Catholic lay worker, business entrepreneur and youth leader, he had been the recipient of over 250 other awards from various governments, civic clubs, consumer associations, bar groups, religious movements and other non-government organizations, both local and international.

He obtained his Associate in Arts, "With Highest Honors" and later his Bachelor of Laws, with cum laude and "Most Outstanding Student" honors from the Far Eastern University. He placed sixth among more than 4,200 candidates who took the 1960 Bar examinations. He is likewise the recipient of several honorary doctoral degrees from various universities.

Jaime C. Laya, Filipino, 80 years old, has been an independent Director of GMA Network, Inc. since 2007. He is the Chairman and President of Philippine Trust Company (Philtrust Bank), Director of Ayala Land, Inc., Manila Water Company, Inc., Philippine AXA Life Insurance Company, Inc., and Charter Ping An Insurance Corporation. He also serves as Chairman of Don Norberto Ty Foundation, Inc. and Escuela Taller de Filipinas Foundation, Inc.; Trustee of St. Paul University - Quezon City, Cultural Center of the Philippines, Metropolitan Museum of Manila, Yuchengco Museum, Fundación Santiago, Inc., Ayala Foundation, Inc., and other organizations. He writes a weekly column for the *Manila Bulletin*.

He was Minister of Budget, 1975-1981; Minister of Education, Culture and Sports, 1984-86; Chairman of the Monetary Board and Governor, Central Bank of the Philippines, 1981-1984; Chairman, National Commission for Culture and the Arts, 1996-2001. He was faculty member of the University of the Philippines, 1957-1978 and Dean of the College of Business Administration, 1969-1974. In 1986, he founded J.C. Laya & Co., Ltd. (Certified Public Accountants and Management Consultants) later the Philippine member firm of KPMG International; he served as the firm's Chairman until his retirement in 2004.

He earned his BSBA, *magna cum laude*, University of the Philippines, 1957; M.S. in Industrial Management, Georgia Institute of Technology, 1960; Ph.D. in Financial Management, Stanford University, 1966. He is a Certified Public Accountant.

Roberto Rafael V. Lucila, Filipino, 62 years old, is the co-managing partner/senior partner of the Law Firm of Belo Gozon Elma Parel Asuncion & Lucila. He has been the Corporate Secretary of the GMA Network Inc. since March 27, 2017 and concurrently the Compliance Officer starting 2018. He currently sits as director in the affiliates of certain European and American companies in the Philippines namely, eMerchant Asia Inc., eMerchant Pay Asia Inc., Evonik (Philippines) Inc., Time-Life International (Phil.) Inc. and MeteoGroup Philippines Inc.. He is the Chairman and President of Lucilex, Inc. and the President of Assetlex Development Corporation, Inc., eMerchant Asia Inc., eMerchant Pay Asia Inc. as well as the Philippine Cockfighting International Inc. all local companies doing business in the Philippines. He is a Court of Appeals Mediator and serves as a Trainor for the Court of Appeals Mediation Training Program. He is presently a lecturer on Constitutional Law I and II at the University of the Philippines, College of Law and the University of Asia and the Pacific, School of Law and Government. He was also a lecturer at the University of the Philippines College of Business Administration, San Sebastian College Institute of Law and Lyceum College of Law as well as in local and international conferences such as the Integrated Bar of the Philippines (IBP) National Convention in 2010 (Subic), Avenue Capital Global Investor Conference in 2005 (New York City), The Law

Association for Asia and the Pacific (LAWASIA) Conference in 1997 (Manila), and Global Best Practices for several years (Makati and Mandaluyong). He was OIC for the Legal Department of GMA Network, Inc. from 2001 to 2004 and for the Office of the President of Express Telecommunications, Inc. in 1998. He represented the Avenue Asia Capital Group and Avenue Capital Group as member of the Board of Directors of Citra Metro Manila Tollway Corporation (CMMTC) from 2004 thru 2012 and in East Asia Power Resources Corporation.

He served in the Office of the President of the Philippines as Assistant Executive Secretary for Legislation from 1990 to September 1992; Chairman of the Presidential Staff in 1991; Chairman of the Philippine Retirement Authority from 1991 to August 1992; Chairman of the South China Sea Fishery Disputes Committee from 1991 to July 1992; and Board Member of the Special Operations Team (now Bases Conversion Development Authority [BCDA]) in 1991. In the Department of Transportation and Communications, he was a Board Member of the Civil Aeronautics Board from 1990-1991 and of the Philippine National Railways from 1989-1991.

He holds Bachelor of Laws (1980) and Bachelor of Arts in Psychology (1976) degrees from the University of the Philippines. He was admitted to the Philippine Bar in 1981. He has completed the Strategic Business Economics Program (SBEP) from the University of Asia and the Pacific in 1999. He has contributed legal articles for the Supreme Court Reports Annotated (SCRA), The Lawyer's Review, IBP Law Journal and Magazine, World Bulletin, Clifford Chance's 2018 Asia Pacific Guide on Insolvency, and Getting the Deal Done, and was the author of the book entitled "Corporate Rehabilitation in the Philippines." Atty. Lucila has been recognized as one of the 2013 Asialaw Asia-Pacific Leading Lawyers in Dispute Resolution, and as a law professional actively engaged in the areas of Technology Media Telecommunications (TMT) and Insolvency in the Philippines.

Marissa L. Flores, Filipino, 55 years old, is the Senior Vice President for News and Public Affairs, a position she has held since 2004. She joined the Company in 1987 as a researcher for public affairs documentaries and special reports and held the positions of Assistant Vice President for Public Affairs, Vice President for Production – News and Public Affairs before her appointment to her current position.

The Rotary Club of Manila recognized her as Television News Producer of the Year in 1996. In 2004, she was awarded the prestigious TOYM (The Outstanding Young Men) for Broadcast Management. In 2012, she received the CEO Excel Award from the International Association of Business Communicators (IABC) Philippines. Ms. Flores was recognized for her work in the field of broadcast journalism by the University of the Philippines College of Mass Communication at the first Glory Awards in 2017.

The News and Public Affairs group under Ms. Flores continues to be the recipient of international awards, notably the New York Festivals, US International Film and Video Festival Awards, Asian TV Awards. GMA News and Public Affairs remains as the only Philippine broadcast network which has won the highly-coveted Peabody Award (four Peabody awards as of 2014) — widely considered as broadcasting and cable's equivalent of the Pulitzer prize.

Besides overseeing news and public affairs programs in GMA Channel 7, it is also under Ms. Flores' leadership that GMA News Online was put up in 2007, and GMA News TV (GMA Network's news and public affairs channel on free TV) was launched in February 2011.

She earned her Bachelor's degree at the University of the Philippines, where she studied Journalism.

Ronaldo P. Mastrili, Filipino, 53 years old, is the Senior Vice President of GMA's Finance and ICT Departments. He obtained his Bachelor of Science in Business and Economics Degree, Major in Accounting from De La Salle University. He attended the Master in Business Administration Program from the same university and completed the Executive Development Program of the Asian Institute of Management. He is a Certified Public Accountant with expertise in the fields of accounting, auditing, finance, taxation and general management. He was formerly the Assistant Vice President of Controllership of ABS-CBN and also served as its Group Internal Auditor before joining GMA Network in March 2001. He also worked with SGV and Co. in the early part of his career. Mr. Mastrili concurrently holds key positions in GMA Subsidiaries namely: Comptroller/Chief Accounting Officer of GMA Holdings, Treasurer of Alta Productions, Director of Script2010 and GMA Kapuso Foundation, and Comptroller of GMA Films, GMA Kapuso Foundation and GMA Worldwide.

Lilybeth G. Rasonable, Filipino, 55 years old, is the Senior Vice President of the Entertainment Group of GMA Network, Inc. She is mainly responsible for the production of entertainment programs of the Network.

After earning her degree in Broadcast Communication from the University of the Philippines, Ms. Rasonable immediately worked in the broadcasting industry, starting out as a Production Assistant and later on, an Associate Producer of the Intercontinental Broadcasting Company. She likewise worked as Production Coordinator and Executive producer of GMA Network, Inc.

Ms. Rasonable's work experience also included a post as Technical Consultant for Local Production with the Associated Broadcasting Company (ABC-5) and freelance Executive Producer for film and television. After a few years, she re-joined GMA as a Production Manager under its Sales and Marketing Group.

From Program Manager, Ms. Rasonable was promoted to Assistant Vice President for Drama in 2004. As AVP, she was a key figure in the creation of ground-breaking and phenomenal hits such as *Mulawin*, *Encantadia* and *Darna*, which made the primetime block of GMA invincible and contributed to the unprecedented success of GMA in its quest for leadership in the Philippine broadcasting industry. It was also during her time as AVP for Drama when GMA produced programs that created superstars for the Network and afternoon dramas dramatically rose and established strong presence in their timeslots with breakthrough innovations.

In 2010, Ms. Rasonable was promoted to the position of Vice President, Drama Productions and tasked with the supervision of non-primetime and primetime drama programs of GMA. By February 2012, she took the helm as Officer-in-Charge of the Entertainment TV (ETV) Group. And in December 2013, she received her promotion and appointment as ETV's Senior Vice President. ETV was renamed Entertainment Group in 2017.

Elvis B. Ancheta, Filipino, 52 years old, is GMA Network's Senior Vice President and Head of Engineering Group. He is concurrently the Head of Transmission and Regional Engineering Department of the Network.

Engr. Ancheta is a Professional Electronics Engineer and is a member of the Institute of Electronics and Communications Engineers of the Philippines. He was also GMA's principal representative to the Technical Working Group chaired by the National Telecommunications Commission for the drafting of the Digital Terrestrial Television Broadcasting - Implementing Rules and Regulations.

Engr. Ancheta earned his Bachelor of Science in Electronics and Communications Engineering degree from Saint Louis University in Baguio City.

Lizelle G. Maralag, Filipino, 53 years old, is GMA Network's Chief Marketing Officer. She is responsible for driving revenue growth and marketing innovation within all media platforms of the Network, to include GMA's broadcast stations, both Philippine-based and international channels, as well as the other non-broadcast platforms. Under her leadership, GMA became the only Philippine broadcast company with the most number of local and global marketing awards.

She joined the GMA Network in 2010, after a laudable career as an advertising media professional spanning more than two (2) decades, where she drove to leadership position the top-ranked media agency in the market, Starcom Mediavest Group Phils. Co. Inc. as Managing Director, while concurrently serving as the Chairperson of Publicis Groupe Media Philippines, overseeing Zenith Optimedia Phils., too. She continues to hold the record in the media advertising industry for winning the most number of Media Agency of Record pitches when she was Managing Director of Starcom Mediavest Group Philippines, from 2000-2009.

She holds a degree of Bachelor of Science in Statistics at the University of the Philippines, Diliman, and took post graduate studies at the INSEAD in Singapore. She was Founding Co-Chairperson of the Media Specialists Association of the Philippines (2008-2009), Chairman of the Radio Research Council Adjudication & Review Board, was a Director of the TV Research Council, was a part-time instructor at the University of Asia and the Pacific, served as a global juror in the Starcom MediaVest Group Fuel Awards (2004), and is a frequent jury member in local and regional advertising and marketing industry awards, the most recent of which is the Asia-Pacific Advertising Effectiveness Awards(Effies).

Significant Employees

Although the Company and its key subsidiaries have relied on, and will continue to rely on, the individual and collective contributions of their executive officers and senior operational personnel, the Company and its key subsidiaries are not dependent on the services of any particular employee.

Family Relationships

Gilberto R. Duavit, Jr. is the brother of Judith M. Duavit-Vazquez. Joel Marcelo G. Jimenez and Laura J. Westfall are siblings. Anna Teresa M. Gozon-Abrogar is the daughter of Felipe L. Gozon. Felipe L. Gozon's sister, Carolina L. Gozon-Jimenez, is the mother of Joel Marcelo G. Jimenez and Laura J. Westfall.

Involvement in Certain Legal Proceedings

To the best of the Company's knowledge, during the past five (5) years and up to date, there had been no occurrence of any of the following events which are material to an evaluation of the ability or integrity of any director, person nominated to become a director, executive officer, or control person of the Company:

- Any filing of an insolvency or bankruptcy petition by or against any business of which such person was a general partner or executive officer, either at the time of the insolvency or within two (2) years prior to that time;
- Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign, of any such person, excluding traffic violations and other minor offenses;
- Any final and executory order, judgment, or decree of any court of competent jurisdiction, domestic or foreign, against any such person, permanently or temporarily enjoining, barring, suspending, or otherwise limiting involvement in any type of business, securities, commodities, or banking activities; and,
- Any final and executory judgment of any such person by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC, or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

Resignation of Directors

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual meeting of the Company because of a disagreement with the Company on matters relating to the Company's operations, policies and practices.

Certain Relationships and Related Transactions

Advances to Affiliates

The Company has, from time to time, made advances to certain of its affiliates. The advances are non-interest bearing.

The Company made advances to Mont-Aire in the amount of P121.4 million as of December 31, 2004. Of such advances, the Company converted the amount of P38.3 million into P38.3 million worth of common shares of Mont-Aire. Simultaneously, the other shareholders of Mont-Aire, namely, Group Management and Development, Inc., Television International Corporation and FLG Management and Development Corporation converted advances in the aggregate amount of P23.5 million made by them to Mont-Aire into P23.5 million worth of common shares of Mont Aire. The SEC approved the conversion of the advances into equity on February 17, 2006. The Company owns 49% of Mont-Aire, with the remaining 51% being owned by the Duavit family, Gozon family and Jimenez family. Mont-Aire is a real estate holding company whose principal property is a 5.3 hectare property located in Tagaytay, Cavite. Such property is not used in the broadcasting business of the Company. As of December 31, 2018 and 2017, Mont-Aire has had advances owing to the Company in the amount of P89 million and P88.2 million, respectively. Please see Note 20 of the Company's financial statements.

Agreements with RGMA Network, Inc. ("RGMA")

The Company has an existing agreement with RGMA for the latter to provide general management, programming and research, events management, on-air monitoring of commercial placements, certificates of performance, billing and collection functions, and local sales service for the 25 radio stations of the Company. RGMA is paid management and marketing fees based on billed sales. Please see Note 20 of the Company's financial statements.

Agreements with GMA Marketing and Productions, Inc. ("GMA Marketing")

The Company entered into a marketing agreement with its wholly-owned subsidiary, GMA Marketing wherein GMA Marketing agreed to sell television advertising spots and airtime in exchange for which GMA Marketing will be entitled to a marketing fee and commission. Apart from this, the Company likewise engaged the services of GMA Marketing to handle and mount promotional events as well as to manage the encoding, scheduling of telecast/broadcast placements and subsequent monitoring of sales implementations for which GMA Marketing is paid a fixed monthly service fee. In 2016, GMA Marketing operations were integrated to the Company. Please see Note 20 of the Company's financial statements.

Belo Gozon Elma Parel Asuncion & Lucila Law Office

The Company and the law firm of Belo Gozon Elma Parel Asuncion & Lucila entered into a retainer agreement in 1993 under which Belo Gozon Elma Parel Asuncion & Lucila was engaged by the Company as its external counsel. As such external counsel, Belo Gozon Elma Parel Asuncion & Lucila handles all cases and legal matters referred to it by the Company. Other than Felipe L. Gozon, who is part of the Gozon Family, one of the principal shareholders of the Company, and director of the Company since 1975, some of the lawyers of Belo Gozon Elma Parel Asuncion & Lucila eventually assumed certain positions and functions in the Company either in their individual capacities or as part of the functions of Belo Gozon Elma Parel Asuncion & Lucila as the Company's external counsel. Please see Note 20 of the Company's financial statements.

Item 6. Compensation of Directors and Executive Officers

(a) CEO and Top 5 Compensated Executive Officers:

The following are the Company's highest compensated executive officers:

Name and Position

Felipe L. Gozon	Chairman and CEO
Gilberto R. Duavit, Jr.	President and COO
Felipe S. Yalong	Executive Vice President and Concurrent Group Head, Corporate Services Group and Chief Financial Officer
Marissa L. Flores	Senior Vice President, News and Public Affairs Group
Lizelle G. Maralag	Chief Marketing Officer, Sales and Marketing Group
Rizalina D. Garduque	Vice President, Sales – News and Public Affairs and Regional TV

	Year	Annual Salaries (in thousands)	13th Month and Bonuses (in thousands)	Total
CEO and Top 5 Highest Compensated Officers	2016	127,348.3	158,525.0	285,873.2
	2017	144,348.5	131,232.1	275,580.6
	2018	200,422.7	173,643.5	374,066.2
	2019 (estimate)	210,443.8	182,325.7	392,769.5
Aggregate compensation paid to all officers and directors as a group	2016	196,896.4	197,604.4	394,500.8
	2017	223,700.6	167,779.8	391,480.4
	2018	303,840.3	207,742.4	511,582.7
	2019 (estimate)	315,993.9	216,052.1	532,046.0

(a) Directors and other Executive Officers

Section 8 of Article IV of the Company's By-Laws provides that as compensation of the directors, the Members of the Board shall receive and allocate yearly an amount of not more than two and a half percent (2.5%) of the net income after income tax of the corporation during the preceding year. Of the said 2.5%, one percent (1%) shall be allocated to the members of the Board of Directors to be distributed share and share alike. The remaining one and a half percent (1.5%) shall be allocated to the members of the Executive Committee to be distributed share and share alike.

Employee Stock Ownership Plan ("ESOP")

The Company has no outstanding options or warrants held by its CEO, the named executive officers, and all officers and directors as a group.

Item 7. Independent Public Accountants

(a) SyCip Gorres Velayo & Co. has acted as the Company's external auditors since 1994. The same accounting firm is being recommended for re-election at the scheduled annual meeting.

(b) Representatives of SGV & Co. for the current year and for the most recently completed fiscal year are expected to be present at the Annual Stockholders' Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The Company only became publicly listed with the Philippine Stock Exchange on July 30, 2007. Pursuant to Rule 68 paragraph 3 (b) under the Rules and Regulations Covering Form and Content of Financial Statements (SRC Rules 68 and 68.1, as amended) , the Company has engaged Ms. Belinda T. Beng Hui, partner of SGV & Co., to sign the Company's 2017 audited financial statements.

(c) Changes in and disagreements with accountants on accounting and financial disclosure

The Company has not had any disagreements on accounting and financial disclosures with its current external auditors during the two most recent fiscal years or any subsequent interim period.

Sycip Gorres Velayo & Co. has no shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

(c) The aggregate fees billed for each of the last two years for the professional services rendered by SyCip Gorres Velayo & Co. amounted to P6.3 million in 2017 and P6.5 million in 2018 (these included the fees related to financial audit and services for general tax compliance).

(d) The Company's Audit and Risk Management Committee was formed in 2007 and was formally organized during the latter portion of that year. The Audit and Risk Management Committee reviews the fee arrangements with the external auditor and recommends the same to the Board of Directors. The Audit and Risk Management Committee has recommended the re-appointment of Sycip Gorres Velayo and Co., as the external auditor of the Company at the scheduled annual meeting.

The members of the Audit Committee are as follows:

Dr. Jaime C. Laya (*Chairman*)
Chief Justice Artemio V. Panganiban
Anna Teresa M. Gozon-Abrogar
Laura J. Westfall

Item 8. Authorization or Issuance of Securities Other than for Exchange

There are no matters or actions to be taken up in the meeting with respect to authorization or issuance of securities.

Item 9. Modification or Exchange of Securities

There are no matters or actions to be taken up in the meeting with respect to the modification of any class of the Company's securities or the issuance or authorization for issuance of one class of the Company's securities in exchange for outstanding securities of another class.

Item 10. Financial and Other Information

In connection with Item 9 hereof, the Company has incorporated by reference the following as contained in the Management Report prepared in accordance with Rule 68, under the Rules and Regulations Covering Form and Content of Financial Statements (SRC Rules 68 and 68.1, as amended) :

1) Audited Financial Statements for December 31, 2018 and 2017;

2) Management Discussion and Analysis or plan of operation; and

3) Information on business overview, properties, legal proceedings, market price of securities, and dividends paid out, corporate governance, corporate social responsibility.

Item 11. Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken with respect to the mergers, consolidations, acquisitions and similar matters.

Item 12. Acquisition or Disposition of Property

No action is to be taken with respect to the acquisition or disposition of any property.

Item 13. Restatement of Accounts

No action is to be taken with respect to the restatement of any asset, capital or surplus account of the Company.

D. OTHER MATTERS

Item 14. Action with Respect to Reports

(a) Approval of the Annual Report of Management and the Audited Financial Statements for the year ending December 31, 2018.

(b) Approval of the Minutes of the 2017 annual meeting of the Stockholders held on May 16, 2018, covering the following salient matters:

(i) Approval of the Minutes of the annual meeting of the stockholders on May 17, 2017

(ii) Annual Report of the Chairman and Chief Executive Officer

(iii) Financial Report

(iv) Ratification of all acts of the Board of Directors and the Executive Committee

(v) Election of the Members of the Board of Directors, including the Independent Directors

(vi) Election of the External Auditor

(c) Ratification of the acts of the Board of Directors/Corporate Officers, summarized as follows:

All acts and resolutions of the Board of Directors and Management for the period covering May 16, 2018 to May 17, 2017 adopted in the ordinary course of business, summarized as follows:

- Approval of the Minutes of the organizational meeting of the Board of Directors on May 16, 2018;

- Approval of the Minutes of the regular meetings of the Board of Directors covering the following matters:

- Appointment of signatories;

- Approval of borrowings, opening of accounts and bank transactions;

- Appointment/Election of Officers;

- Approval of the record date and venue of the Annual Stockholders' Meeting;

- Approval and release of the financial statements for the year ended December 31, 2018.

Item 15. Matters Not Required to be Submitted

All actions or matters to be submitted in the meeting <u>will require</u> the vote of the security holders.

Item 16. Amendment of Charter, By-Laws or Other Documents

No action is to be taken with respect to any amendment of the Company's charter, by-laws or other documents.

Item 17. Other Proposed Action

(a) Ratification of the Acts of the Board of Directors/Corporate Officers (as enumerated in Item 14 part c) including:

(i) Declaration by the Board of Directors on April 5, 2018 of cash dividends to stockholders of record as of April 23, 2018 and payment date on May 15, 2018.

(b) Election of the Members of the Board of Directors, including two independent directors for the ensuing calendar year

(c) Election of the External Auditor

Item 18. Voting Procedures

(a) Vote Required: Motions, in general, require the affirmative vote of a majority of the shares of the Company's common stock present and/or represented and entitled to vote. However, under Philippine law, certain proposed actions may require the vote of at least two thirds (2/3) of the outstanding capital stock of the Company. The manner of voting is non-cumulative, except as to the election of directors.

(b) Method: *Straight and cumulative voting*. In the election of directors, the nine (9) nominees garnering the highest number of votes shall be elected directors. The stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

(c) The Corporate Secretary shall be responsible for counting votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies at any meeting of the stockholders, in the presence of the Company's external auditor.

Other than the nominees' election as directors, no director, executive officer, nominee or associate of the nominees has any substantial interest, direct or indirect by security holdings or otherwise in any way of the matters to be taken upon during the meeting. The Company has not received any information that an officer, director or stockholder intends to oppose any action to be taken at the Annual Stockholders' Meeting.

Upon written request of the stockholders, the Company undertakes to furnish said stockholder with a copy of the SEC Form 17-A free of charge. Any written request for a copy of the Sec Form 17-A shall be addressed to the following:

GMA NETWORK, INC.
9/F GMA NETWORK CENTER
EDSA corner Timog Avenue
Diliman Quezon City

Attention: RONALDO P. MASTRILI
SENIOR VICE PRESIDENT, FINANCE AND ICT

Copies of the Unaudited Interim Financial Statements (period ended March 31, 2018) ("IFS") will be made available to each stockholder at least five (5) calendar days before the Annual Meeting. Such report can be viewed at the Company's official website five (5) calendar days before the meeting and hard copies of the company's IFS and management discussion may be available upon request also five (5) calendar days before the said meeting.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on April 12 2019.

GMA NETWORK, INC.

By:

ROBERTO RAFAEL V. LUCILA
Corporate Secretary

MANAGEMENT REPORT

I. BUSINESS OVERVIEW

GMA Network, Inc. is a free-to-air broadcasting company principally engaged in television and radio broadcasting, the production of programs for domestic and international audiences, and other related businesses. The Company derives the majority of its revenues from advertising related to television broadcasting.

GMA Network has 47 VHF and 41 UHF TV stations throughout the Philippines with its signal reaching approximately 96% of the country's total TV households (Source: 2018 Nielsen Television Establishment Survey; Claimed reception among TV homes).

In 2018, GMA Network, Inc. sustained its leadership in National Urban TV ratings and in the viewer-rich areas of Urban Luzon and Mega Manila. The Company posted decreases in its gross revenues and net income for 2018 versus 2017.

GMA Network's international operations opened new revenue streams from the launch of its channels on various platforms and territories around the globe.

GMA SUBSIDIARIES, JOINT VENTURE AND AFFILIATES

The Company's subsidiaries and affiliates are involved in media-related services such as movie making, sets and props construction, film syndication, music and video recording, new media, online gaming (RIA: please confirm. I do not see it in the listing below), post production services, and marketing, which complement the Company's core television and radio broadcasting business.

The following table shows the Company's holdings in its principal subsidiaries, joint ventures and affiliates as of December 31, 2018:

COMPANY	OWNERSHIP	PRINCIPAL ACTIVITIES
Subsidiaries		
GMA New Media, Inc. (NMI)	100%	Converging Technology
Citynet Network Marketing and Productions, Inc.	100%	Television entertainment production
GMA Network Films, Inc.	100%	Film production
GMA Worldwide (Philippines), Inc.	100%	International syndication sales, marketing and repurposing of the Parent Company's programs
RGMA Marketing and Productions, Inc. (GMA Records)	100%	Music recording, publishing and video distribution
Scenarios, Inc.****	100%	Design, construction, maintenance and storage of sets for TV, stage plays and concerts; transportation services
Script2010, Inc. (Script2010)*	100%	Design, construction and maintenance of sets for TV, stage plays and concerts; transportation and manpower services
Alta Productions Group, Inc.	100%	Pre- and post-production services
GMA Marketing & Productions, Inc.**** (GMPI)	100%	Exclusive marketing and sales arm of GMA's airtime; events management; sales implementation; traffic services and monitoring

Mediamerge Corporation**	100%	Business development and operations for the Company's online publishing/advertising initiatives
Digify, Inc. (Digify)**	100%	Crafting, planning and handling advertising and other forms of promotion including multi-media productions
Joint Ventures		
INQ7 Interactive, Inc.****	50%	Internet publishing
Philippine Entertainment Portal, Inc. (PEP)**	50%	Internet publishing
Affiliates		
Mont-Aire Realty and Development Corp.***	49%	Real estate
RGMA Network, Inc.	49%	Radio broadcasting and management

Notes:
** Indirectly owned through Citynet Network Marketing and Productions, Inc.*
*** Indirectly owned through GMA New Media, Inc.*
**** 49% owned by GMA Network, Inc.*
***** Not operational*

COMPETITION

The Company currently competes for audiences and advertising revenues directly with other broadcast stations, radio stations, newspapers, magazines, cable television, and outdoor advertising within their respective markets.

The Following table presents major broadcasting networks in the country:

Network	Description		2018 Ratings & Audience Share (Total day; 6AM-12MN)		
			Mega Manila	Urban Luzon	Urban National
GMA		Household Ratings	14.7	14.2	12.6
		Audience Share	45.6	43.9	39.1
ABS-CBN	Radio and TV broadcasting network and multimedia company. Founded in 1953, and is the first television station in the Philippines.	Household Ratings	9.4	10.2	12.0
		Audience Share	29.1	31.7	37.2
GNTV	GMA Network's sister channel. It is programmed by GMA. GMANEWS TV (GNTV) was	Household Ratings	1.4	1.2	1.0
		Audience Share	4.2	3.7	3.1

	launched on February 28, 2011.				
TV5	Third-oldest TV network in the country, with main broadcast facilities in Novaliches, Quezon City. On March 2, 2010, Mediaquest acquired 100 percent ownership of the Associated Broadcasting Company and Primedia Inc., the broadcasting firm's major block airtimer.	Household Ratings	1.1	1.1	1.3
		Audience Share	3.3	3.3	4.0
SOLAR TV / ETC (RPN) / CNN Philippines *	Radio Philippines Network (RPN 9) is a Philippine VHF television network of the Government Communications Group. On November 29, 2009, the network re-branded again under the new name Solar TV on RPN. *Solar TV went off air on February 26, 2011 and was re-launched as ETC (RPN) on March 2, 2011. It was re-launched anew as Solar News (RPN) on November 30, 2013, then was replaced by 9TV (RPN) starting Aug. 23, 2014. On March 16, 2015, 9TV (RPN)	Household Ratings	0.1	0.1	0.1
		Audience Share	0.3	0.3	0.3

	was re-launched as CNN PHILIPPINES.				
Studio 23 / ABS-CBN Sports + Action **	Sister network to the main ABS-CBN Broadcasting Corporation, airing programming aimed towards young adults, such as North American imports and other English language programming. **Studio 23 was re-launched as ABS-CBN Sports + Action on January 18, 2014.	Household Ratings	0.5	0.5	0.6
		Audience Share	1.6	1.7	1.9
National Broadcasting Network / PTV	Official government TV, formerly called Maharlika Broadcasting System, Inc. and later the People's Television Network, Inc. (PTV).	Household Ratings	0.1	0.1	0.1
		Audience Share	0.3	0.3	0.3
Intercontinenta l Broadcasting Corporation (IBC 13)	IBC-13 is a VHF TV station of the Government Communications Group launched in 1975 by Roberto Benedicto.	Household Ratings	0.0	0.0	0.0
		Audience Share	0.0	0.0	0.1
Southern Broadcasting Network Solar News Channel / TALK TV (SBN) / ETC (SBN) ***	On January 1, 2008, Solar Entertainment Corporation's entertainment channel ETC aired on this station. ***SBN was launched as Talk	Household Ratings	0.0	0.0	0.0
		Audience Share	0.1	0.1	0.1

	TV (SBN) on March 3, 2011 and was later replaced by Solar News Channel on October 30, 2012. This channel was re-launched anew as ETC (SBN) on November 30, 2013.				
2nd Ave. (RJTV) ****	RJTV is a UHF free to air television channel owned and operated by Rajah Broadcasting Network, Inc. owned by Ramon "RJ" Jacinto. Solar is also programming 2nd Ave. ****On June 5, 2018, 2nd Avenue ceased its broadcast after a 12-year run on cable and free-to-air and a decade of blocktime agreement with RJTV.	Household Ratings	0.0	0.0	0.0
		Audience Share	0.1	0.1	0.1

NOTE: Ratings data are based on the Nielsen Television Audience Measurement (TAM).

INTERNATIONAL DISTRIBUTION: *Optimizing revenue opportunities amid changing TV landscape*

The Company's television programs are distributed outside the Philippines in a number of ways. Through GMA International, the Network distributes subscription-based international linear channels – GMA Pinoy TV, GMA Life TV, and GMA News TV International. Meanwhile, both GMA International and GMA New Media Inc., a wholly-owned subsidiary of the company, also distributes non-linear content through Video On Demand (VOD) service. Linear channels and non-linear VOD contents are all distributed both through the traditional (DTH, cable, IPTV) and digital (OTT/mobile) platforms across various territories in North America, APAC, MENA and Europe. Meanwhile, through GMA Worldwide (Philippines), Inc. (GWI), a wholly-owned subsidiary of the Company, GMA's locally produced programs are distributed on all platforms through worldwide syndication sales to broadcasters/companies in China, Southeast Asia, Africa, and Europe.

Aside from license fees received from linear channel and VOD subscriptions, GMA International's revenue stream also includes advertising from digital/social media outlets, pay-per-view, sponsorships from events and ticket sales.

Positioned primarily as a premium content provider on global multiple-platform distribution outlets, GMA International contributed 32% of the Company's net income after tax in 2018.

In 2019, GMA Pinoy TV, GMA Life TV, GMA News TV international, and GMA On Demand will be on expanded distribution in Asia Pacific via Brunei, India, Laos, Macau, Malaysia, Myanmar, Pakistan, South Korea, Taiwan, and Vietnam. The channels will also be available in over 30 countries in the Caribbean Islands and South Pacific islands. In line with the evolving pay-TV landscape, it will expand distribution into OTT in underserved and unserved territories and demographic segments.

GMA PINOY TV

Launched in 2005, GMA Pinoy TV delivers to an international audience the Company's most popular news and public affairs and general entertainment programs. The Company operates GMA Pinoy TV through which it offers subscription-based programs internationally.

GMA Pinoy TV continues to establish global exposure and presence for the Network that brings the company's programs to Filipino communities around the world. In North America, GMA Pinoy TV is available across all 50 states of the United States and Canada, while in the Middle East, it can be accessed in 17 countries such as the Kingdom of Saudi Arabia, United Arab Emirates, Qatar, Bahrain, and Kuwait.

The Company's flagship international channel has also established its presence in 12 countries in North Africa and 16 countries in Europe – among them are the UK, France, Germany, and Italy. In Asia Pacific, GMA Pinoy TV can be enjoyed in Japan, Guam, Saipan, Hong Kong, Singapore, Papua New Guinea, Australia, New Zealand, the British Indian Territory of Diego Garcia, Madagascar, Malaysia, Palau, Haiti, and soon in South Korea.

Under the carriage and licensing agreements with international payTV operators, the Company generally receives a portion of the subscription fees and is also allocated a certain number of advertising minutes through which the Company may sell advertising spots, which it does, through GMA Sales and Marketing Group (SMG).

GMA LIFE TV

GMA Life TV, GMA Network's second international channel, was launched three years after the success of GMA Pinoy TV. More than just offering mainstream entertainment, GMA Life TV engages more viewers with its exciting line-up of heart-warming and innovative programs that feature the Filipinos' lifestyle and interests.

GMA Life TV is available in the United States, Canada, Middle East, North Africa, Europe, and Asia Pacific, particularly in Australia, New Zealand, Hong Kong, Singapore, Japan, Papua New Guinea, Madagascar, Palau, Guam and Saipan.

GMA NEWS TV INTERNATIONAL

In September 2011, GMA Network began distributing GMA News TV International in order to provide overseas Filipinos with the latest, most comprehensive, and most credible news coverage from the Philippines. It offers internationally acclaimed and award-winning news and public affairs programs with 7 to 8 hours of original content daily.

GMA News TV International is now available in the United States, Canada, Middle East, North Africa, Europe, and Asia Pacific, particularly in Australia, New Zealand, Hong Kong, Singapore, Japan, Malaysia, Madagascar, Palau, Guam and Saipan.

CONVERGING TECHNOLOGY

GMA New Media, Inc. is GMA Network's digital media and technology arm in charge of R&D, Software Design & Development, Systems Integration and Quality Assurance. Since its inception in July 2000, it has launched category-breaking projects in web, mobile, digital television and other new and emerging platforms.

GMA NMI AS GAMECHANGER

Back in the days when traditional and new media had clear boundaries, GMA NMI had the audacity to blur the borders. It was the first to enable mobile and TV to talk to each other, ushering in the era SMS-TV.

Almost two decades later, NMI continues to be at the top of its game.

As GMA Network's innovation center and de facto future-proofing agent, GMA NMI spearheads the design and implementation of the media giant's grand digital blueprint aimed to ensure the company's leadership in the digital era.

WEB

Online Publishing

In its early years, NMI launched GMA's official entertainment website, iGMA.tv, and its official news website, GMANews.tv. Both websites have won local and international acclaim as well as loyal patronage among Filipinos here and abroad.

NMI launched www.GMANetwork.com in late 2011 to consolidate all of GMA's web properties into a single portal. The GMA portal won in the Digital Filipino Web Awards in 2014 for the Television category, an indication that the move was a master stroke in establishing the Network's dominant presence online. In 2016, GMANetwork.com breached the two-billion mark in pageviews at it generated 2.01 billion in total, up by 10% from 2015's 1.87 billion pageviews.

2015 was a milestone year for GMA News Online (GNO) as it breached the one billion pageviews mark. From 1.14 billion in 2015, GNO increased its pageviews to 1.3 billion in 2016, up by 17%. Synergies from the Social Media team and the editorial team to enhance overall user experience, as well as NMI's non-stop back-end upgrades, helped sustain improvements in web metrics.

NMI entered into a joint venture with Summit Media and launched PEP.ph, the leading showbiz news portal in the Philippines. It also launched SPIN.ph or Sports Interactive Network, currently the No. 1 sports website based on recent data from Effective Measure. NMI provides the technology back-end of said sites. The joint venture is a way for GMA to capture a bigger slice of the online audience share by targeting readers who are keen on sports and entertainment.

MOBILE

NMI pioneered interactive TV in the Philippines with the launch of SMS-TV services in "*Debate*" and Startalk, and Eat Bulaga's Cool Dudes segment. This laid the foundation for succeeding SMS-TV initiatives that carried NMI through several years of growth and profit.

NMI also introduced SMS technology to Philippine broadcast TV and was the first to launch an interactive chat and gaming show called *Txtube*.

NMI launched *Fanatxt*, a mobile-based celebrity portal for Kapuso stars, considered as one of the most successful mobile VAS services ever launched locally.

NMI broke new ground with the launch of *Teledrama Text Saya*, the first ever mobile point of purchase promo for GMA's primetime shows done in partnership with GMPI.

NMI also developed the GMA News Online iOS and Android mobile apps that sport a new user interface to keep up with current design trends. The mobile apps allow people easy access to GMA content using their handheld devices. The GMA portal mobile app was also launched and was designed to be the perfect mobile companion to top-rating GMA shows.

CONVERGENT MEDIA

NMI works closely with GMA Marketing and Promotions, Incorporated (GMPI) in the launch of innovative convergent media campaigns such as *Win Mo Kapuso* and *Win Mo Pamasko*. The combination of TV plus new media has become a valuable strategic offering for clients in terms of ensuring the widest possible reach for both online and offline audiences.

YouScoop is NMI's joint initiative with GMA News and Public Affairs (NPA) that aims to promote citizen journalism and vigilance. YouScoop helps empower the people to provide information and news when and where it happens. Users can send information, photographs, videos and even audio recordings of newsworthy events wherever and whenever they may be through the app. A team of editors chooses items that will be featured in the YouScoop page on GMA News Online, while significant contributions that merit public broadcast are aired on any one of the GMA News and Public Affairs programs.

In collaboration with GMA NPA, NMI launched **IMReady**, a one-stop online portal for public safety information to aid in traffic and disaster awareness and preparedness. The project aims to provide the public with timely and relevant information to minimize risks and better prepare them during emergency situations. It also enables the public to plan their routes and itineraries. IMReady can be accessed on the Internet and can be downloaded as an app in both iOS and Android.

In view of making IMReady a cutting-edge application, NMI sealed an exclusive media partnership agreement with Google-owned Waze, a leading social GPS navigation system that provides crowd-sourced traffic information and real-time maps. Waze allows subscribers to share real-time traffic and road information that enables people to save time and gas money on their daily commute. By connecting drivers to one another, the app helps people create local driving communities that work together to improve the quality of everyone's daily driving.

BROADCAST

Election Coverage

NMI has maintained its track record of providing GMA News and Public Affairs with speedy and accurate delivery of elections results using the latest technologies for the Eleksyon 2013 coverage. NMI spearheaded the count operations in PPCRV by acquiring, extracting, and prioritizing data from the COMELEC before sending it to GMA for processing.

To achieve multi-screen pervasiveness, NMI provided the most comprehensive election count data across all platforms—from television to mobile and the Internet. The team deployed its *proprietary search engine* that enabled users of GMA News Online and its mobile app (in both Android and iOS) to retrieve election count data in the Search Results. While all the other websites and apps were incapable of integrating the count results in their search, NMI's proprietary search returned the most relevant results for all candidates during election time.

NMI serves the same function of ensuring fast and accurate delivery of elections results in the 2016 elections.

NMI launched the Eleksyon 2016 microsite in February. On top of the usual news content, the microsite also has a special section where visitors can get to know the candidates running for the top positions this year. The **Candidates Section**[6] contains the presidential and vice presidential aspirants' profiles, including their political history, controversies they are linked to, their respective Statements of Assets, Liabilities and Net Worth, and much more.

The microsite also features the **Campaign Tracker** section[7] where the candidates' daily schedules are plotted on a map with a short description of their itinerary. A link can also be included in the description window if GNO has a supporting story of the campaign. Another recent improvement of this section is the field for voting population and 2013 elections voter turnout.

NMI also added a special information section to the microsite that summarizes the **demographics of the country's registered voters.**[8] Information is presented based on gender, age, civil status and can be drilled down to the city level.

According to data from Effective Measure for worldwide audience for the period May 9 to 11, GMA News Online recorded 109,802,626 page views—the highest number of page views for three consecutive days, a feat that has never been achieved by any local site to date. GMA's online portal had almost 90 million page views over ABS-CBN News, which only managed 19,940,178.

GMA News Online delivered real-time election updates, including up-to-the-minute partial and unofficial results for all positions in the national and local elections up to the clustered precinct level, accessible in all platforms and devices.

Using a proprietary technology developed by GMA NMI, GNO also offered "Smart Search" that made it faster and easier for site visitors to find results by candidate, place or position. NMI powered GMA Network's **first ever 360-degree livestream of the PiliPinas Debates 2016**. For the first leg of the PiliPinas Debates 2016 held in Cagayan De Oro City on February 21, 2016, GMA News and Public Affairs and NMI teamed up to mount the first 360-degree livestream coverage of a live event in the Philippines, and one of the first worldwide.

The 360-degree livestream was available for near-real-time viewing on GMA News Online (www.gmanetwork.com/news) and later in GMA's YouTube channel, on-demand.

NMI's R&D unit developed the proprietary technology that allows any web user to pan the camera view around the venue. It utilizes a special single web camera that captures all angles simultaneously. Moreover, NMI's 360 technology allows simultaneous streams to multiple users and at bit-rates that are within practical web limits.

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[6] Click here to see page: http://www.gmanetwork.com/news/eleksyon2016/candidates
[7] Click here to see page: http://www.gmanetwork.com/news/eleksyon2016/campaign_tracker
[8] Click here to see page: http://www.gmanetwork.com/news/eleksyon2016/voters_profile

Digital TV

During the Internet Mobile Marketing Association of the Philippines (IMMAP) Digicon held on October 12, 2016, NMI unveiled a prototype of GMA's upcoming digital television product, an innovation that features both a receiver for digital television and a digital media set-top box.

A first in the country, the unique combination of a DTV and over-the-top (OTT) media delivery platform was demonstrated during the Digicon where NMI showed the digital transmission from GMA-7 and GMA News TV and how the device turned the television into a smart TV capable of playing on-demand content while simultaneously running chat applications and games such as "Angry Birds."

The development of the digital receiver is part of GMA's strategy to attract the elusive millennials as it enables the Network to provide them with content that they want, when they want it, and where they already are.

The Intellectual Property Office already issued a Certificate of Registration for the Utility Model application of the device.

NMI is set to also apply for a utility model patent in select international territories where it perceives the proprietary technology will hold promise in 2017.

NMI AS BUSINESS CENTER

NMI created two subsidiaries to fulfill its role as a business center.

The first is **MediaMerge, Incorporated**, the online publisher of GMA News Online. MediaMerge takes charge of online advertising sales.

MediaMerge capped off 2018 with a -14% dip in total revenues versus prior year, or PHP 60.6M compared to PHP 67.2M earned in the previous year. It had generally been an extra challenging year for online publishing in general as many were negatively affected sales-wise by the major change in algorithm that Facebook implemented in January 2018 that de-prioritized posts from businesses and online publications to favor posts from the users' family and friends. The move was Facebook's response to address concerns about the platform being used for the proliferation of fake news. There was no alternative revenue channel offered by the social media giant that publishers could use as a substitute for the loss in revenue experienced by sites that relied on Facebook to drive significant traffic to their respective websites. New revenue channels were set to be rolled out in Q1 2019.

Designed to specialize in digital marketing, GMA NMI established **Digify, Incorporated**. Digify is a technocreative lab that specializes in sensor technologies such as augmented reality and beacon/proximity marketing, multimedia content production, and end-to-end software solutions for standalone digital and integrated marketing campaigns. Digify has launched a number of trailblazing projects that include award-winning apps for major clients and breakthrough solutions for clients in the technology industry.

NMI AS GMA'S CONDUIT TO INDUSTRY PARTNERS

The Digital Age is marked by constant change and dynamism and favors those who can manage to be constantly ahead of competition. It is in this context that NMI perceives its mandate to ensure that GMA Network is always at the leading edge in the digital space.

GMA NMI manages relationships with major telecommunications companies in the Philippines and abroad, and with leading global brands such as Google, YouTube Facebook, and Waze, to name some. It likewise serves as a conduit to advertising agencies and digital distribution partners meant to create new avenues for incremental revenue and expand the reach of GMA content, both in the local and international markets.

NMI's partnership with YouTube pushed growth for the Advertising Video on Demand (AVOD) channel, as 2018 sales reached USD 3.8 million, or a growth of 141% versus last year.

The GMA Network YouTube channel now ranks among the Top 50 YouTube channels worldwide, a significant jump from being in the Top 200 last year.

The GMA YouTube channels generated a total of 7.8 billion views from 4.6 billion views last year. Views grew 68% while watch time rose 108%, from 14.2 billion minutes in 2017 to 28.6 billion in 2018.

NMI attributes the growth in sales and metrics mainly to the addition of music-related channels such as The Clash, My Guitar Princess, Playlist, and other new channels, aside from content improvements implemented in the Entertainment channel.

GMA NMI sealed partnerships with two of Southeast Asia's leading Internet TV service providers, iFlix and Hooq in Q2 2015 for a new video content distribution platform. The platform, called *Over-the-Top* (OTT), is an IP-based[9] format for content delivery. This new type of video-on-demand service enables users to enjoy online streaming access and an offline viewing option of TV shows and movies. This service optimizes GMA's existing library of content and allows Filipinos here and in the region to watch their well-loved GMA shows whenever they want, wherever they may be. With a growing subscriber base in the country from both Hooq and iFlix, the leverage on these digital platforms creates an opportunity to expand the base of GMA consumers online and create GMA brand loyalty both here and abroad.

Talks have been ongoing for more tie-ups with other OTT providers, set for launch in 2019.

Movie Production

GMA Network Films, Inc. was established in August 1995 to produce movies that cater to both the local and international markets. Its movie productions have reaped both critical acclaim and commercial success.

Music and Video Recording

RGMA Marketing and Productions, Inc. (GMA Records) was incorporated in September 1997 and became operational in 2004 after the Company decided to reactivate its musical recording business through the "GMA Records" label. Since resuming operations, GMA Records has leveraged the Company's talent and media resources, releasing music albums of various artists.

It also partnered with sister company GMA Films and other major film production outfits to release their films on DVD. Likewise, it has introduced the network's top-rating programs and blockbuster TV series into the home video market worldwide through GWI.

GMA Records works with GMA New Media and other local-based content providers and aggregators to take advantage of new revenue streams, particularly in the market of digital music downloading and streaming. The company also secured non-exclusive mobile, web and kiosk-based deals with different content providers worldwide to continuously exploit the potentials of its music and video assets.

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[9] IP (or Internet Protocol) -based distribution of television content uses the internet rather than traditional terrestrial, satellite signal or cable television as a format for content delivery.

GMA Records publishes music and administers copyrights on behalf of composers. GMA Records is also actively pursuing publishing deals, building on its current catalog of original compositions. GMA Records serves as a clearing house and a source of music for the Company's television and film productions. It is also a member of FILSCAP, the Filipino Society of Composers, Authors and Publishers and SoundsRight.

Last May 2017, GMA Records ventured into concert production since as a record label, it is much abreast with the live performance circuit and is knowledgeable of the current music scene. Producing concerts enables GMA Records to exploit album productions and showcase the musical talents of GMA artists.

GMA Records also started producing an online musical channel in October 2017 via video performances of various music artists which will be made available online and will generate additional revenue for the company.

STAGE DESIGN

Script2010, Inc. was formally established in April 2010 as a subsidiary of Citynet Network Marketing and Productions, Inc. It engages in conceptual design and design execution through fabrication, construction, set-up and dismantling of sets, and creation of props. It also provides other related services such as live performances and events management, sales activation and promotion, and tradeshow exhibits.

Script2010, Inc. is also engaged in transportation, hauling and trucking services to further fulfill the needs of its clients. Other business units of **Script2010, Inc.** are video wall, light and sound equipment rental and mobile LED and robotics truck rental, and facility support services to various GMA departments.

POST PRODUCTION

Alta Productions Group, Inc. was established in 1988 as a production house primarily to provide production services for the Network. Until the late 1990s, it operated a satellite studio in Makati, producing award-winning News and Public Affairs Programs for GMA Channel 7.

Today, Alta Productions Group's core business is audio dubbing and mixing for broadcast. Its fully digital audio recording and mixing studios is in sync with the Network's production requirements and broadcast standards. Aside from dubbing foreign content into the local vernacular for airing on the Network, Alta Productions Group also dubs station-produced content into English for international consumption. Its audio studio has now also included closed-captioning as new service.

In addition, Alta Productions Group's shoot and video post-production department produces TVCs, broadcast content, and documentaries for both local and international clients. It has also become a prominent player in the conceptualization, design, and staging of corporate events, conferences, exhibits, and other on-ground activations.

Alta Productions Group is proud to be one of the few production houses capable of servicing the complete spectrum of production requirements all under one roof. From conceptualization, creatives, shoot, post-production, all the way to execution. We find solutions for any kind corporate event or on-ground activity requirement.

EMPLOYEES

As of December 31, 2018, the Company has 2,514 regular and probationary employees. The Company also engaged 1,073 talents (on-cam and off-cam) in 2018. GMA Network, Inc. recognizes one labor union, the GMA Network, Inc. Employees Union. The Collective Bargaining Agreement (CBA) for the cycle 2014-2019 took effect in July 2014.

Item 6. Management Discussion and Analysis of Financial Condition and Results of Operations for the Years Ended December 31, 2018 and 2017

The Management Discussion and Analysis provides a narrative of the Company's financial performance and condition that should be read in conjunction with the accompanying financial statements, which have been prepared in accordance with accounting principles generally accepted in the Philippines.

As discussed below, the Company's financial statements do not show any losses from operation and hence the Company has not taken any measures to address the same.

KEY PERFORMANCE INDICATORS

The Company uses the following measures to assess its performance from period to period.

Ratings

The performance of a program and/or network as a whole with respect to household ratings is the primary consideration for an advertiser in the Philippines to determine whether to advertise on a given program and/or network. AGB Nielsen, a media research firm, provides ratings to the Company on a subscription basis.

Load Factor

Load factor refers to the amount of advertising minutes aired during the breaks in a program as a percentage of the total minutes available for advertisement. The load factor is an indication of a program's or a timeblock's ability to sell advertising minutes. Load factor statistics are internally generated, although certain third parties monitor such statistics.

Signal reach/coverage

The ability to reach a greater number of viewers is a part of the Company's strategy to provide its advertisers with more value for their advertising expenditures. The Company frequently assesses its signal strength and coverage by conducting field intensity surveys and tests.

Subscriber count

Subscriber count is the key performance indicator for the Company's initiatives in the international cable arena to diversify its revenue base beyond advertising revenues. The number of subscribers to the Company's GMA Pinoy TV, GMA Life TV and GMA News TV International form the benchmark for measuring the success of this service. The Company makes internal assessments to determine the market potential for each new initiative and sets a subscriber count target accordingly.

Cost control

The Company is continuously searching for ways to control costs and to improve efficiency. The Company has established systems and procedures to monitor costs and measure efficiency and has launched various initiatives and activities in relation to these efforts.

FINANCIAL AND OPERATIONAL RESULTS

For the Year Ended December 31, 2018

Capping the twelve-month period in 2018, GMA Network and Subsidiaries (GMA/the Company) recorded consolidated sales of over ₱15.0 billion, ending shy by only 2% compared to a year ago -- despite the challenges during most part of the year brought about by the industry-wide contraction in advertising spending. Consolidated revenues of the Company sealed at ₱15,236 million, behind previous year's tally of ₱15,602 million, albeit by only a low single-digit percentage. The dramatic improvement in this year's fourth quarter sales was instrumental in bridging the gap in year-to-date topline.

Income Data	2018 (in millions PhP)	2017 (in millions PhP)	Inc/(Dec) (in millions PhP)	%
Revenues				
Advertising revenue	**13,834.5**	14,176.9	(342.3)	-2%
Subscriptions and others	**1,401.7**	1,425.4	(23.8)	-2%
	15,236.2	15,602.3	(366.1)	-2%
Total operating expenses	**11,998.0**	12,066.7	(68.7)	-1%
EBITDA	**4,823.9**	5,217.4	(393.5)	-8%
Net income	**2,324.0**	2,559.7	(235.7)	-9%
Attributable to Equity Holders of Parent Company	***2,304.8***	*2,543.9*	*(239.1)*	*-9%*
Noncontrolling Interest	***19.2***	*15.8*	*3.4*	*21%*

For the year ended December 31, 2018, advertising revenue sealed at ₱13,835 million, lower than last year by ₱342 million or 2%. Mixed results were seen in the various advertising-revenue generating platforms. Radio and Regional TV operations exhibited top-line improvements while Ch-7 and GMA News TV 11 finished off with sales lower than prior year. On the other hand, revenues from on-line advertising saw a considerable growth this period, thus, further cushioning the reduction from the above. Meanwhile, revenues from subscription and others which also included subsidiaries' operations, wrapped up at ₱1,402 million, likewise down by 2% against last year.

The Company continued to put a tight rein on cost as total consolidated operating expenses (OPEX) for 2018 aggregating to ₱11,998 million manifested a reduction of ₱69 million or 1%. Production and other direct cost finished off at ₱6,484 million which was lower by ₱199 million or 3% than the ₱6,682 million recorded last year. This was partly offset by the hike in the Company's general and administrative expenses (GAEX) by ₱130 million or 2%. Consolidated GAEX stood at ₱5,514 million by the close of the twelve month period this 2018.

The drop in this year's top line drove consolidated Earnings before interest, taxes, depreciation and amortization (EBITDA) down to ₱4,824 million, lower than last year, albeit by a single digit percentage of 8% or P393 million. Consolidated Net Income after tax for the twelve-month period this 2018 thus settled at ₱2,324 million, down by ₱236 million or 9% against last year's performance of ₱2,560 million.

Revenues

Consolidated revenues this 2018 cumulated to ₱15,236 million, sliding by ₱366 million or 2% from year ago's ₱15,602 million emanating from the shortfall in advertising revenue by ₱342 million, coupled by lower top-line contribution coming from subscriptions and other businesses by ₱24 million.

Revenues	**2018** *(in millions PhP)*	2017 *(in millions PhP)*	Inc/(Dec) *(in millions PhP)*	%
Advertising revenues	**13,834.5**	14,176.9	(342.3)	-2%
Subscriptions and others	**1,401.7**	1,425.4	(23.8)	-2%
	15,236.2	15,602.3	(366.1)	-2%

On a per platform basis, core channel GMA-7 comprised the lion's share in the Company's revenue pie, pitching in more than three quarters of the consolidated top line. Compared to prior year's sales, the channel posted a reduction of 4% in airtime sales, arising from the contraction in advertising spending by major business partners. In the same manner, leading news channel GMA News TV 11 also wrapped up the year 2018 with sales lower by 6%.

On the other hand, these were partly mitigated by the boost in revenues generated by the Radio business, which bagged the second largest share in this category. Radio operations nationwide, pitched in revenues higher by 11% versus 2017. Lastly, Regional TV operations also proved its mettle sealing the year with sales up by 5% from a year ago. Both national and local sales posted revenues higher by 6% and 3%, respectively.

Ratings-wise, GMA continued to win against ABS-CBN in the nationwide urban TV ratings (NUTAM) in 2018 with 40.8% average people audience share versus its main competitor's 37.5%. Excluding specials, 19 out of the overall top 30 programs nationwide were from GMA. Moreover, GMA's 47.6% people audience share average in Mega Manila was way ahead of its rival's 28.6%. The Network likewise posted a double-digit margin in TV audience share over ABS-CBN in Urban Luzon.

Meanwhile, this year saw a 37% climb in on-line advertising via the Company's websites, GMA News Online and GMA Entertainment Online, thus partly offsetting the decline from the above.
In other revenue sources, the reduction of 2% or ₱24 million was mainly due to the contraction in film distribution abroad this year which was partly offset by the top-line improvements in the Company's subsidiaries, to wit: Digify, Script2010 and Alta Productions. Subscriptions revenue from international channels GMA Pinoy TV, Life TV and News TV, on the other hand, stood flat in between periods. The 4% hike in foreign exchange due to the depreciation of the Peso against the US dollar was counterweighed by the attrition in subscriber count for the channels mentioned above.

Expenses

Total consolidated operating expenses for the full year of 2018 amounted to ₱11,998 million, declining by ₱69 million or 1% compared to last year. The dip in total cash OPEX by ₱91 million or 1% was partly offset by the slight increase in non-cash OPEX by ₱22 million.

Production Costs	2018 (in millions PhP)	2017 (in millions PhP)	Inc/(Dec) (in millions PhP)	%
Talent fees	**3,038.3**	3,113.6	(75.3)	-2%
Rentals and outside services	**895.8**	845.0	50.8	6%
Other program expenses	**1,475.8**	1,577.6	(101.8)	-6%
Sub-total - Cash Production Costs	**5,409.9**	5,536.1	(126.3)	-2%
Program rights amortization	**871.5**	905.3	(33.8)	-4%
Depreciation and amortization	**202.4**	240.9	(38.5)	-16%
Sub-total - Non-cash Production Costs	**1,073.8**	1,146.2	(72.3)	-6%
Total production costs	**6,483.7**	6,682.3	(198.6)	-3%

Production cost and talent fees which comprised 54% of total consolidated OPEX sealed the period at ₱ 6,484 million, even lower by 3% or ₱199 million than a year ago. Cash production cost ended at ₱5,410 million, down ₱126 million or 2% from last year's ₱5,536 million. Talent fees, which comprised the biggest chunk in this category contracted by ₱75 million or 2%. This was partly offset by the increase in Rentals and outside services which grew by ₱51 million or 6%. Other program expenses also registered a reduction by ₱102 million or 6% in between periods. Contributing to the decline were lower line-production fees paid this year as well as less spending on tapes, sets and production supplies. Non-cash production expenses also netted a ₱72 million or 6% dip from last year coming from decrease in Program rights amortization by 4% and Depreciation by 16%.

Meanwhile, consolidated general and administrative expenses (GAEX) accumulated to ₱5,514 million during the year, slightly ahead of last year by 2% or ₱130 million. Personnel cost which comprised the biggest chunk of this category ended at P3,285 million, at par with last year. While salary increases were accorded to both Confidential and Rank & File employees for 2018, this was fairly equalized by the presence of the non-recurring CBA signing bonus and appreciation bonus in 2017. Outside services which included Advertising expenses and Professional fees grew by P32 million or 8%, while Facilities cost hiked by ₱16 million or 4%, mainly from the rise in utilities payments. Lastly, non-cash GAEX spiked by ₱95 million this year, up 22% from a year ago, mainly due to the recording of ₱110 million as additional provision for doubtful accounts this year.

General and Administrative Expenses	2018 (in millions PhP)	2017 (in millions PhP)	Inc/(Dec) (in millions PhP)	%
Personnel costs	**3,284.8**	3,284.3	0.5	0.02%
Outside services	**408.2**	376.5	31.8	8%
Facilities costs	**465.7**	449.6	16.1	4%
Taxes and licenses	**192.8**	182.7	10.1	6%
Others	**645.9**	669.1	(23.2)	-3%
Subtotal - Cash GAEX	**4,997.5**	4,962.2	35.3	1%
Depreciation and amortization	**384.1**	390.6	(6.5)	-2%
Provision for doubtful accounts	**109.6**	8.3	101.4	1228%
Amortization of software costs	**23.2**	23.4	(0.2)	-1%
Subtotal - Non-cash GAEX	**516.9**	422.2	94.7	22%
Total GAEX	**5,514.3**	5,384.4	129.9	2%

EBITDA

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the year 2018 sealed at ₱ 4,824 million, lower by ₱393 million or 8% compared with prior year's ₱5,217 million. The drop in EBITDA was attuned to this year's top line ending shy against last year's showing.

Net Income

The Company wrapped up the twelve-month period this 2018 with consolidated net income after tax reaching ₱2,324 million, down by P236 million, only a single-digit percentage lower equivalent to 9%.

Balance Sheet Accounts

As at end-2018, the Company's total assets stood at ₱15,293 million, exhibiting an increase of 3% from December 31, 2017's ₱14,793 million.

Cash and cash equivalents of ₱2,559 million increased by ₱279 million or 12% from 2017 balance of ₱ 2,280 million as a result of higher net cash flows from operating activities of ₱3,163 million netted by the cash dividends and interest expense paid during the year amounting to ₱2,436 million and ₱36 million, respectively, coupled by net cash outflows from various investing activities ending at ₱406 million as of end of 2018. Trade and other receivables closed at ₱4,812 million, 2% lower than previous year.

Total liabilities also grew by 7% or ₱361 million as at end-December this year to ₱5,704 million from ₱ 5,343 million in 2017 primarily due to hike in Pension liability as a result of latest actuarial valuation report partially netted by the drop in Trade payables and other current liabilities by ₱226 million.

Equity attributable to Parent Company stockholders of ₱9,525 million as at December 31, 2018 decreased by 1% or ₱122 million in between years, as a result of dividends declared during the first half of 2018 amounting to ₱2,430 million, subsequently counterbalanced by the ₱2,305 million net income attributable to Parent Company earned in 2018 and by increase in revaluation increment in land as of December 31, 2018 in the amount of P693 million, net of tax.

Cash Flows	2018 (in millions PhP)	2017 (in millions PhP)
Net cash provided by operating activities	**3,162.9**	3,072.5
Net cash used in investing activities	**(405.9)**	(542.9)
Net cash used in financing activities	**(2,472.3)**	(3,733.5)
Effect of exchange rate changes on cash and cash equivalents	**(5.5)**	64.7
Net increase (decrease) in cash and cash equivalents	**279.3**	(1,139.2)
Cash and cash equivalents at beginning of year	**2,279.8**	3,419.0
Cash and cash equivalents at end of year	**2,559.1**	2,279.8

Operating Activities

Net cash from operations registered at ₱3,163 million in 2018. This stemmed from income before income tax of ₱3,332 million, adjusted mainly by Program rights usage of ₱871 million, Depreciation expense of ₱586 million, Pension expense of ₱312 million, Provision for doubtful accounts of ₱110 million, Interest expense and financing charges of ₱36 million, Net unrealized foreign currency exchange gain of ₱18 million, Gain on sale of property and equipment of ₱20 million and Amortization of software costs of ₱23 million apart from the changes in working capital. The primary component of the changes in working capital included the ₱140 million increase in Trade and other receivables coupled by the ₱232 million decrease in Trade payables and other current liabilities.

Investing Activities

Net cash used in investing activities amounted to ₱406 million, coming primarily from the ₱569 million and ₱11 million net additions to Property and equipment and Software costs, respectively. These were partly offset by the increase in Other noncurrent assets by ₱140 million and by the ₱35 million proceeds from sale of property and equipment and investment properties.

Financing Activities

Net cash used in financing activities amounted to ₱2,472 million basically due to payment of cash dividends and loans amounting to ₱2,436 million ₱1,500 million, respectively, plus some ₱36 million in Interest expense netted by ₱1,000 million remaining proceeds from short-terms loans.

FINANCIAL AND OPERATIONAL RESULTS

For the Year Ended December 31, 2017

Following a banner year in 2016 with the windfall of nearly ₱1.5-billion from the last national elections and compounded by contraction in the adspend of major industry players this year, GMA Network and Subsidiaries (GMA/the Company) nevertheless managed to exceed prior year's top line in terms of recurring sales. For the twelve-month period ended December 31, 2017 the Company pegged recurring revenues at ₱15,602 million, inching up versus last year's regular sales by a notch or ₱136 million. In absolute terms, in the absence of the significant boost from political advocacies and advertisements this year, the Company sealed full year 2017 with a shortfall in consolidated revenues of ₱1,352 million. This translated into an 8% decline from last year's top line of ₱16,954 million.

Income Data	2017 (in millions PhP)	2016 (in millions PhP)	Inc/(Dec) (in millions PhP)	%
Revenues				
Advertising revenue	**14,176.9**	15,608.1	(1,431.2)	-9%
Subscriptions and others	**1,425.4**	1,345.9	79.6	6%
	15,602.3	16,953.9	(1,351.7)	-8%
Total operating expenses	**12,066.7**	11,877.5	189.2	2%
EBITDA	**5,217.4**	6,778.0	(1,560.7)	-23%
Net income	**2,559.7**	3,646.6	(1,086.9)	-30%
Attributable to Equity Holders of Parent Company	***2,543.9***	*3,626.3*	*(1,082.4)*	*-30%*
Noncontrolling Interest	***15.8***	*20.3*	*(4.4)*	*-22%*

Advertising revenue went down by ₱1,431 million or 9%, ending at ₱14,177 million versus the recorded sales of ₱15,608 million last year. Minus the extra-ordinary election-related load a year ago, Television and Radio airtime revenues from regular advertisers ended at about the same level as last year. In absolute terms however, all airtime-generating platforms registered setbacks in their absolute sales in between periods with the exception of Regional TV's revenues from local sources which bucked the trend and recorded top-line growth. On the other hand, on-line advertising saw a dramatic improvement in revenues which partly offset the shortfall from the above. In other revenue streams -- subscription and others -- a net increase of 6% or ₱80 million was recorded, thus, providing the much needed cushion against the reduction manifested in advertising revenues.

Meanwhile, the Company continued to maintain cost control with total consolidated operating expenses (OPEX) for 2017 accumulating to ₱12,067 million. This year's OPEX edged prior year's ₱11,878 million by a low single-digit increase of 2% or ₱189 million. Production cost finished off at ₱6,682 million and inched up versus last year by only ₱41 million or 1%. On the other hand, general and administrative expenses (GAEX) stood at ₱5,384 million, slightly ahead versus last year by 3% or ₱148 million.

The drop in this year's top line mainly due to the absence of the non-recurring influx from the 2016 elections drove this year's consolidated Earnings before interest, taxes, depreciation and amortization (EBITDA) down to ₱5,217 million. Compared to 2016's remarkable performance, this yielded a ₱1,561 million reduction equivalent to 23%.

Consolidated Net Income after tax for the twelve-month period this 2017 thus sealed at ₱2,560 million, down by ₱1,087 million or 30% against last year's unprecedented performance of ₱3,647 million. Nonetheless, it is noteworthy to mention that this year's consolidated bottom line of ₱2,560 million was the highest non-election year result in the history of the Company.

Revenues

For the year 2017, consolidated revenues hiked to ₱15,602 million, lower than prior year's top line by ₱ 1,352 million, resulting from the absence of nearly ₱1.5-billion worth of election-related load. The shortfall in airtime revenues from both television and radio operations was partly cushioned by the improvement in other revenue streams of the Company which grew by 6% or ₱80 million in between periods.

Without the one-time boost from political advocacies and advertisements this year nearly all airtime revenue-generating platforms' top-line performance paled in comparison to 2016. Core channel, GMA-7 which comprised about 81% of the consolidated revenues registered the biggest drop among airtime-revenue platforms with a setback of 10% compared to last year. Sans the impact of more than a billion worth of non-recurring political load, the channel stood flat against last year's tally in terms of recurring placements.

Revenues	**2017** *(in millions PhP)*	2016 *(in millions PhP)*	Inc/(Dec) *(in millions PhP)*	%
Advertising revenue	**14,176.9**	14,120.5	56.4	0.4%
Subscriptions and others	**1,425.4**	1,345.9	79.6	6%
	15,602.3	15,466.4	135.9	1%
Add: Non-recurring political advertisements	-	1,487.6	(1,487.6)	-100%
	15,602.3	16,953.9	(1,351.7)	-8%

Radio business bagged the second largest share in airtime revenues, albeit likewise sealing the year shy by 6% from last year's solid performance. Nevertheless, minus the boost of over a hundred million from last year's elections, Radio's revenues pulled ahead by 18% in terms of recurring sales.

Meanwhile, GNTV-11 raked in sales lower by 9% from last year. Regular sales of the channel were likewise down by 7% y-o-y. Lastly, Regional TV (RTV) continued to provide incremental revenues with total sales finishing off a tad higher than 2016's election-heavy top line. Moreover, without the presence of last year's extraordinary sales from political advocacies and advertisements, RTV's revenues registered a 19% increase propelled mainly by the surge in local advertisements from the various regions.

Ratings-wise, GMA led its main competitor in nationwide urban TV ratings (NUTAM) in 2017 with an average people audience share of 42.5%, ahead of ABS-CBN's 36.8%. Excluding specials, 20 out of the top 30 programs nationwide were from GMA. Moreover, in Mega Manila, GMA's 51.9% people audience share average in 2017 dwarfed its rival's 26.7%. The same is true for Urban Luzon where GMA likewise posted a double-digit margin over ABS-CBN in TV audience share.

The impact of the absence of political advertisements in this year's top line was partly offset by the boost coming from on-line advertising sales in the Company's various websites. This revenue stream pitched in a 48% growth year-on-year.

In other revenue sources, international operations' and other businesses (which were not affected by the extraordinary influx from election placements last year) wrapped up with a combined top line of ₱ 1,425 million, growing by ₱80 million or 6% versus a year ago. Subscriptions revenues from international channels GMA Pinoy TV, Life TV and News TV raked in total revenues of more than a billion and registered an 8% climb from same period last year. The increase in revenues from subscribers was influenced by the depreciation of the PhP against the USD by an average of 6%. On-ground sponsorships abroad meanwhile pitched in an 18% hike in the platform's total revenue improvement. Shows held abroad this year included *Sikat Ka Kapuso* in the US, *Wowowin* in the Middle East, *Fiesta Ko sa Texas* featuring Alden Richards, among others. In USD-terms the growth in Pinoy TV stood at 3.5% y-o-y. Syndication revenues abroad, spearheaded by subsidiary GMA Worldwide, Inc. (GWI) also recorded an 18% improvement in sales in between years.

On the other hand, revenues from other businesses likewise provided top-line growth with GMA New Media (GNMI) reflecting an increase in sales from content provisioning (i.e. HOOQ, iFlix). There were also top-line growths seen in Script2010 and Digify. These however were partly trimmed down by absence of theatrical revenues as last year's results included the showing of *Imagine You and Me* starring Alden Richards and Maine Mendoza, with nearly ₱200.0 million in gross theatrical receipts (a portion of which represented GMA Film's share).

Expenses

Total consolidated operating expenses for the year amounted to ₱12,067 million, edging last year by only a single-digit percentage of 2% or ₱189 million versus 2016's ₱11,878 million. Total cash OPEX inched up by ₱223 million or 2% and was even partly trimmed down by the reduction in non-cash OPEX by ₱34 million, also 2%.

Production Costs	2017 (in millions PhP)	2016 (in millions PhP)	Inc/(Dec) (in millions PhP)	%
Talent fees	**3,113.6**	2,873.2	240.4	8%
Rentals and outside services	**845.0**	820.6	24.4	3%
Other program expenses	**1,577.6**	1,839.4	(261.8)	-14%
Sub-total - Cash Production Costs	**5,536.1**	5,533.1	3.1	0.1%
Program rights amortization	**905.3**	836.2	69.1	8%
Depreciation and amortization	**240.9**	272.2	(31.3)	-12%
Sub-total - Non-cash Production Costs	**1,146.2**	1,108.4	37.8	3%
Total production costs	**6,682.3**	6,641.5	40.8	1%

Production cost and talent fees which comprised 55% of total consolidated OPEX sealed the year at ₱ 6,682 million, only 1% higher than a year ago. Cash production cost ended at ₱5,536 million ending at about the same level as last year's ₱5,533 million. Talent fees drove the growth at ₱3,114 million, higher by ₱240 million or 8% versus 2016. There were also increases in rental and outside services by 3%. These were partly offset by the reduction in other production accounts. The general growth was attuned to this year's mix of *Telebabad* offerings featuring the high-rating fantaserye *"Encantadia"* and the remake of *"Mulawin vs. Ravena"* which entailed higher production spending compared to counterpart programs last year. Towards the last quarter of the year, *Alyas Robinhood Book 2* was also launched which likewise required relatively higher budget. Non-cash production cost mainly program rights usage also finished off higher by ₱69 million or 8% more versus last year owing to more slots being occupied by rented movies (under the *Kapuso Movie Festival* series) and higher cost of foreign titles featured during the period. On the other hand, partly trimming down the escalation from the above was the reduction in depreciation charges related to production equipment and facilities which dipped by ₱31 million or 12% from a year ago.

Meanwhile, consolidated general and administrative expenses (GAEX) accumulated to ₱5,384 million during the year, slightly ahead of last year by 3% or ₱148 million. Propelling the increase was the growth in personnel cost by ₱292 million or 10% owing to the one-time payout of the CBA signing bonus to rank and file employees and the appreciation bonus to confidential employees totaling about ₱216 million during the third quarter of this year. This was partly offset by the higher mid-year and year-end bonuses distributed in 2016 compared to 2017 bonus payouts. Other GAEX accounts which also ended lower this year compared to previous period included Outside services, in particular Management and Professional fees and Advertising and Promotions and Depreciation and amortization, as well as lower Provision for doubtful accounts.

General and Administrative Expenses	2017 (in millions PhP)	2016 (in millions PhP)	Inc/(Dec) (in millions PhP)	%
Personnel costs	**3,284.3**	2,992.8	291.5	10%
Outside services	**376.5**	406.5	(30.1)	-7%
Facilities costs	**449.6**	446.3	3.3	1%
Taxes and licenses	**182.7**	178.4	4.3	2%
Others	**669.1**	718.3	(49.2)	-7%
Subtotal - Cash GAEX	**4,962.2**	4,742.4	219.8	5%
Depreciation and amortization	**390.6**	451.4	(60.8)	-13%
Provision for doubtful accounts	**8.3**	25.2	(16.9)	-67%
Amortization of software costs	**23.4**	17.2	6.2	36%
Subtotal - Non-cash GAEX	**422.2**	493.7	(71.5)	-14%
Total GAEX	**5,384.4**	5,236.1	148.3	3%

EBITDA

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the year 2017 sealed at ₱ 5,217 million, lower by ₱1,561 million or 23% compared with prior year's ₱6,778 million. The drop in EBITDA was attuned to the presence in 2016 of the non-recurring elections load in the Company's consolidated top line.

Net Income

The Company finished off the twelve-month period this 2017 with consolidated net income after tax of ₱ 2,560 million, a drop of ₱1,087 million or 30% year-on-year. Despite this decline, the Company chronicled its best consolidated bottom-line performance on a non-election year.

Balance Sheet Accounts

As at end-2017, the Company's total assets stood at ₱14,793 million, exhibiting an increase of 8% from December 31, 2016's ₱16,059 million.

Cash and cash equivalents of ₱2,280 million decreased by ₱1,139 million or 33% from 2016 balance of ₱3,419 million as a result of operating income netted by the dividends declared during the year and various investing activities amounting to ₱4,276 million. Trade and other receivables closed at ₱4,906 million, 7% lower than previous year.

Total liabilities also declined by 5% or ₱259 million as at end-December this year to ₱5,343 million from ₱5,603 million in 2016 primarily due from the reduction of Notes payable by of over a hundred million or ₱146 million, coupled by the drop in Trade payables and other current liabilities and Income tax payable by ₱55 million and ₱149 million, respectively. This was partially offset by the rise in Obligation for program and other rights by P63 million and Pension liability by ₱26 million.

Equity attributable to Parent Company stockholders of ₱9,403 million as at December 31, 2017 decreased by 10% or ₱1,004 million in between years, as a result of dividends declared during the first half of 2017 amounting to ₱3,548 million, subsequently counterbalanced by ₱2,544 million net income attributable to Parent Company earned in 2017.

Cash Flows	2017 (in millions PhP)	2016 (in millions PhP)
Net cash provided by operating activities	**3,072.5**	4,115.2
Net cash used in investing activities	**(542.9)**	(405.4)
Net cash used in financing activities	**(3,733.5)**	(2,490.5)
Effect of exchange rate changes on cash and cash equivalents	**64.7**	39.4
Net increase (decrease) in cash and cash equivalents	**(1,139.2)**	1,258.7
Cash and cash equivalents at beginning of year	**3,419.0**	2,160.3
Cash and cash equivalents at end of year	**2,279.8**	3,419.0

Operating Activities

Net cash from operations registered at ₱3,073 million in 2016. This stemmed from income before income tax of ₱3,658 million, adjusted mainly by Depreciation expense of ₱632 million, Program and other rights usage of ₱905 million, Pension expense of ₱290 million, Interest expense and financing charges of ₱23 million, Net unrealized foreign currency exchange gain of ₱59 million, Gain on sale of property and equipment of ₱27 million and Amortization of software costs of ₱23 million apart from the changes in working capital. The primary components of the changes in working capital included the ₱ 347 million reduction in Trade and other receivables partly offset by the ₱24 million upturn in Trade payables and other current liabilities.

Investing Activities

Net cash used in investing activities amounted to ₱543 million, coming primarily from the ₱524 million and ₱42 million net additions to Property and equipment and Software costs, respectively. These were partly offset by the ₱30 million Proceeds from sale of property and equipment.

Financing Activities

Net cash used in financing activities amounted to ₱3,733 million basically due to loan payments of ₱ 1,647 million and cash dividend payout amounting to ₱3,563 million during the year, plus some ₱23 million in Interest expense netted by ₱1,500 million remaining proceeds from short-terms loans.

KEY VARIABLE AND OTHER QUALITATIVE OR QUANTITATIVE FACTORS

i. Trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

   As of December 31, 2018, there were no known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

ii. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration or an obligation.

   As of December 31, 2018, there were no events which may trigger a direct or contingent financial obligation that is material to the Company.

iii. Material off-balance-sheet transactions, arrangements, obligations (including contingent obligations), and other relations of the company with unconsolidated entities or other persons created during the reporting period.

There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relations of the company with unconsolidated entities or other persons created during the reporting period.

iv. Material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.

For 2018, the parent company has allotted ₱835 million for capital expenditures. This will be financed by internally-generated funds.

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

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

vi. Significant elements of income or loss that did not arise from the Company's continuing operations.

As of December 31, 2018, there were no significant elements of income or loss that did arise from the issuer's continuing operations.

vii. Causes for Material Changes in the Financial Statements

Balance Sheet (December 31, 2018 vs. December 31, 2017)

- Cash and cash equivalents decrease by 12% to ₱2,559 million at year-end which is directly attributed to this year's result of operation. Net cash provided by operating activities amounted to ₱3,163 million partly netted by the net cash used in investing activities of ₱406 million and in financing activities of ₱2,472 million.
- Program and other rights – current and noncurrent dropped to ₱937 million from ₱1,346 million in 2017 as a direct impact of lower additions over rights usage.
- Land at revalued amount increased by 55% or ₱997 million as a result of increase in fair marke value based on latest appraisal reports.

viii. Seasonal aspects that had a material effect on the financial condition or results of operations.

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

Interim Periods

The Company currently cannot make available the financial information for the first quarter of 2019. The Company however, undertakes to submit its SEC Form 17-Q on or before May 14, 2019 and to make the same available upon request during the Company's Annual Stockholders' Meeting.

Item 7. Financial Statements

Refer to attached copy.

Item 8 . Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Audit and Risk Management Committee reviews the fee arrangements with the external auditor and recommends the same to the Board of Directors. The Company's Audit Committee was formed in 2007 and was formally organized during the latter portion of that year. The members of the Audit Committee are as follows:

Dr. Jaime C. Laya (Chairman)
Chief Justice Artemio V. Panganiban
Anna Teresa M. Gozon
Laura J. Westfall

The Audit and Risk Management Committee has recommended the appointment of Sycip Gorres Velayo and Co., as the external auditor of the Company. The Sycip Gorres Velayo & Co. has acted as the Company's external auditors since 1994. The same accounting firm is being recommended for re-election at the scheduled annual meeting.

The Company has not had any disagreements on accounting and financial disclosures with its current external auditors during the two most recent fiscal years or any subsequent interim period.

Sycip Gorres Velayo & Co. has no shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

AUDIT AND AUDITED RELATED FEES

The aggregate fees billed for each of the last two years for the professional services rendered by SyCip Gorres Velayo & Co. amounted to P6.3 million in 2017 and P6.5 million in 2018 (these included the fees related to financial audit and services for general tax compliance).

TAX FEES

There was no specific engagement availed by the Company for purely tax accounting. The total audited related fees as stated above already included basic tax review.

ALL OTHER FEES

Other than the foregoing services, no other product or service was provided by the external auditor to the Company.

III. PROPERTIES

As of December 31, 2018, the Company's total property and equipment and real property amounted to P5,445.5 million. The property and equipment had a book value of P2,642.2 million, while its real property had a fair market value of P2,804.5 million (based on an Independent appraisal report as of November 13, 2018).

The following are the principal properties of the Company:

- The Channel 7 compound located in Barangay South Triangle, Diliman, Quezon City, which contains several buildings, including the GMA Network Center building;
- The GMA Network Center Studios, a four-storey building with an area of 4,053 square meter property adjacent to the GMA Network Center at GMA Network Drive cor. EDSA, Diliman Quezon City which houses two state-of-the-art studios, technical facilities and offices;
- The GMA-7 Antenna Tower in Tandang Sora Avenue, Barangay Culiat, Diliman Quezon City, which contains the TV and FM Transmitter building and the Satellite Uplink building;
- The GMA Fleet Center located on the east corner of Mother Ignacia Avenue and Sergeant Esguerra Avenue, Barangay South Triangle, Diliman Quezon City; and
- Properties in the key areas across different regions:

Luzon

- Land in Barangay Malued, Dagupan City, where the Company's radio and television studios are located;
- A 51,135 square meter property in Panghulo, Obando, Bulacan, where an AM transmitter site, a two-storey building, a genset house, and an AM tower are situated;
- A 2,000 square meter property in Barangay Concepcion Pequeña, Naga City, where a TV relay transmitter and an FM transmitter site are located; and
- A 10,000 square meter property in La Trinidad, Benguet where an FM transmitter site and a one storey building are situated.
- A 2000 square meter property in Bayubay Sur, San Vicente, Ilocos Sur where a TV studio is located.

Visayas

- Land located in Nivel Hills, Barangay Lahug, Cebu City, containing a multilevel building which houses radio and television operation facilities;
- Land in Barangay Tamborong, Jordan, Guimaras where an FM radio and television transmitter is located;
- Land in Alta Tierra, Jaro, Iloilo City where radio and television studios are located;
- Land in Barangay Jibao-an, Pavia, Iloilo where an AM transmitter site and building are located;
- Land in Barangay Sta. Monica, Puerto Princesa City, Palawan where a television relay transmitter site and building are located; and,
- Land in Barangay Bulwang, Numancia, Aklan where a television relay transmitter site and a building are located.

Mindanao

- Land in Bo. Matina Hills, Davao City where an FM and television transmitter building and studio complex are located;

- Land in Barangay San Isidro, General Santos City where a television relay transmitter site and a building are located;
- Land in Barangay Cabatangan, Zamboanga City where a television relay transmitter site and a building are located.

The properties owned by the Company are currently unencumbered and are free from any existing liens.

The Company also leases land, building and studio/office space in various locations around the Philippines under lease agreements for periods of between three and 25 years. The lease agreements may be cancelled at the Company's option. Rental expense of the Company related to this amounted to P20.2 million for the year ended December 31, 2018.

Regional Broadcast Stations

GMA owns regional broadcast stations in various parts of the country. Originating TV stations are stand-alone transmitter, studio and production facilities capable of producing and airing live and/or taped programs as well as plugs and advertising within their (local) service area/s independent of, or in conjunction with the national feed. Satellite TV stations are similar to originating TV stations except that they are not equipped with live production capability outside of news bulletins. Satellite TV stations are also capable of broadcasting local plugs or advertising within their respective (local) service areas either independent of, or in conjunction with national program feeds. TV relay stations are limited to transmitter and signal receiving facilities and only re-broadcast programs/content received from originating or satellite TV stations with which they are associated; either via satellite or other receiving methods.

The following are GMA's television and radio stations throughout the Philippines:

LIST OF GMA's OPERATING TV STATIONS

NO	STATION	ADDRESS	CONTACT NUMBER
	LUZON		
1	TV-7 Metro Manila (GMA)	Brgy. Culiat, Tandang Sora, Quezon City	(02) 931-9183 / (02) 924-2497
	TV-27 Metro Manila (DTTB GMA/GNTV)	GMA Network Center, EDSA cor. Timog Avenue, Diliman, Quezon City	(02) 931-9183 / (02) 924-2497
2	TV-5 Ilocos Norte (GMA)	Brgy. San Lorenzo, San Nicolas, Ilocos Norte	0916-6715439
	TV-27 Ilocos Norte (GNTV)	Brgy. San Lorenzo, San Nicolas, Ilocos Norte	0916-6715439
3	TV-48 Ilocos Sur (GMA)	Mt. Caniao, Bantay, Ilocos Sur	0915-8632841
	RGMA TV-40 Ilocos Sur (GNTV)	Mt. Caniao, Bantay, Ilocos Sur	0915-8632841
4	TV-7 Batanes (GMA)	Brgy. Kayvaluganan, Basco, Batanes	0915-6127197
5	TV-13 Aparri, Cagayan (GMA)	Hi-Class Bldg., De Rivera St., Aparri, Cagayan	0915-6130530
	TV-26 Aparri, Cagayan (GNTV)	Hi-Class Bldg., De Rivera St., Aparri, Cagayan	0915-6130530

6	TV-7 Tuguegarao, Cagayan (GMA)	No. 91 Mabini St., Tuguegarao City, Cagayan	0915-6127263
	TV-27 Tuguegarao, Cagayan (GNTV)	No. 91 Mabini St., Tuguegarao City, Cagayan	0915-6127263
7	TV-7 Isabela (GMA)	Heritage Commercial Complex, Maharlika Hi-way, Brgy. Malvar, Santiago City, Isabela	0915-2700063
8	TV-5 Baler (GMA)	Purok 3, Brgy. Buhangin, Baler, Aurora	0915-6127194
9	TV-10 Olongapo (GMA)	Upper Mabayuhan, Olongapo City	0915-6127265
	TV-26 Olongapo (GNTV)	Upper Mabayuhan, Olongapo City	0915-6127265
10	RGMA TV-28 Tarlac City (GNTV)	Exclusively His Bldg., F. Tanedo St. corner Espinosa St., Tarlac City	0915-2700185
11	TV-12 Batangas (GMA)	Mt. Banoy, Bo. Talumpok East, Batangas City	0915-8632860
	TV-26 Batangas (GNTV)	Mt. Banoy, Bo. Talumpok East, Batangas City	0915-8632860
12	TV-44 Jalajala, Rizal (GMA)	Mt. Landing, Jalajala, Rizal	0915-8632874
13	TV-13 Occidental Mindoro (GMA)	Bonifacio St., San Jose, Occidental Mindoro	0915-6127199
	TV-26 Occidental Mindoro (GNTV)	Bonifacio St., San Jose, Occidental Mindoro	0915-6127199
14	TV-6 Brooke's Point, Palawan (GMA)	Poblacion, Brooke's Point, Palawan	0915-6127181
15	TV-8 Coron, Palawan (GMA)	Tapias Hill, Coron, Palawan	0915-6127178
16	TV-12 Puerto Princesa, Palawan (GMA)	Mitra Rd., Brgy. Sta. Monica, Puerto Princesa, Palawan	0915-6127185
	TV-27 Puerto Princesa, Palawan (GNTV)	Mitra Rd., Brgy. Sta. Monica, Puerto Princesa, Palawan	0915-6127185
17	TV-7 Romblon (GMA)	Triple Peak, Sta. Maria, Tablas, Romblon	0915-6127225
18	TV-12 Legaspi (GMA)	Mt. Bariw, Estanza, Legaspi City	0915-8632867
	TV-27 Legaspi (GNTV)	Mt. Bariw, Estanza, Legaspi City	0915-8632867
	RGMA TV-33 Legaspi (GMA)	Mt. Bariw, Estanza, Legaspi City	0915-8632867
19	TV-8 Daet (GMA)	Purok 2, Brgy. Mancruz, Daet, Camarines Norte	0915-2700056
20	TV-7 Naga (GMA)	Brgy. Concepcion Pequeña, Naga City	0915-4417071
	TV-28 Naga (GNTV)	Brgy. Concepcion Pequeña, Naga City	0915-4417071
	RGMA TV-44 Naga (GMA)	Brgy. Concepcion Pequeña, Naga City	0915-4417071

21	TV-13 Catanduanes (GMA)	Brgy. Sto. Niño, Virac, Catanduanes	0915-6127174
22	TV-7 Masbate (GMA)	Brgy. Pinamurbuhan, Mobo, Masbate	0915-6127175
	TV-27 Masbate (GNTV)	Brgy. Pinamurbuhan, Mobo, Masbate	0915-6127175
23	TV-2 Sorsogon (GMA)	Mt. Bintacan, Brgy. Maalo, Juban, Sorsogon	0915-2700192
24	TV-7 Abra (GMA)	Brgy. Lusuac, Peñarrubia, Abra	0915-6130512
25	TV-10 Benguet (GMA)	Mt. Sto. Tomas, Tuba, Benguet	0915-4417080
	TV-38 Benguet (DTTB GMA/GNTV)	Mt. Sto. Tomas, Tuba, Benguet	0915-4417080
	TV-22 Benguet (GNTV))	Mt. Sto. Tomas, Tuba, Benguet	0915-4417080
26	TV-5 Mountain Province (GMA)	Mt Amuyao, Barlig, Mountain Province	0915-2700124
	VISAYAS		
27	TV-2 Kalibo (GMA)	New Busuanga, Numancia, Aklan	0915-6127216
	TV-27 Kalibo (GNTV)	New Busuanga, Numancia, Aklan	0915-6127216
28	TV-5 Roxas (GMA)	Brgy. Milibili, Roxas City, Capiz	0915-6127217
	TV-27 Roxas (GNTV)	Brgy. Milibili, Roxas City, Capiz	0915-6127217
29	TV-6 Guimaras (GMA)	Bo. Tamburong, Jordan, Guimaras	0915-4417084
	TV-28 Iloilo (GNTV)	Alta Tierra Subdivision, Jaro, Iloilo	0915-4417084
30	TV-13 Bacolod (GMA)	Security Bank Bldg., Rizal St. cor. Locsin St., Bacolod City	0915-8632864
	TV-48 Bacolod (GNTV)	Security Bank Bldg., Rizal St. cor. Locsin St., Bacolod City	0915-8632864
31	TV-30 Murcia, Negros Occidental (GMA)	Mt. Kanlandog, Brgy. Canlandog, Murcia, Negros Occidental	0915-2700132
32	TV-10 Sipalay (GMA)	Sipalay Municipal Building, Sipalay, Negros Occidental	0915-6127219
33	TV-11 Bohol (GMA)	Banat-I Hills, Brgy. Bool, Tagbilaran City	0915-6127214
34	TV-7 Cebu (GMA)	Bonbon, Cebu City	0915-4417075
	TV-26 Cebu (DTTB GMA/GNTV)	Bonbon, Cebu City	0915-4417075
	TV-27 Cebu (GNTV)	Bonbon, Cebu City	0915-4417075

	RGMA TV-51 Cebu (GMA)	Bonbon, Cebu City	0915-4417075
35	TV-5 Dumaguete (GMA)	Barrio Looc, Sibulan, Negros Oriental	0915-6131185
	TV-28 Dumaguete (GNTV)	Barrio Looc, Sibulan, Negros Oriental	0915-6131185
36	TV-8 Borongan (GMA)	Poblacion, Borongan, Eastern Samar	0915-6127177
37	TV-12 Ormoc (GMA)	Brgy. Alta Vista, Ormoc City	0915-6127213
38	TV-10 Tacloban (GMA)	Basper, Tigbao, Tacloban City	0915-6127208
	TV-26 Tacloban (GNTV)	Basper, Tigbao, Tacloban City	0915-6127208
39	TV-5 Calbayog (GMA)	Purok 2 San Mateo St. Brgy. Matobato, Calbayog City, Western Samar	0915-6127176
	MINDANAO		
40	TV-4 Dipolog (GMA)	Linabo Peak, Dipolog City, Zamboanga Del Norte	0915-6127247
	TV-26 Dipolog (GNTV)	Linabo Peak, Dipolog City, Zamboanga Del Norte	0915-6127247
41	TV-3 Pagadian (GMA)	Mt. Palpalan, Pagadian City, Zamboanga del Sur	0915-6127245
	TV-26 Pagadian (GNTV)	Mt. Palpalan, Pagadian City, Zamboanga del Sur	0915-6127245
42	TV-9 Zamboanga (GMA)	Brgy. Cabatangan, Zamboanga City	0915-8632870
	TV-21 Zamboanga (GNTV)	Brgy. Cabatangan, Zamboanga City	0915-8632870
	RGMA TV-45 Zamboanga (GMA)	Brgy. Cabatangan, Zamboanga City	0915-8632870
43	TV-12 Mt. Kitanglad, Bukidnon (GMA)	Mt. Kitanglad, Bukidnon	0915-8632863
44	TV-5 Ozamis, Misamis Occidental (GMA)	Bo. Malaubang, Ozamis City, Misamis Occidental	0915-6127220
	TV-22 Ozamis, Misamis Occidental (GNTV)	Bo. Malaubang, Ozamis City, Misamis Occidental	0915-6127220
45	TV-11 Iligan City (GMA)	Brgy. Del Carmen, Iligan City, Lanao del Norte	0915-6131202
46	TV-35 Cagayan de Oro (GMA)	Malasag Heights, Brgy. Cugman, Cagayan de Oro City	0915-8632875
	RGMA TV-43 Cagayan de Oro (GNTV)	Malasag Heights, Brgy. Cugman, Cagayan de Oro City	0915-8632875
47	TV-26 Butuan (GMA)	Brgy. Bonbon, Butuan City, Agusan del Norte	09163178470
48	TV-5 Davao (GMA)	Shrine Hills, Matina, Davao City	0915-4417082

	TV-37 Davao (DTTB GMA/GNTV)	Shrine Hills, Matina, Davao City	0915-4417082
	TV-27 Davao (GNTV)	Shrine Hills, Matina, Davao City	0915-4417082
49	TV-12 Cotabato (GMA)	Regional Government Center, Cotabato City	0915-6131170
	TV-27 Cotabato (GNTV)	Regional Government Center, Cotabato City	0915-6131170
50	TV-8 General Santos (GMA)	Nuñez St., Brgy. San Isidro, General Santos City	0915-8632871
	TV-26 General Santos (GNTV)	Nuñez St., Brgy. San Isidro, General Santos City	0915-8632871
	RGMA TV-32 General Santos (GMA)	Nuñez St., Brgy. San Isidro, General Santos City	0915-8632871
51	TV-10 Surigao (GMA)	Lipata Hills, Surigao City, Surigao del Norte	0915-6131227
	TV-27 Surigao (GNTV)	Lipata Hills, Surigao City, Surigao del Norte	0915-6131227
52	TV-2 Tandag (GMA)	Capitol Hill, Brgy. Telaje, Tandag, Surigao del Sur	0915-6127248
53	TV-12 Jolo, Sulu (GMA)	Ynawat Bldg., Hadji Butu St., Jolo, Sulu	0915-6131182
	TV-26 Jolo, Sulu (GNTV)	Ynawat Bldg., Hadji Butu St., Jolo, Sulu	0915-6131182

GMA's RADIO STATIONS

GMA's RADIO STATIONS

AREA	FREQ.	CALL SIGN	AM / FM	POWER	ADDRESS
LUZON					
METRO MANILA	594 kHz 97.1 MHz	DZBB DWLS	AM FM	50kW 25kW	GMA Network Center, EDSA cor. Timog Ave., Diliman, Quezon City
BAGUIO	92.7 MHz	DWRA	FM	10kW	2/F Baguio Midland Courier Bldg., Kisad Road, Baguio City
DAGUPAN	1548 kHz 93.5 MHz	DZSD DWTL	AM FM	10kW 10kW	GMA TV 10 Compound, Claveria Road, Malued District, Dagupan City
LEGAZPI	96.3 MHz	DWCW	FM	10kW	3/L A. Bichara Silverscreen Entertainment Center, Magallanes St., Legazpi City
LUCENA	91.1 MHz	DWQL	FM	10kW	3/F Ancon Bldg., Merchan St., Lucena City
NAGA	101.5 MHz	DWQW	FM	5kW	GMA Complex (Beside Mother Seton Hospital), Diversion Road (Roxas Ave.), Naga City
PALAWAN	909 kHz	DYSP	AM	5kW	Solid Road, San Manuel,

	97.5 MHz	DYHY	FM	5kW	Puerto Princesa City, Palawan
TUGUEGARAO	89.3 MHz	DWWQ	FM	10kW	4/F Villablanca Hotel, Pattaui St. cor, Pallua Rd., Ugac Norte, Tuguegarao City, Cagayan

VISAYAS

BACOLOD	1341 kHz 107.1 MHz	DYSB DYEN	AM FM	5KW 10kW	3/F Centroplex Mall, Gonzaga-Locsin St., Bacolod City
CEBU	999 kHz 99.5 MHz	DYSS DYRT	AM FM	10kW 25kW	GMA Skyview Complex, Nivel Hills, Lahug, Cebu City
ILOILO	1323 kHz 93.5 MHz	DYSI DYMK	AM FM	5kW 10kW	GMA Broadcast Complex Phase 5, Alta Tierra Village, Jaro, Iloilo City
KALIBO	92.9 MHz	DYRU	FM	5kW	Torres-Olivia Bldg., Roxas Ave. Extension, Kalibo, Aklan

MINDANAO

CAGAYAN DE ORO	100.7 MHz	DXLX	FM	5kW	2/F Centro Mariano Bldg., Osmeña St., Cagayan De Oro City
DAVAO	1125 kHz 103.5 MHz	DXGM DXRV	AM FM	10kW 10kW	GMA Network Complex, Shrine Hills, Matina, Davao City
GENERAL SANTOS	102.3 MHz 1107 kHz (leased)	DXCJ DXBB	FM AM	10kW 5KW	3/F PBC Bldg., Cagampang St., General Santos City
ILIGAN (RGMA)	90.1 MHz	DXND	FM	1kW	Infinity Suites, Consunji St., Iligan City
ZAMBOANGA	1287 kHz	DXRC	AM	5KW	Logoy Duitay, Talon-Talon, Zamboanga City

IV. LEGAL PROCEEDINGS

The Company and its subsidiaries are involved, from time to time, as plaintiff or defendant in litigation arising from transactions undertaken in the ordinary course of its business. Described below are the pending material litigation of which the Company and its subsidiaries or their properties are subject. The Company believes that a judgment rendered against it in the cases indicated below will not have a material adverse effect on its operations or financial condition.

The Company's affiliates, or their property, namely, Philippine Entertainment Portal, Inc. and Mont-Aire Realty and Development Corporation, are not involved in any material pending litigation as of December 31, 2018.

Labor Cases

There is a case for illegal dismissal filed against GMA Marketing and Productions, Inc. ("GMPI"), another wholly-owned subsidiary of GMA Network, and its officers, Lizelle Maralag and Leah Nuyda initiated by Corazon Guison, a former Sales Director of GMPI. The complainant claimed that she was unceremoniously terminated from her employment sometime in May 2010 and is entitled to reinstatement as well as payment of full backwages, unpaid commissions and salaries, moral and exemplary damages and attorney's fees. On January 31, 2011, the Labor Arbiter rendered a decision finding for complainant Guison and ordered the respondents to pay P807,007.50 as backwages and P1,691,000.00 as separation pay, as well as attorney's fees. On appeal, the NLRC reversed the decision of the Labor Arbiter and ordered the dismissal of complainant's complaint. Complainant filed a Petition with the Court of Appeals which denied the same. Her motion for reconsideration was likewise denied by the Court of Appeals.

There is a case for regularization and illegal dismissal (NLRC NCR Case No. 04-05664-13[22]) filed by Henry T. Paragele, Roland Elly C. Jaso, et al. against GMA. Complainants are relievers/pinch hitters whose services were no longer availed of by GMA. The Labor Arbiter rendered a decision dismissing the complaint. Complainants filed an appeal to the NLRC. NLRC rendered a decision dismissing the appeal. Complainants filed a motion for reconsideration which was also denied by the NLRC. Complainants filed a Petition with the Court of Appeals where it is pending. We filed our Comment/Opposition and Memorandum. The CA rendered the Decision dated March 3, 2017, denying Complainants' Petition for Certiorari. Complainants filed a motion for reconsideration which was also denied by the CA. Complainants filed a petition for review with the Supreme Court for which GMA filed its Comment/Opposition. The Petition is now submitted for resolution.

There is a case for regularization (NLRC NCR Case No. 06-06683-14) filed by Christian Bochee M. Cabaluna, et al. against GMA/Atty. Felipe L. Gozon. The Labor Arbiter rendered a decision in favor of complainants. On appeal to the NLRC, the same was denied. GMA filed a petition for certiorari with the Court of Appeals and later filed a motion for reconsideration after the petition was denied.

There is also a case for illegal dismissal filed by Christian Bochee M. Cabaluna et al., against GMA. The Labor Arbiter rendered a decision declaring valid the termination as against the 15 complainants but held that the rest of the complainants were illegally dismissed and awarded backwages with reinstatement. GMA filed a Notice of Appeal with Memorandum of Appeal and posted a bond. Subsequently, GMA filed a Supplemental Memorandum of Appeal. The NLRC modified the Labor Arbiter's decision and dismissed the complaint for illegal dismissal filed by the 35 complainants. Complainants filed a motion for reconsideration but the same was denied by the NLRC for lack of merit. Cabaluna et al. filed a petition for certiorari with the Court of Appeals and GMA already filed its comment. The case is pending resolution by the Court of Appeals.

There is another case for regularization filed by Micholl P. Mabinta whose talent agreement was no longer renewed. The Labor Arbiter rendered a decision dismissing the complaint on June 8, 2015. Complainant filed an appeal which was dismissed by the NLRC in the Decision dated January 29, 2016. Complainant filed a Motion for Reconsideration which was denied by the NLRC in the Resolution dated March 31, 2016. Complainant filed a petition to the Court of Appeals and Respondents filed their comment/opposition thereto. The Court of Appeals rendered a Decision denying the Petiion for Review. Complainant filed a motion for reconsideration which was denied by the Court of Appeals in a resolution dated February 21, 2019. The Motion for Reconsideration was denied by the Court of Appeals.

There is a case for illegal suspension, moral and exemplary damages and attorney's fees filed by Edmalynne Remillano et al. Remillano et al. filed a Petition for Certiorari with the Court of Appeals seeking to review and annul the decision of the NLRC affirming the decision rendered by the Labor Arbiter dismissing their complaint for illegal suspension, damages and attorney's fees. On January 22, 2018 the Court of Appeals dismissed Remillano et al.'s Petition.

There is a case involving a complaint filed against GMA by Alfredo Lubrica Enoce for alleged illegal dismissal with a prayer for separation pay, backwages, moral and exemplary damages and attorney's fees. The parties filed their respective position papers on November 15, 2016 as well as their respective replies. The Labor Arbiter rendered a decision finding illegal dismissal. However, the decision was reversed on appeal by NLRC. Enoce's motion for reconsideration was likewise denied. Enoce filed a petition with the Court of Appeals. GMA is still awaiting resolution from the Court of Appeals as to what action it will take on the Petition.

There is a case for illegal dismissal, underpayment of benefits, damages and attorney's fees filed against GMA Network, Inc. et al. by Jocelyn Bautista Pacleb. The Complaint was set for conciliation and mediation conference but the parties failed to settle. The Labor Arbiter rendered a Decision dated December 18, 2018. On appeal by Pacleb and partial appeal by GMA the NLRC rendered a decision dated March 28, 2018. GMA filed a motion for reconsideration dated April 20, 2018, which was granted by the NLRC in a resolution dated May 25, 2018. Pacleb filed a Petition for Certiorari with the Court of Appeals for which GMA filed its Comment. Pacleb filed a reply to the comment. On February 28, 2019, the Court of Appeals issued an order referring the Petition to the Philippine Mediation Center for mediation.

There is a case for illegal dismissal and money claims filed by Reynaldo delos Santos Aranas et al., under a talent agreement which was not renewed. In this case, GMA implemented a reorganization and streamlining of its operations and organizational structure which resulted in the reduction of personnel. Complainants were awarded backwages and ordered to be reinstated to their former position. On appeal, the NLRC denied GMA's appeal and affirmed the Labor Arbiter's decision. GMA's motion for reconsideration was likewise denied. GMA then filed a Petition for Certiorari with the Court of Appeals assailing the NLRC Decision and Resolution.

There is a case filed by Junie D. Sioson et al., for regularization of employment with GMA, increase in salary and other monetary benefits. The case was dismissed for lack of merit by the Labor Arbiter. In reaching its Decision, the Labor Arbiter found overwhelming evidence supporting GMA and RGMA's assertion that complainants were regular employees of RGMA as a legitimate independent contractor. The claim of complainants for regularization and monetary benefits were also denied for lack of valid legal basis. Unsatisfied with the Labor Arbiter's Decision, Complainants filed an appeal to the NLRC which dismissed the appeal as well as the motion for reconsideration. Complainants then filed a Petition with the Court of Appeals to which GMA filed its comment. The Petition is now considered submitted for decision.

There is a case filed by Jose G. Nacionales et al. against GMA and RGMA for regularization with monetary claims before the NLRC Regional Arbitration Branch VIII in Tacloban City. Since no settlement was reached, the mandatory conference was terminated and the parties were directed to file their respective position papers. On October 15, 2018, GMA received a copy of the Labor Arbiter's Decision declaring complainants as regular employees of GMA and granted monetary award in favor of complainants. Upon appeal, the NLRC partially granted GMA's appeal by deleting the monetary award but affirming the decision insofar as it found that complainants are regular employees of GMA. GMA filed a partial motion for reconsideration which has been submitted for resolution.

There is a case filed by David et al. against GMA and RGMA for regularization with monetary claims before the NLRC Sub-regional Arbitration Branch VI in Iloilo City. On September 14, 2018 GMA filed its position paper. The case is now submitted for resolution.

There is a case filed by Ronald C. Avelino for monetary claims with issuance of Certificate of Employment on August 30, 2018. GMA has filed its position paper.

There is also a case filed by Enrile et al., against GMA and RGMA for regularization which was set for conciliation conference on December 16, 2018. Both parties have filed their respective position papers.

There are cases filed by Mariano et al., Rieta et al., and Panlilio et al. against GMA and RGMA for regularization availing of the Single-Entry Approach with their respective NLRC Regional Arbitration Branches. The cases were set for conciliation conference but no settlement was reached. The parties have filed their respective position papers.

There are cases filed by Villarin et al., and Abud et al., for regularization against GMA and RGMA availing of the Single-Entry Approach with their respective NLRC Regional Arbitration Branches. The parties have filed their respective position papers.

Finally, there is a case filed by Enong et al., against GMA for regularization availing of the Single-Entry Approach with NLRC Sub-Regional Arbitration Branch IX in Dipolog City. Since no settlement was reached, complainants filed their formal complaint and the mandatory conference was set on December 13, 2018. Both parties have filed their respective position papers.

Infringement Cases

The Company's officers, Felipe L. Gozon, Gilberto R. Duavit, Jr., Marissa L. Flores, Jessica A. Soho, Grace dela Peña-Reyes, John Oliver Manalastas, John Does and Jane Does were named as respondents in a criminal case initiated in June 2004 for copyright infringement before the City Prosecutor's Office of Quezon City and the Department of Justice ("DOJ"). The case was subsequently consolidated with the Company's counter charge for libel.

The respondents were charged in their capacities as corporate officers and employees of the Company responsible for the alleged unauthorized airing of ABS-CBN's exclusive live coverage of the arrival in the Philippines of Angelo dela Cruz, a Filipino overseas worker previously held hostage in Iraq. Aside from seeking to hold the named respondents criminally liable for infringement and unfair competition, ABS-CBN sought damages from the respondents jointly and severally in the aggregate amount of ₱200 million.

On July 27, 2004, the Company and certain of its officers filed a case for libel against certain officers of ABS-CBN for statements made in their programs Insider and Magandang Umaga Bayan relative to the incident involving the dela Cruz feed. The Company also seeks damages in the aggregate amount of ₱100 million.

In the Resolution dated December 3, 2004, the DOJ dismissed the complaint for libel against the ABS-CBN officers and employees and dropped the charges against the Company's officers except for Ms. Dela Peña-Reyes and Mr. Manalastas against whom the DOJ found probable cause for violation of the Intellectual Property Code. ABS-CBN filed a motion for partial reconsideration of the resolution on the ground that the other named respondents were erroneously exonerated. The Company filed a petition for review with the DOJ with respect to the finding of probable cause against Ms. Dela Peña-Reyes and Mr. Manalastas and the dismissal of the case for libel which was denied. On August 1, 2005, the DOJ reversed the fiscal's resolution finding probable cause against Ms. dela Peña-Reyes and Mr. Manalastas and directed the fiscal to withdraw the Information. ABS-CBN filed a motion for reconsideration. Meanwhile, the DOJ issued the Resolution dated September 15, 2005 denying the Company's Petition for Review and ruling that ABS-CBN's officers and employees did not commit libel. The Company filed a motion for reconsideration.

On June 29, 2010, the DOJ issued a Resolution granting both the Company's and ABS-CBN's Motion for Reconsideration, and directing the filing of Information against ABS-CBN's officers and employees for libel. ABS-CBN moved for reconsideration which was denied by the DOJ. ABS-CBN filed a Petition with the Court of Appeals. In the meantime, an Information for libel was filed by the Quezon City Prosecutor with the Regional Trial Court of Quezon City, Branch 88 which was later re-raffled to Branch 104. The prosecution will continue their presentation of evidence on May 20, 2019, July 29, 2019 and August 27, 2019. .

The Company elevated the DOJ's June 29, 2010 Resolution directly to the Court of Appeals via a petition for certiorari docketed as CA-G.R. SP No. 115751. On November 9, 2010, the Court of Appeals issued a decision granting the Company's petition for certiorari and reversing the DOJ Resolution dated June 29, 2010 and reinstating the DOJ Resolution dated August 1, 2005 which ordered the withdrawal of Information for copyright infringement. ABS-CBN filed a petition with the Supreme Court which partially granted the petition by reversing the DOJ Resolution ordering the withdrawal of the Information and sustaining the finding of probable cause for copyright infringement only as against Ms. Dela Peña-Reyes and Mr. Manalastas. The Prosecution has completed the presentation of its evidence and was given a period to file their formal offer of exhibits. The presentation of defense evidence is set on May 30, 2019, August 8, 2019, September 5, 2019, October 10, 2019, November 7, 2019 and December 5, 2019.

Civil Cases

On June 25, 2008, Mary the Queen Hospital filed a case for damages against the Company, Mike Enriquez as well as certain other members of the show, Imbestigador. The hospital alleged that the show damaged its reputation by falsely accusing them of illegally detaining a patient for failure to settle hospital bills. The hospital claimed a total of ₱ 5.5 million in moral, exemplary and temperate damages, as well as costs of the suit. Defendants have completed the presentation of their evidence and filed their formal offer of evidence. The parties are awaiting the Court's order to file their respective Memoranda for this case.

Another case involved the Company and members of the show Imbestigador stemmed from a story involving a police officer allegedly extorting money from arrested drug dependents, which ultimately led to his arrest. On September 4, 2008, the complainant sought to enjoin the airing of the story relating to his arrest by filing a case for injunction. However, the plaintiff's application for restraining order was denied by the RTC of Quezon City. Plaintiff then filed an amended complaint to include a claim for damages. Defendants have completed the presentation of their evidence and filed their offer of documentary exhibits. The parties have filed their respective memoranda and the case is now submitted for decision.

There is a case for libel filed by Andrea Gorriceta against GMA Iloilo Manager Jonathan Cabillon and News Anchor Charlene Belvis-Gador arising from the news reports made in GMA news programs *Ratsada* and *Arangkada* on the progress of the criminal cases against Gorriceta before MCTC of Iloilo City. GMA has completed the presentation of its defense evidence and has filed its formal offer of evidence.

V. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

Market Information

Stock Prices GMA7

Period in 2018	Highest Closing	Lowest Closing
1Q	6.47	5.86
2Q	6.40	5.38
3Q	5.55	5.32
4Q	5.50	5.03

Stock Prices GMAP

Period in 2018	Highest Closing	Lowest Closing
1Q	6.32	5.50
2Q	6.32	5.11
3Q	5.35	5.07
4Q	5.44	4.91

The Company's common shares and Philippine Deposit Receipts have been listed with the Philippine Stock Exchange since 2007. The price information as of the close of the latest practicable trading date April 11, 2019; GMA7's closing price is P 5.81 for GMA7 and P5.61 for GMAP (PDRs).

Holders

There are 1,669 holders of common equity as of March 31, 2019.

The following are the top 20 holders of the common equity of the Company:

Name of Shareholders	No. of Common Shares	Percentage of Ownership of Total Common Shares
Group Management Development Inc.	789,813,389	23.47%
GMA Holdings, Inc.	732,498,400	21.77%
FLG Management & Development Corp.	689,144,527	20.48%
M.A. Jimenez Enterprises, Inc.	453,882,095	13.49%
Television International Corp.	334,378,037	9.94%
PCD Nominee Corp.	321,651,667	9.29%
Gozon Development Corp.	14,033,954	0.42%
Gozon Foundation, Inc.	5,144,361	0.15%
Gilberto R. Duavit, Jr.	4,007,005	0.12%
Ismael Gozon	2,814,900	0.08%
Miguel Enrique Singson Roa	2,566,400	0.08%

Name of Shareholders	No. of Common Shares	Percentage of Ownership of Total Common Shares
Jose Mari L. Chan	2,092,900	0.06%
Luisito C. Cirineo	1,750,500	0.05%
Felipe S. Yalong	1,613,000	0.05%
Alberto Tio Ong	1,000,000	0.03%
Judith Duavit Vazquez	588,000	0.02%
Jose P. Marcelo	501,498	0.01%
Jaime Javier Gana and/or Ma. Erlinda G. Gana	444,900	0.01%
Jose C. Laurel V	346,127	0.01%
Nita Laurel Yupangco	346,127	0.01%

The following are the top 20 holders of the Company's preferred shares as of March 31, 2019:

Name of Shareholders	No. of Preferred Shares	Percentage of Ownership of Total Preferred Shares
Group Management & Development Inc.	2,625,805,308	35.0130%
FLG Management & Development Corp.	2,181,898,644	29.0939%
M.A. Jimenez Enterprises	1,508,978,826	20.1210%
Television International Corp.	1,111,661,610	14.8231%
Gozon Development Corp.	46,245,306	0.6166%
Gozon Foundation Inc.	15,020,670	0.2003%
Alegria F. Sibal	2,623,806	0.0350%
Jose P. Marcelo	1,203,594	0.0160%
Sarah L. Lopez	830,706	0.0111%
Nita Laurel Yupangco	830,706	0.0111%
Jose C. Laurel V	830,706	0.0111%
Juan Miguel Laurel	830,706	0.0111%
Susana Laurel-Delgado	830,706	0.0111%
Ma. Asuncion Laurel-Uichico	830,706	0.0111%
Horacio P. Borromeo	784,164	0.0105%
Francis F. Obana	105,120	0.0014%
Eduardo Morato	38,028	0.0005%
Antonio Gomez	30,420	0.0004%
Jose N. Morales	30,420	0.0004%
Paul Sim	30,420	0.0004%

The information presented does not relate to an acquisition, business combination or other reorganization.

Dividend Information

Dividends shall be declared only from the surplus profits of the corporation and shall be payable at such times and in such amounts as the Board of Directors shall determine, either in cash, shares or property of the Company, or a combination of the three, as said Board of Directors shall determine. The declaration of stock dividends, however, is subject to the approval of at least two-thirds of the outstanding capital stock. No dividend which will impair the capital of the Company shall be declared. The Company has no contractual restrictions which would limit its ability to declare any dividend.

+Dividend History of the Company

Year	Amount	Date Declared	Type of Dividend
2005	₱ 218,521,204	February 17, 2005	Cash and Property
2005	₱ 3,000,000,000	October 11, 2005	Stock
2006	₱ 1,150,000,000	June 13, 2006	Cash and Property
2007	₱ 1,500,000,000	March 19, 2007	Cash
2007	₱ 375,000,000	April 26, 2007	Stock
2007	₱ 1,000,000,000	July 2, 2007	Cash
2008	₱ 1,214,163,001	May 21, 2008	Cash
2009	₱ 1,701,069,453	April 2, 2009	Cash
2010	₱ 2,187,089,297	March 25, 2010	Cash
2010	₱ 1,215,049,069	October 28, 2010	Cash
2011	₱ 2,187,089,297	March 11, 2011	Cash
2012	₱ 1,944,079,375	April 16, 2012	Cash
2012	₱ 1,264,794,293	August 22, 2012	Cash
2013	₱ 1,215,049,609	March 21, 2013	Cash
2014	₱ 1,312,253,578	April 2, 2014	Cash
2015	₱ 1,215,049,609	March 30, 2015	Cash
2016	₱ 1,312,253,578	April 8, 2016	Cash
2017	₱ 3,547,944,859	March 27, 2017	Cash
2018	₱ 2,430,099,218	April 5, 2018	Cash
2019	₱ 2,187,089,297	March 29, 2019	Cash

The Company's Board of Directors has approved a dividend policy which will entitle holders of the Common Shares to receive annual cash dividends equivalent to a minimum of 50% of the prior year's net income based on the recommendation of the Board of Directors. Such recommendation will take into consideration factors such as the implementation of business plans, operating expenses, budgets, funding for new investments, appropriate reserves and working capital, among others. The cash dividend policy may be changed by the Company's Board of Directors at any time.

Recent Sales of Unregistered or Exempt Securities

No sale of unregistered or exempt securities of the Company has occurred within the past three years.

VI. CORPORATE GOVERNANCE

GMA Network, Inc. is committed to the principles of good governance and recognizes their importance in safeguarding shareholders' interests and in enhancing shareholder value. The Company has adopted a Revised Manual on Corporate Governance to institutionalize the Company's adherence to these principles. This Revised Manual clearly sets out the principles of good management and defines the specific responsibilities of the Board, the Board Committees, and management within the over-all governance framework.

The Revised Manual conforms to the requirements of the Philippine Securities and Exchange Commission and covers policies, among others:

(a) independent directors, (b) key board committees (e.g. Executive Committee, Nomination Committee, Audit and Risk Management Committee, Compensation and Remuneration Committee); (c) independent auditors, (d) internal audit, (e) disclosure system of company's governance policies, (f) stockholder rights, (g) monitoring and assessment, and (h) penalties for non-compliance.

The Board of Directors, led by the Chairman, Atty. Felipe L. Gozon, strongly advocates accountability, transparency and integrity in all aspects of the business and commits themselves to the best practices of governance in the pursuit of the Company's Mission and Vision.

To ensure adherence to corporate governance, the Board designated a Compliance Officer. The Compliance Officer is responsible for monitoring compliance by the Company with the provisions and requirements of good corporate governance.

Based on the Revised Manual on Corporate Governance (attached to the Company's letter to the Securities and Exchange Commission dated May 22, 2017) as well as the Company's Integrated Annual Corporate Governance Report for year 2017 filed with the Securities and Exchange Commission on May 23, 2018, there have been no deviations from the Company's Manual as of date.

Board of Directors

Compliance with the principles of good governance starts with the Company's Board of Directors. The Board is responsible for oversight of the business, determination of the company's long- term strategy and objectives, and management of the company's risks by ensuring the company's internal controls and procedures are observed. The Board of Directors ensures a high standard of governance, and promotes and protects the interests of the Company, its stockholders and other stakeholders.

The Board consists of nine directors, two of whom are independent directors. All nine members of the Board have the expertise, professional experience and background that allow a thorough discussion and deliberation of issues and matters affecting the Company.

The two independent directors – former Chief Justice Artemio V. Panganiban and Dr. Jaime C. Laya – have no relationship with the Company, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

The Board comprises the following members:

Name	Position
Felipe L. Gozon	Chairman and CEO
Gilberto R. Duavit, Jr.	President and COO
Anna Teresa M. Gozon	Director
Joel Marcelo G. Jimenez	Director
Gilberto M. Duavit	Director
Laura J. Westfall	Director
Felipe S. Yalong	Chief Financial Officer and Executive Vice-President
Artemio V. Panganiban	Independent Director
Jaime C. Laya	Independent Director

Board Performance

Directors attend regular meetings of the Board, which are held every quarter and other times as necessary, and the Annual Stockholders' Meeting (ASM). In its meetings, the Board reviews the performance of the Company and its subsidiaries, approves plans, budgets and financial statements, sets policies and guidelines for management, and discusses matters requiring Board attention and approval. The Board met five (5) times in 2018. The attendance of the individual directors at these meetings is duly recorded as follows:

Director's Name	Regular and Special Meetings	
	Present	*Absent*
Felipe L. Gozon	5	0
Gilberto M. Duavit	5	0
Gilberto R. Duavit, Jr.	5	0
Joel Marcelo G. Jimenez	4	1
Felipe S. Yalong	5	0
Anna Teresa M. Gozon	5	0
Laura J. Westfall	5	0
Artemio V. Panganiban	5	0
Jaime C. Laya	5	0

All directors have individually complied with the SEC's minimum attendance requirement of 50%.

The Chairman, Felipe L. Gozon, presided over all the Board meetings for the year. He likewise presided over the Annual Stockholders' Meeting, with all the members of the Board in attendance.

Board Remuneration

The amended by-laws of the Company provides that the Board of Directors shall be entitled to an amount of not more than two and a half percent (2.5%) of the net income after income tax of the corporation during the preceding year and per diems for every board meeting attended. Of the said 2.5%, one percent (1%) shall be distributed equally among the members of the Board of Directors, while the remaining one and a half percent (1.5%) shall be distributed equally among the members of the Executive Committee.

Committees and Meetings of the Board of Directors

Four committees were established to aid in complying with the principles of good governance and address issues requiring the Board's attention:

Executive Committee

The Executive Committee (Excom) consists of three members which includes the Chairman of the Board and CEO Felipe L. Gozon, President and COO Gilberto R. Duavit, Jr. and Director Joel G. Jimenez. Mr. Gilberto R. Duavit, Jr. serves as Chairman of the Committee. It acts on matters delegated to it by the Board of Directors. The Excom acts by a majority vote and in accordance with the authority granted by the Board. All actions of the Excom are reported to the Board for ratification at the meeting immediately following such action.

The jurisdiction of the Executive Committee has been expanded to include the functions and responsibilities of the Corporate Governance Committee, except those pertaining to the nomination and election of directors and the procedure for determining the remuneration of directors and officers which remain vested in the Nomination Committee and the Compensation and Remuneration Committee, as well as the power to evaluate the performance of the Board of Directors as it pertains to the stockholders and the duly elected Board directors themselves.

Nomination Committee

The Nomination Committee is chaired by Felipe L. Gozon and composed of four members that include an independent director in the person of former Chief Justice Artemio V. Panganiban as Vice Chairman, with Gilberto R. Duavit, Jr. and Joel Marcelo G. Jimenez as members. The mission of the Nomination Committee is to provide the shareholders with an independent and objective evaluation and assurance that the membership of the Board of Directors is competent and will foster the long-term success of the Corporation and secure its competitiveness. The Nomination Committee assists the Board of Directors in ensuring that all nominees to the Board of Directors are competent and qualified to be nominated as Director based on internal guidelines. This is to ensure that: (a) there is a proper mix of competent directors that would continuously improve shareholder's value; and, (b) Directors will ensure a high standard of best practices for the Company and its stakeholders.

Compensation and Remuneration Committee

The members of the Compensation and Remuneration Committee are Felipe L. Gozon (Chairman), Former Chief Justice Artemio V. Panganiban (Vice Chairman), with Gilberto R. Duavit, Jr. and Laura J. Westfall as members. The Committee recommends a formal and transparent framework of remuneration and evaluation for the members of the Board of Directors and key executives to enable them to run the Company successfully.

Audit and Risk Management Committee

Audit

The Audit and Risk Management Committee is currently composed of the following members: Dr. Jaime C. Laya, (Chairman), former Chief Justice Artemio V. Panganiban (Vice Chairman), Anna Teresa M. Gozon and Ms. Laura J. Westfall. The Audit and Risk Management Committee assists the Board in its fiduciary responsibilities by providing an independent and objective assurance to the Company's management and stakeholders in the continuous improvement of risk management systems, business operations and proper safeguarding and use of the Corporation's resources and assets. The Audit and Risk Management Committee provides a general evaluation and gives assistance in the over-all improvement of the risk management, control, and governance process of the Corporation as designed by Management and provides assurance that these are properly functioning.

The Committee conducts tenders for independent audit services, reviews audit fees and recommends the appointment and fees of the independent auditors to the Board. The Board, in turn, submits the appointment of the independent auditors for approval of the shareholders at the ASM.

The Audit and Risk Management Committee also approves the work plan of the Company's Internal Audit Group, as well as the overall scope and work plan of the independent auditors.

The jurisdiction of the Audit and Risk Management Committee has been expanded to include the functions and responsibilities of the Board and Risk Oversight Committee ("BROC") and the Related Party Transactions ("RPT") Committee.

The Audit and Risk Management Committee held four (4) meetings in 2018 wherein the Committee reviewed and approved, among others, the Company's 2017 Consolidated Audited Financial Statements as prepared by the external auditors.

Risk Management

The GMA Network's Board of Directors and management are mindful of the risks and uncertainties inherent in the business. In the formulation of corporate strategy and business decision-making, potential risks are always taken into account. Necessary steps are taken to minimize, if not eliminate, such risks.

The Audit and Risk Management Committee assists the Board in the oversight of the company's risk management, ensures that it has the proper controls in place, identifies and evaluates significant risk exposures and contributes to the improvement of risk management and control systems.

Both radio and television broadcasting are highly competitive businesses. GMA stations compete for listeners/viewers and advertising revenues within their respective markets directly with other radio and /or television stations, as well as with other media such as cable television and/ or cable radio, newspapers, magazines, the internet, billboard advertising, among others. Audience ratings and market shares are subject to change, and any change in a particular market could have a material adverse effect on the revenue of our stations located in that market.

Considering the potential impact of various risks to the company's ability to deliver quality content across multiple platforms, the Company has established a Programming Committee that deliberates weekly on the programming issues and strategies of the Network. Regular monthly meetings of the Company's officers are also held to discuss plans, operational issues and strategies, implementation of projects and recommendations for improvements.

The Company's Corporate Planning Department has been designated by the Board of Directors to monitor the courses of action taken by the departments to manage the risks. The Head of the Company's Corporate Planning Department performs the functions and responsibilities of a Chief Risk Officer on the matter of Enterprise Risk Management.

The Company's financial results are dependent primarily on its ability to generate advertising revenue through rates charged to advertisers. The advertising rates a station is able to charge is affected by many factors, including the ratings of its programs and the general strength of the local and national economies. Generally, advertising declines during periods of economic recession or downturns in the economy. As a result, the Company's revenue is likely to be adversely affected during such periods.

Management, being accountable to the Board, also prepares financial statements in a timely manner in accordance with generally accepted accounting standards in the Philippines. Management's statement of responsibility with regards to the Company's financial statements is included in this annual report.

The consolidated financial statements of GMA Network and its subsidiaries have been prepared in accordance with Philippine Financial Reporting Standards which are aligned with International Financial Reporting Standards. The financial statements are audited by external auditors and reviewed by the Audit and Risk Management Committee (with the support of the Internal Audit Group) to ensure that they fairly present, in all material respects, the financial position and results of the Company's operations before these are presented to the Board of Directors for approval.

The Board is responsible for presenting a clear, balanced and comprehensive assessment of the Company's financial position, performance and prospects each time it makes available its quarterly and annual financial statements to the public.

Management

The Chairman of the Board and Chief Executive Officer is Felipe L. Gozon, while Gilberto R. Duavit, Jr. holds the position of President and Chief Operating Officer.

The CEO is accountable to the Board for the development and recommendation of strategies and the execution of strategic directions set by the Board, while the COO is responsible for the day-to-day management of the Company and the implementation of the directives provided by the CEO and the Board's policies and decisions. Both the CEO and COO are guided by the Company's Mission, Vision, and Core Values.

Management regularly provides the Board with complete and accurate information on the operations and affairs of the Company.

Employee Relations

Employees are provided an employee handbook which contains the policies and guidelines for the duties and responsibilities of an employee of GMA Network, Inc. The Handbook also details the benefits and privileges accruing to all regular employees.

The News and Public Affairs Ethics Manual, on the other hand, sets the standards and rules on how News and Public Affairs personnel should conduct themselves at work.

Through an external newsletter and the intranet facilitated by the Corporate Affairs Division, employees are updated on material developments in the organization.

The Company also provides training programs and seminars for career advancement and development. The Company has also initiated activities centered on the safety, health and welfare of its employees.

Prompt Disclosures and Timely Reporting

GMA Network, Inc. adheres to a high level of corporate disclosure and transparency regarding the company's financial condition and state of corporate governance on a regular basis. Through the Investor Relations and Compliance Division (IRCD), shareholders are provided disclosures, announcements and periodic reports filed with the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange. These are also available on line through the Company's Investor Relations website www.gmanetwork.com/corporate/ir.

The Company, through the IRCD and Corporate Affairs and Communications Department, publishes press releases on the financial performance of the Company. Meetings with Fund Managers, Investment, Financial and Research Analysts are likewise handled by the IRCD.

Consolidated audited financial statements are submitted to the SEC on or before the prescribed period and are made available to the shareholders prior to the ASM.

The financial soundness indicators that the Company monitors are the following:

Key Performance Indicators	2018 (in millions PhP)	2017 (in millions PhP)	Inc/(Dec) (in millions PhP)	%
Revenues	**15,236.2**	15,602.3	(366.1)	-2%
Advertising revenues	**13,834.5**	14,176.9	(342.3)	-2%
Cash operating expenses	**10,407.3**	10,498.3	(91.0)	-1%
EBITDA	**4,823.9**	5,217.4	(393.5)	-8%
Net income before tax	**3,332.0**	3,658.0	(326.0)	-9%
Net income after tax	**2,324.0**	2,559.7	(235.6)	-9%

Key Performance Indicators	2018	2017	Inc/(Dec)	%
Current ratio	**2.72**	2.66	0.06	2%
Asset-to-Equity ratio	**1.59**	1.57	0.03	2%
Debt-to-Equity ratio	**0.05**	0.05	(0.00)	-1%
Interest Rate Coverage Ratio	**158.94**	307.66	(148.7)	-48%
Gross Profit Margin	**57%**	57%	-	-
EBITDA Margin	**32%**	33%	(0.02)	-5%
Net Income Margin	**15%**	16%	0.09	54%

CERTIFICATION

THIS IS TO CERTIFY that in compliance with **Article 9(B) of the 1987 Philippine Constitution**, none of the Directors, Independent Directors and Officers of **GMA Network, Inc.** are elected as public servants and or appointed in any government agency, local or foreign, without authority of law; provided however that it must be disclosed that as of this date, Dr. Jaime C. Laya is a Trustee (Director) of the Cultural Center of the Philippines and Atty. Roberto Rafael V. Lucila is a member of the Bicol University Board of Regents.

Issued this 1st day of April 2019.

ROBERTO RAFAEL V. LUCILA
Corporate Secretary/Compliance
GMA Network, Inc.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ARTEMIO V. PANGANIBAN**, Filipino, of legal age and a resident of 1203 Acacia Street, Damariñas Village, Makati City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of GMA NETWORK, INC. and have been its independent director since 2007;

2. I am affiliated with the following listed companies or organizations:

Company/Organization	Position/ Relationship	Period of Service
First Philippine Holdings Corporation	Independent Director	2007 - present
Metro Pacific Investments Corporation	Independent Director	2007 - present
Manila Electric Company	Independent Director	2008 - present
Robinsons Land Corporation	Independent Director	2008 - present
GMA Holdings, Inc.	Independent Director	2009 - present
Petron Corporation	Independent Director	2010 - present
Asian Terminals, Inc.	Independent Director	2010 - present
PLDT, Inc.	Independent Director	2013 - present
Jollibee Foods Corporation	Non-Executive Director	2012 - present
Metropolitan Bank & Trust Company	Senior Adviser	2007 - present
Double Dragon Properties Corp.	Adviser	2014 - present
Bank of the Philippine Islands	Member, Advisory Council	2016 - present
For my full bio-data, log on to my personal website: cjpanganiban.com		

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of GMA NETWORK, INC., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. To the best of my knowledge, I am not related to any director/officer/substantial shareholder of GMA Network, Inc. and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any criminal or administrative investigation or proceeding pending in court.

6. To the best of my knowledge, I am neither an officer nor an employee of any government agency or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC Issuances.

8. I shall inform the Corporate Secretary of GMA NETWORK, INC., of any changes in the above-mentioned information within five (5) days from its occurrence.

Done this ____ day of APR 0 3 2019, 2019 at Makati City.

ARTEMIO V. PANGANIBAN
Affiant
APR 0 3 2019

SUBSCRIBED AND SWORN to before me this ____ day of __________ 2019 at Makati City, affiant personally appeared before me and exhibited to me his Passport Number P0388884B issued on January 24, 2019 by the DFA, Manila and will expire on January 23, 2029.

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Series of 2019.

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPT NO. M-67-UNTIL DEC. 31, 2020
ROLL OF ATTY. NO. 45348
MCLE COMPLIANCE NO. V-0026676/4-11-2018
IBP O.R No.700782-LIFETIME MEMBER JAN. 29, 2007
PTR No.7333020-JAN 08, 2019- MAKATI CITY
EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUPITER ST
MAKATI CITY

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **JAIME C. LAYA**, Filipino, of legal age and a resident of 11 Panay Avenue, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of GMA NETWORK, INC. and have been its independent director since 2007;

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations), as of December 31, 2018:

Company/Organization	Position	Period of Service
Philippine Trust Company (Philtrust Bank)	Chairman and President	2004-present
GMA Network, Inc. and GMA Holdings, Inc.	Independent Director	2007-present
Ayala Land, Inc.	Independent Director	2010-present
Manila Water Company, Inc.	Independent Director	2014-present
Philippine AXA Life Insurance Co., Inc.	Director	2005-present
Charter Ping An Insurance Corporation	Independent Director	2016-
Escuela Taller Foundation of the Philippines, Inc.	Chairman	2013-present
Don Noberto Ty Foundation, Inc.	Chairman	2005-present
Confradia de la Immaculada Concepcion	Trustee	1979-present
Heart Foundation of the Philippines, Inc.	Trustee	ca. 1985-present
CIBI Foundation, Inc.	Trustee	1998-present
St. Paul University – Quezon City	Trustee	2002-present
Fundacion Santiago, Inc.	Trustee	2002-present
Cultural Center of the Philippines	Trustee	2003-present
Metropolitan Museum of Manila	Trustee	ca. 2004-present
Yuchengco Museum	Trustee	ca. 2007-present
Society for Cultural Enrichment, Inc.	Trustee	2009-present
Ayala Foundation, Inc.	Trustee	2013-present
Filipinas Opera Society Foundation, Inc.	Trustee	2014-present
Various family corporations	Director	ca. 1960-present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of GMA NETWORK, INC., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. To the best of my knowledge, I am not related to any director/officer/substantial shareholder of GMA NETWORK, INC. and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3. of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I have the required written or consent from the Chairperson of the Cultural Center of the Philippines to be an independent director in GMA NETWORK, INC. pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC Issuances.

8. I shall inform the Corporate Secretary of GMA NETWORK, INC., of any changes in the above-mentioned information within five (5) days from its occurrence.

Done this ___ day of APR 03 2019, 2019 at Makati City.

JAIME C. LAYA
Affiant

SUBSCRIBED AND SWORN to before me this ____ day of APR 03 2019 2019 at Makati City, affiant personally appeared before me and exhibited to me his Passport Number EC3123777 by the DFA, Manila issued on January 7, 2015.

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Page No 78
Book No. 22;
Series of 2019.

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-87-UNTIL DEC. 31, 2020
ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. V-0020676/4-11-2018
IBP O.R No.706762-LIFETIME MEMBER JAN. 29, 2007
PTR No.7333020-JAN 03, 2019- MAKATI CITY
EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUPITER ST
MAKATI CITY

CERTIFICATION

To Whom It May Concern:

This is to certify that Mr. Jaime C. Laya is an incumbent member of the Board of Trustees of the Cultural Center of the Philippines (CCP).

There is nothing in the law governing the CCP nor in the Article and By-Laws of the CCP, which prohibit Mr. Jaime C. Laya from becoming an Independent Director of any private corporations, local or foreign.

Done this 19 March 2019, in Pasay City

MARIA MARGARITA MORAN FLOIRENDO
Chairperson
Board of Trustees
Cultural Center of the Philippines

GMA

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

March 29, 2019

Securities and Exchange Commission
Secretariat Building, PICC Complex
Roxas Boulevard, Metro Manila Philippines

The management of GMA Network, Inc. and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, including the schedules attached therein, in accordance with the Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders, has audited the consolidated financial statements of GMA Network, Inc. and Subsidiaries in accordance with the Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

FELIPE L. GOZON
Chairman of the Board
Chief Executive Officer

GILBERTO R. DUAVIT, JR.
President
Chief Operating Officer

FELIPE S. YALONG
Executive Vice President
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this 1 0 day of APR 2019 at QUEZON CITY, affiants exhibited to me their (Felipe L. Gozon) TIN 106-174-605, (Gilberto R. Duavit, Jr.) TIN 158-147-748 and (Felipe S. Yalong) TIN 102-874-052.

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NOTARY PUBLIC
Until December 31, 2019
Adm. Matter No. NP-155 (2018-2019)
PTR No. 7323980; 01/03/19 Q.C.
IBP No. 058304; 01/03/19; Pasig
Roll No. 50749

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

							5	2	1	3

COMPANY NAME

GMA NETWORK, INC. AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

GMA Network Center, Timog Avenue corner EDSA, Quezon City

Form Type	Department requiring the report	Secondary License Type, If Applicable
ACFS	CMD	Not Applicable

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
Not applicable	982-7777	Not applicable

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,674	5/16	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Felipe S. Yalong	FSY@gmanetwork.com	928-5133	Not applicable

CONTACT PERSON's ADDRESS

GMA Network Center, Timog Avenue corner EDSA, Quezon City

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
GMA Network, Inc. and Subsidiaries
GMA Network Center
Timog Avenue corner EDSA
Quezon City

Opinion

We have audited the consolidated financial statements of GMA Network, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, 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, 2018, and 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 consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. 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. For each matter identified, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

(1) Revenue Recognition

The Group derives a significant portion of its revenue from advertising, which represents 91% of the consolidated revenue for the year ended December 31, 2018. Proper recognition of revenue from advertising is significant to our audit given the large volume of transactions processed daily and the highly automated airtime revenue process with multiple information technology (IT) interfaces from initiation to reporting. Further, there are different rates applicable depending on the time slot when the advertisements are aired which are adjusted by discounts granted by the Group on a case-by-case basis as indicated in the telecast orders. Lastly, there are variations in the timing of billings which are made depending on when the advertisements are aired.

Further, effective January 1, 2018, the Group adopted the new revenue recognition standard, PFRS 15, *Revenue from Contracts with Customers*, under the modified retrospective approach. The adoption of PFRS 15 resulted in changes in the Group's revenue recognition policies, processes, and procedures. The adoption of PFRS 15 is significant to our audit because this involves application of significant management judgment and estimation in: determining whether the criteria for the recognition of the different revenue streams, such as advertising, subscription and distribution revenues, are met; determining whether there are other promises in the contract that are separate performance obligations; allocating the transaction price among the performance obligations; and determining the timing of satisfaction of performance obligation (over time or point in time).

Refer to Notes 2 and 21 of the consolidated financial statements for the disclosure on the transition adjustments and details about the Group's revenues, respectively.

Audit Response

We obtained an understanding of the Group's advertising revenue process, tested the relevant internal controls and involved our internal specialists in testing the revenue-related IT controls. In addition, we selected samples of billing statements and performed recomputation. This was done by comparing the rates and billable airtime applied to the billing statements against the rates on the telecast orders and the billable airtime against the certificates of performance generated when the advertisements were aired. We also tested transactions taking place one month before and after year-end to ensure that advertising revenues are recognized in the correct period.

For the adoption of PFRS 15, we obtained an understanding of the Group's process in implementing the new revenue recognition standard. We reviewed the PFRS 15 adoption papers and accounting policies prepared by management, including revenue streams identification and scoping, and contract analysis.

For significant revenue streams, we obtained sample contracts and reviewed whether the accounting policies appropriately considered the five-step model and cost requirements of PFRS 15.

We traced selected contracts from the list of open contracts to the transition adjustment calculation to determine if all open contracts were considered in the assessment. We reviewed sample contracts to check whether all contracts within the same revenue stream have the same terms.

In addition, we reviewed sample contracts and checked whether:

- all performance obligations within the contracts have been identified.
- the Group's timing of revenue recognition is based on when the performance occurs and control of the related goods or services is transferred to the customer.
- the costs to obtain contracts should be capitalized or whether the Group qualifies for the practical expedient.

We reviewed the application of the accounting policy in relation to the adoption of the new standard. We also reviewed the disclosures related to the transition adjustments based on the requirements of PFRS 15.

(2) Adoption of PFRS 9, Financial Instruments

On January 1, 2018, the Group adopted PFRS 9, *Financial Instruments*. PFRS 9, which replaced PAS 39, *Financial Instruments: Recognition and Measurement*, provides revised principles for classifying financial assets and introduces a forward-looking expected credit loss (ECL) model to assess impairment on debt financial assets not measured at fair value through profit or loss. The Group adopted the modified retrospective approach in adopting PFRS 9.

The Group's adoption of the ECL model is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures; defining default; determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts; and incorporating forward-looking information (called overlays) in calculating ECL.

The application of the ECL model increased the allowance for credit losses by ₱110.0 million as at January 1, 2018. Provision for credit losses in 2018 using the ECL model amounted to ₱109.6 million.

Refer to Notes 2 and 7 of the consolidated financial statements for the disclosure on the transition adjustments and details of the allowance for credit losses using the ECL model, respectively.

Audit response

We obtained an understanding of the methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, the time value of money, and the best available forward-looking information.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default against historical analysis of accounts and credit risk management policies and practices in place, (c) tested historical loss rates by inspecting historical recoveries and write-offs; (d) checked the classification of outstanding exposures to their corresponding aging buckets; and (e) checked the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's receivable portfolios and industry practices.

Further, we checked the data used in the ECL models, such as the historical aging analysis and default and recovery data, by reconciling data from source system reports. We also reconciled sample invoices to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We checked the transition adjustments and reviewed the disclosures made in the financial statements based on the requirements of PFRS 9.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

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

In connection with our 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 audits, or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

  Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Belinda T. Beng Hui.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui

Belinda T. Beng Hui
Partner
CPA Certificate No. 88823
SEC Accreditation No. 0943-AR-3 (Group A),
March 14, 2019, valid until March 13, 2022
Tax Identification No. 153-978-243
BIR Accreditation No. 08-001998-78-2018,
March 14, 2018, valid until March 13, 2021
PTR No. 7332528, January 3, 2019, Makati City

March 29, 2019

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

	December 31	
	2018	2017 (As Reclassified - Note 15)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 30 and 31)	**₱2,559,105,322**	₱2,279,838,495
Trade and other receivables (Notes 7, 20, 30 and 31)	**4,811,973,802**	4,905,864,211
Program and other rights (Note 8)	**736,461,608**	1,140,223,422
Prepaid expenses and other current assets (Note 9)	**644,937,919**	685,992,630
Total Current Assets	**8,752,478,651**	9,011,918,758
Noncurrent Assets		
Property and equipment:		
At cost (Note 12)	**2,642,298,449**	2,665,618,075
At revalued amounts (Notes 13 and 31)	**2,803,196,184**	1,805,234,093
Available-for-sale (AFS) financial assets (Notes 10, 30 and 31)	**–**	245,741,881
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 10, 30 and 31)	**240,255,846**	–
Investments and advances (Notes 11 and 20)	**158,215,331**	151,103,271
Program and other rights - net of current portion (Note 8)	**200,772,808**	205,914,090
Investment properties (Notes 14 and 31)	**40,003,984**	51,048,514
Deferred tax assets - net (Note 28)	**242,939,864**	291,169,389
Other noncurrent assets (Notes 15, 30 and 31)	**212,372,345**	365,366,211
Total Noncurrent Assets	**6,540,054,811**	5,781,195,524
TOTAL ASSETS	**₱15,292,533,462**	₱14,793,114,282
LIABILITIES AND EQUITY		
Current Liabilities		
Trade payables and other current liabilities (Notes 16, 20, 30 and 31)	**₱2,160,986,267**	₱2,386,901,598
Short-term loans (Notes 17, 30 and 31)	**500,000,000**	500,000,000
Income tax payable	**424,940,559**	346,686,304
Obligations for program and other rights (Notes 18, 30 and 31)	**119,646,269**	139,571,493
Dividends payable (Notes 19, 30 and 31)	**17,053,776**	15,437,102
Total Current Liabilities	**3,222,626,871**	3,388,596,497
Noncurrent Liabilities		
Pension liability (Note 26)	**2,182,994,135**	1,670,157,190
Other long-term employee benefits (Note 26)	**298,843,728**	284,654,028
Total Noncurrent Liabilities	**2,481,837,863**	1,954,811,218
Total Liabilities	**₱5,704,464,734**	₱5,343,407,715

(Forward)

	December 31	
	2018	2017 (As Reclassified - Note 15)
Equity		
Capital stock (Note 19)	**₱4,864,692,000**	₱4,864,692,000
Additional paid-in capital	**1,659,035,196**	1,659,035,196
Revaluation increment on land - net of tax (Note 13)	**1,710,505,188**	1,017,247,029
Remeasurement loss on retirement plans - net of tax (Note 26)	**(1,038,041,118)**	(666,224,427)
Net unrealized loss on AFS financial assets - net of tax (Note 10)	**–**	(8,092,181)
Net unrealized loss on financial assets at FVOCI - net of tax (Note 10)	**(5,051,345)**	–
Retained earnings (Note 19)	**2,368,404,468**	2,570,710,400
Treasury stocks (Note 19)	**(28,483,171)**	(28,483,171)
Underlying shares of the acquired Philippine Deposit Receipts (Note 19)	**(5,790,016)**	(5,790,016)
Total equity attributable to equity holders of the Parent Company	**9,525,271,202**	9,403,094,830
Non-controlling interests (Note 2)	**62,797,526**	46,611,737
Total Equity	**9,588,068,728**	9,449,706,567
TOTAL LIABILITIES AND EQUITY	**₱15,292,533,462**	₱14,793,114,282

See accompanying Notes to Consolidated Financial Statements.

GMA NETWORK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2018	2017	2016
REVENUES (Note 21)	**₱15,236,192,369**	₱15,602,292,188	₱16,953,948,299
PRODUCTION COSTS (Note 22)	**6,483,703,064**	6,682,296,268	6,641,457,517
GROSS PROFIT	**8,752,489,305**	8,919,995,920	10,312,490,782
GENERAL AND ADMINISTRATIVE EXPENSES (Note 23)	**5,514,342,920**	5,384,409,786	5,236,089,061
OTHER INCOME (EXPENSE) - NET			
Interest expense (Notes 17 and 18)	**(36,251,389)**	(23,010,666)	(16,905,154)
Interest income (Note 6)	**25,455,860**	23,776,178	23,650,808
Net foreign currency exchange gain	**19,221,001**	2,300,851	21,044,145
Equity in net earnings of joint ventures (Note 11)	**6,351,690**	329,580	2,758,875
Others - net (Note 25)	**79,113,895**	119,017,401	100,865,087
	93,891,057	122,413,344	131,413,761
INCOME BEFORE INCOME TAX	**3,332,037,442**	3,657,999,478	5,207,815,482
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 28)			
Current	**1,056,853,906**	1,094,886,107	1,510,923,590
Deferred	**(48,828,615)**	3,383,736	50,296,632
	1,008,025,291	1,098,269,843	1,561,220,222
NET INCOME	**2,324,012,151**	2,559,729,635	3,646,595,260
OTHER COMPREHENSIVE INCOME (LOSS) - net of tax			
Items not to be reclassified to profit or loss in subsequent periods:			
Net changes in the fair market value of financial assets at FVOCI (Note 10)	**(23,543,428)**	-	-
Revaluation increment on land (Note 13)	**693,258,159**	-	-
Remeasurement loss on retirement plans (Note 26)	**(367,199,765)**	(2,182,309)	(365,196,401)
	302,514,966	(2,182,309)	(365,196,401)
Item to be reclassified to profit or loss in subsequent periods:			
Net changes in the fair market value of AFS financial assets (Note 10)	**-**	2,021,500	49,558,000
	-	2,021,500	49,558,000
TOTAL COMPREHENSIVE INCOME	**₱2,626,527,117**	₱2,559,568,826	₱3,330,956,859
Net income attributable to:			
Equity holders of the Parent Company	**₱2,304,793,288**	₱2,543,897,957	₱3,626,334,921
Non-controlling interests (Note 2)	**19,218,863**	15,831,678	20,260,339
	₱2,324,012,151	₱2,559,729,635	₱3,646,595,260
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱2,602,691,328**	₱2,543,737,148	₱3,312,336,973
Non-controlling interests (Note 2)	**23,835,789**	15,831,678	18,619,886
	₱2,626,527,117	₱2,559,568,826	₱3,330,956,859
Basic / Diluted Earnings Per Share (Note 29)	**₱0.474**	₱0.523	₱0.746

See accompanying Notes to Consolidated Financial Statements.

NETWORK, INC. AND SUBSIDIARIES

;OLIDATED STATEMENTS OF CHANGES IN EQUITY

'HE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	Equity Attributable to Equity Holders of the Parent Company											
	Capital Stock (Note 19)	Additional Paid-in Capital	Revaluation Increment on Land (Note 13)	Remeasurement Loss on Retirement Plans (Note 26)	Net Unrealized Loss on AFS Financial Assets (Note 10)	Net Unrealized Loss on Financial Assets at FVOCI (Note 10)	Retained Earnings (Note 19)	Treasury Stocks (Note 19)	Underlying Shares of the Acquired Philippine Deposit Receipts (Note 19)	Total	Non-controlling Interests (Note 2)	Total Equity
t January 1, 2018	₱4,864,692,000	₱1,659,035,196	₱1,017,247,029	(₱666,224,427)	(₱8,092,181)	₱–	₱2,570,710,400	(₱28,483,171)	(₱5,790,016)	₱9,403,094,830	₱46,611,737	₱9,449,706,567
doption of new accounting dards (Note 2)	–	–	–	–	8,092,181	18,492,083	(77,000,000)	–	–	(50,415,736)	–	(50,415,736)
t January 1, 2018, as restated	4,864,692,000	1,659,035,196	1,017,247,029	(666,224,427)	–	18,492,083	2,493,710,400	(28,483,171)	(5,790,016)	9,352,679,094	46,611,737	9,399,290,831
prehensive income:												
income	–	–	–	–	–	–	2,304,793,288	–	–	2,304,793,288	19,218,863	2,324,012,151
er comprehensive income (loss)	–	–	693,258,159	(371,816,691)	–	(23,543,428)	–	–	–	297,898,040	4,616,926	302,514,966
lends - ₱0.50 a share (Note 19)	–	–	–	–	–	–	(2,430,099,220)	–	–	(2,430,099,220)	–	(2,430,099,220)
lends to non-controlling rest (Note 2)	–	–	–	–	–	–	–	–	–	–	(7,650,000)	(7,650,000)
t December 31, 2018	₱4,864,692,000	₱1,659,035,196	₱1,710,505,188	(₱1,038,041,118)	₱–	(₱5,051,345)	₱2,368,404,468	(₱28,483,171)	(₱5,790,016)	₱9,525,271,202	₱62,797,526	₱9,588,068,728

	Equity Attributable to Equity Holders of the Parent Company										
	Capital Stock (Note 19)	Additional Paid-in Capital	Revaluation Increment on Land (Note 13)	Remeasurement Loss on Retirement Plans (Note 26)	Net Unrealized Loss on AFS Financial Assets (Note 10)	Retained Earnings (Note 19)	Treasury Stocks (Note 19)	Underlying Shares of the Acquired Philippine Deposit Receipts (Note 19)	Total	Non-controlling Interests (Note 2)	Total Equity
t January 1, 2017	₱4,864,692,000	₱1,659,035,196	₱1,017,247,029	(₱664,042,118)	(₱10,113,681)	₱3,574,757,302	(₱28,483,171)	(₱5,790,016)	₱10,407,302,541	₱48,630,059	₱10,455,932,600
›rehensive income:											
income	–	–	–	–	–	2,543,897,957	–	–	2,543,897,957	15,831,678	2,559,729,635
›r comprehensive income (loss)	–	–	–	(2,182,309)	2,021,500	–	–	–	(160,809)	–	(160,809)
›ends - ₱0.73 a share (Note 19)	–	–	–	–	–	(3,547,944,859)	–	–	(3,547,944,859)	–	(3,547,944,859)
›ends to non-controlling interest	–	–	–	–	–	–	–	–	–	(17,850,000)	(17,850,000)
ıt December 31, 2017	₱4,864,692,000	₱1,659,035,196	₱1,017,247,029	(₱666,224,427)	(₱8,092,181)	₱2,570,710,400	(₱28,483,171)	(₱5,790,016)	₱9,403,094,830	₱46,611,737	₱9,449,706,567
ıt January 1, 2016	₱4,864,692,000	₱1,659,035,196	₱1,017,247,029	(₱300,486,170)	(₱59,671,681)	₱1,892,306,756	(₱28,483,171)	(₱5,790,016)	₱9,038,849,943	₱43,270,173	₱9,082,120,116
prehensive income:											
income	–	–	–	–	–	3,626,334,921	–	–	3,626,334,921	20,260,339	3,646,595,260
er comprehensive income (loss)	–	–	–	(363,555,948)	49,558,000	–	–	–	(313,997,948)	(1,640,453)	(315,638,401)
lends - ₱0.40 a share (Note 19)	–	–	–	–	–	(1,943,884,375)	–	–	(1,943,884,375)	–	(1,943,884,375)
lends to non-controlling interest te 2)	–	–	–	–	–	–	–	–	–	(13,260,000)	(13,260,000)
ıt December 31, 2016	₱4,864,692,000	₱1,659,035,196	₱1,017,247,029	(₱664,042,118)	(₱10,113,681)	₱3,574,757,302	(₱28,483,171)	(₱5,790,016)	₱10,407,302,541	₱48,630,059	₱10,455,932,600

ıpanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱3,332,037,442**	₱3,657,999,478	₱5,207,815,482
Adjustments to reconcile income before income tax to net cash flows:			
Program and other rights usage (Notes 8 and 22)	**871,451,221**	905,254,190	836,176,965
Depreciation and amortization (Notes 12, 14, 22 and 23)	**586,448,899**	631,515,648	723,598,772
Pension expense (Note 26)	**312,489,341**	289,541,781	227,546,241
Contributions to retirement plan assets (Note 26)	**(279,003,770)**	(259,000,000)	(200,000,000)
Provisions for doubtful accounts (Notes 7 and 23)	**109,631,061**	8,253,285	25,151,364
Interest expense (Notes 17 and 18)	**36,251,389**	23,010,666	16,905,154
Interest income (Note 6)	**(25,455,860)**	(23,776,178)	(23,650,808)
Amortization of software costs (Notes 15 and 23)	**23,173,008**	23,362,883	17,173,566
Gain on sale of property and equipment and investment properties (Notes 12, 14 and 25)	**(19,829,189)**	(27,060,463)	(29,717,284)
Net unrealized foreign currency exchange loss (gain)	**5,185,384**	(59,133,380)	(48,144,387)
Equity in net earnings of joint ventures (Note 11)	**(6,351,690)**	(329,580)	(2,758,875)
Dividend income (Notes 10 and 25)	**(2,499,895)**	(132,811)	(2,550,000)
Provision for impairment of investment properties (Note 14)	**2,048,592**	–	–
Reversal of long-outstanding payables (Note 25)	**–**	(32,999,414)	(3,233,336)
Working capital changes:			
Decreases (increases) in:			
Trade and other receivables	**(128,392,550)**	346,895,501	(889,975,687)
Program and other rights	**(462,548,125)**	(1,197,820,078)	(704,201,246)
Prepaid expenses and other current assets	**41,054,711**	(34,932,681)	235,211,693
Increases (decreases) in:			
Trade payables and other current liabilities	**(230,194,345)**	(24,478,909)	255,213,597
Obligations for program and other rights	**(21,536,158)**	75,197,668	(143,634,530)
Other long-term employee benefits	**14,189,700**	97,513	(11,160,736)
Benefits paid out of Group's own funds	**(48,311,185)**	(7,825,922)	(7,646,509)
Cash flows provided by operations	**4,109,837,981**	4,293,639,197	5,478,119,436
Income taxes paid	**(978,599,651)**	(1,244,304,104)	(1,384,682,174)
Interest received	**24,382,746**	23,158,153	21,769,542
Net cash flows from operating activities	**3,155,621,076**	3,072,493,246	4,115,206,804

(Forward)

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Note 12)	**(₱519,420,168)**	(₱523,727,612)	(₱444,383,976)
Software costs (Note 15)	**(3,504,612)**	(41,661,384)	(454,017)
Land at revalued amount (Note 13)	**(7,593,293)**	(1,364,718)	(2,623,618)
Investment properties (Note 14)	**–**	–	(43,811)
Proceeds from:			
Sale of property and equipment (Note 12)	**26,774,646**	29,578,768	33,113,635
Sale of investment properties (Note 14)	**4,104,000**	–	–
Decreases (increases) in other noncurrent assets	**87,562,847**	(5,824,646)	9,464,489
Return of investment in financial asset at FVOCI (Note 10)	**6,089,790**	–	–
Cash dividends received	**883,221**	132,811	–
Advances to an associate and joint ventures (Notes 11 and 20)	**(1,162,148)**	–	(424,498)
Collection from an associate and joint ventures (Notes 11 and 20)	**401,778**	–	–
Net cash flows used in investing activities	**(405,863,939)**	(542,866,781)	(405,351,796)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of short-term loans (Note 17)	**1,500,000,000**	1,500,000,000	500,000,000
Payments of:			
Cash dividends (Notes 2 and 19)	**(2,436,132,546)**	(3,563,062,816)	(1,955,312,493)
Short-term loans (Note 17)	**(1,500,000,000)**	(1,647,452,000)	(1,017,624,500)
Interest expense	**(36,125,000)**	(22,967,610)	(17,597,313)
Net cash flows used in financing activities	**(2,472,257,546)**	(3,733,482,426)	(2,490,534,306)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**277,499,591**	(1,203,855,961)	1,219,320,702
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**1,767,236**	64,680,251	39,395,378
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,279,838,495**	3,419,014,205	2,160,298,125
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱2,559,105,322**	₱2,279,838,495	₱3,419,014,205

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

The accompanying consolidated financial statements of the Group were approved and authorized for issuance by the BOD on March 29, 2019.

2. Basis of Preparation and Consolidation, Statement of Compliance and Changes in Accounting Policies and Disclosures

Basis of Preparation
The consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI), available-for-sale (AFS) financial assets and land at revalued amounts, which are measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018. The Group controls an investee if, and only if, the Group has:

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

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

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

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

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

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

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

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

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

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

Financial information of RGMA Network, a subsidiary that has material NCI, are summarized below:

	2018	2017
Proportion of equity interest held by NCI	**51%**	51%
Accumulated balances of material NCI	**₱62,797,526**	₱46,611,737
Net income allocated to material NCI	**19,218,863**	15,831,678

The summarized financial information of RGMA Network are provided below.

Summarized Statements of Comprehensive Income

	2018	2017	2016
Revenues	**₱230,920,784**	₱218,504,662	₱229,917,237
Expenses	**(173,163,510)**	(171,962,237)	(173,207,765)
Provision for income tax	**(20,073,228)**	(15,499,920)	(16,983,318)
Net income	**37,684,046**	31,042,505	39,726,154
Other comprehensive income (loss)	**9,052,796**	–	(3,206,575)
Total comprehensive income	**₱46,736,842**	₱31,042,505	₱36,519,579
Net income attributable to:			
NCI	**₱19,218,863**	₱15,831,678	₱20,260,339
Parent Company	**18,465,183**	15,210,827	19,465,815
Total comprehensive income attributable to:			
NCI	**₱23,835,789**	₱15,831,678	₱18,624,985
Parent Company	**22,901,053**	15,210,827	17,894,594

Summarized Statements of Financial Position

	2018	2017
Total current assets	**₱186,618,880**	₱166,452,173
Total noncurrent assets	**27,870,302**	29,013,136
Total current liabilities	**19,569,026**	19,156,691
Total noncurrent liabilities	**71,787,752**	87,050,561
Total equity	**123,132,404**	89,258,057
Attributable to NCI	**₱62,797,526**	₱46,611,737
Attributable to equity holders of the Parent Company	**₱60,334,878**	₱42,646,320

Summarized Cash Flows Information

	2018	2017	2016
Operating	**₱15,115,095**	₱20,793,197	₱79,837,572
Investing	**(97,865)**	(200,564)	(391,001)
Financing	**15,000,000**	(35,000,000)	(26,000,000)
Net increase (decrease) in cash and cash equivalents	**₱30,017,230**	(₱14,407,367)	₱53,446,571

In 2018 and 2017, RGMA declared and paid dividends amounting to ₱7.65 million and ₱17.85 million, respectively, to NCI.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries as at December 31, 2018 and 2017:

	Principal Activities	Percentage of Ownership Direct	Indirect
Entertainment Business:			
Alta Productions Group, Inc. (Alta)	Pre and post-production services	100	–
Citynet Network Marketing and Productions, Inc. (Citynet)	Television entertainment production	100	–
GMA Network Films, Inc.	Film production	100	–
GMA New Media, Inc. (GNMI)	Converging technology	100	–
GMA Worldwide (Philippines), Inc.	International marketing, handling foreign program acquisitions and international syndication of the Parent Company's programs	100	–
Scenarios, Inc.*	Design, construction and maintenance of sets for TV, stage plays and concerts; transportation services	100	–
RGMA Marketing and Productions, Inc.	Music recording, publishing and video distribution	100	–
RGMA Network, Inc.	Radio broadcasting and management	49	–
Script2010, Inc.**	Design, construction and maintenance of sets for TV, stage plays and concerts; transportation and manpower services	–	100
Advertising Business:			
GMA Marketing & Productions, Inc. (GMPI)***	Exclusive marketing and sales arm of Parent Company's airtime, events management, sales implementation, traffic services and monitoring	100	–
Digify, Inc.****	Crafting, planning and handling advertising and other forms of promotion including multi-media productions	–	100
Others:			
Media Merge Corporation****	Business development and operations for the Parent Company's online publishing and advertising intiatives	–	100
Ninja Graphics, Inc.*****	Ceased commercial operations in 2004.	–	51

**Under liquidation*
***Indirectly owned through Citynet*
****Ceased commercial operations in 2015*
*****Indirectly owned through GNMI*
******Indirectly owned through Alta; ceased commercial operations in 2004*

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new standards and amendments starting January 1, 2018. Except for the adoption of PFRS 9, *Financial Instruments*, and PFRS 15, *Revenue from Contracts with Customers*, the adoption of these new standards and amendments did not have any significant impact on the consolidated financial statements.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

- Amendments to PFRS 4, *Applying PFRS 9, Financial Instruments* with PFRS 4, *Insurance Contracts*

- Amendments to Philippine Accounting Standards (PAS) 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC)-22, *Foreign Currency Transactions and Advance Consideration*

- PFRS 9, *Financial Instruments*

  PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement*, for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Group applied PFRS 9 using modified retrospective approach, with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under PAS 39. Differences arising from the adoption of PFRS 9 have been recognized directly in retained earnings and other comprehensive income as at January 1, 2018.

  The effects of adopting PFRS 9 as at January 1, 2018 are as follows:

	Note	January 1, 2018 Increase (Decrease)
Assets		
Trade and other receivables	(b)	(₱110,000,000)
Financial assets at FVOCI	(a)	272,127,293
AFS financial assets	(a)	(245,741,881)
Deferred tax assets - net	(c)	33,198,852
Total assets		(₱50,415,736)
Total adjustment on equity:		
Retained earnings	(a), (b), (c)	(₱77,000,000)
Other comprehensive income	(a), (c)	26,584,264
		(₱50,415,736)

  The nature of these adjustments are described below:

  (a) Classification and measurement

  Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVPL), amortized cost, or FVOCI with recycling of gains or losses to profit or loss upon derecognition. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding, or the SPPI criterion.

  The assessment of the Group's business model was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. The Group continued measuring at fair value all financial assets previously held at fair value under PAS 39.

The following are the changes in the classification of the Group's financial assets:

- Cash and cash equivalents, trade and other receivables and refundable deposits (included under "Other noncurrent assets" account in the consolidated statement of financial position) classified as "Loans and receivables" as at December 31, 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as "Debt instruments at amortized cost" beginning January 1, 2018.

- Equity investments in listed and non-listed companies and club shares that were previously classified as "AFS financial assets" under PAS 39 were reclassified as "Financial assets at FVOCI" upon adoption of PFRS 9. The Group elected to classify irrevocably its equity investments under this category at the date of initial application as it intends to hold these investments for the foreseeable future. Under PFRS 9, gains and losses on equity investments at FVOCI recognized in equity are never reclassified to profit or loss. Consequently, there is no need to subject such investments to impairment assessment. There were no impairment losses recognized in profit or loss for these investments in prior periods. As a result, the related net unrealized loss on AFS financial assets was reclassified to "Net unrealized loss on financial assets at FVOCI" account under OCI.

  As a result of the change in classification of the Group's equity investments from AFS investments to financial assets at FVOCI as at January 1, 2018, the equity securities were measured upon transition at fair value resulting to an increase in the carrying amount of financial assets at FVOCI amounting to ₱26.39 million as at January 1, 2018.

The Group has not designated any financial liabilities at FVPL. There are no changes in the classification and measurement for the Group's financial liabilities.

The following are the changes in the classification of the Group's financial assets as at January 1, 2018:

		PFRS 9 measurement category		
		FVPL	Amortized cost	FVOCI
PAS 39 measurement category				
Loans and receivables				
Cash and cash equivalents	₱2,279,838,495	₱–	₱2,279,838,495	₱–
Trade and other receivables*	4,905,864,211	–	4,795,864,211	–
Refundable deposits	13,697,898	–	13,697,898	–
AFS investments				
Listed equity instruments**	127,820,000	–	–	198,704,842
Non-listed equity instruments***	117,921,881	–	–	73,422,451

** The change in carrying amount of trade and other receivable is a result of additional impairment allowance. See discussion on impairment below.*

*** The change in carrying amount of quoted equity instruments is a result of remeasurement at fair value of listed equity instruments which were suspended from trading as at December 31, 2017.*

****The change in carrying amount of unquoted equity instruments is a result of initial measurement at fair value.*

(b) Impairment

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to recognize an allowance for ECL for all debt instruments not held at FVPL and contract assets.

Upon adoption of PFRS 9, the Group recognized additional impairment on the Group's trade and other receivables amounting to ₱110.00 million.

Set out below is the reconciliation of the ending impairment allowance in accordance with PAS 39 to the opening loss allowance determined in accordance with PFRS 9:

	Allowance for Impairment Under PAS 39 as at December 31, 2017	Remeasurement	ECL Under PFRS 9 as at January 1, 2018
Trade and other receivables	₱311,711,194	₱110,000,000	₱421,711,194

(c) Other adjustments

In addition to the adjustments described above, deferred taxes were adjusted to retained earnings and other comprehensive income as necessary upon adoption of PFRS 9 as at January 1, 2018.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers.

The five-step model is as follows:
1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and,
5. Recognize revenue as the entity satisfies a performance obligation.

PFRS 15 requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

PFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, PFRS 15 can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the method only to those contracts that are not completed as at January 1, 2018. In addition, the Group applied PFRS 15 guidance to a portfolio of contracts with similar characteristics as the entity reasonably expects that the effects on the consolidated financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts within that portfolio. The Group applied the practical expedient on costs to obtain a contract.

There were no cumulative effect of applying PFRS 15 at the date of initial application as an adjustment to the opening balance of retained earnings.

The adoption of PFRS 15 did not have a material impact on the Group's consolidated statement of financial position, total comprehensive income or on the Group's operating, investing and financing cashflows as at January 1, 2018 as the amounts and timing of revenue recognition for all revenue streams remain the same under PFRS 15.

The nature of the adjustments as at January 1, 2018 and the reasons for the changes in the consolidated statement of financial position as at December 31, 2018 and the statement of comprehensive income for the year ended December 31, 2018 are described below:

a) *Incremental Costs to Obtain Contracts.* The Group incurs incremental sales commissions to obtain a contract with a customer that would not have been incurred if the contract had not been entered into. Prior to the adoption of PFRS 15, the Group recognized sales commission as expense when incurred. Upon adoption of PFRS 15, these are recognized as incremental costs of obtaining a contract and are capitalized as an asset if the costs are expected to be recoverable. These costs will then be amortized on a systematic basis that is consistent with the Group's transfer of the related goods/services to the customer.

   Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

   The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions (shown as part of "Marketing expense" under "General and administrative expenses" account) because the amortization period of the asset that the Group otherwise would have used is one year or less.

b) *Contract Liabilities.* PFRS 15 requires to present separately the contract asset (right to consideration in exchange for goods or services that has been transferred to a customer), contract liability (obligation to transfer goods or services to a customer for which the entity has received consideration) and receivable (right to consideration is unconditional).

   Payments received before broadcast (pay before broadcast) and before delivery of other goods and services previously presented as part of "Advances from customers" account are reclassified and presented as "Contract liabilities" under "Trade payables and other current liabilities" account. As a result, advances from customers amounting to ₱162.25 million were presented as contract liabilities as at January 1, 2018.

- Philippine Interpretations Committee (PIC) Q&A on Advances to Contractors

  The Group adopted PIC Q&A 2018-15, *PAS 1 - Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Noncurrent* starting January 1, 2018. The impact of adoption is applied retrospectively which resulted to the following reclassification in the consolidated statement of financial position as at December 31, 2017:

	Current Asset	**Noncurrent Asset**
Advances to contractors	(₱182,757,565)	₱182,757,565

Advances to contractors previously presented under "Prepaid expenses and other current assets", representing payments for the construction of property and equipment was reclassified to "Other noncurrent assets". Before adoption of PIC Q&A 2018-15, the classification of the Group is based on the timing of application of these advances against billings and timing of delivery of goods and services. The PIC Q&A, however, clarifies that classification is based on the actual realization of such advances based on the determined usage/realization of the asset to which it is intended for (e.g., property and equipment).

New Accounting Standards, Interpretations and Amendments to Existing Standards
Effective Subsequent to December 31, 2018

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

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at FVOCI, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

  The Group is currently assessing the impact of adopting these amendments.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event;

  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

  The Group is currently assessing the impact of adopting these amendments.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the ECL model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted.

The Group is currently assessing the impact of adopting these amendments.

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

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes* and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

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

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Group is currently assessing the impact of adopting this interpretation.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

    The Group is currently assessing the impact of adopting these amendments.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  The Group is currently assessing the impact of adopting these amendments.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  The Group is currently assessing the impact of adopting these amendments.

Effective beginning on or after January 1, 2020

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

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

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

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

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

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the FRSC deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Summary of Significant Accounting and Financial Reporting Policies

Investments in an Associate and Joint Ventures

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

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

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

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

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

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

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

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

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

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

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

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

Current versus Noncurrent Classification
The Group presents assets and liabilities in consolidated statement of financial position based on current/noncurrent classification.

An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;

- expected to be realized within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

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

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

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

- Disclosures for significant estimates and assumptions, see Note 4
- Quantitative disclosures of fair value measurement hierarchy, see Note 31
- Land, see Note 13
- Investment properties, see Note 14
- Financial instruments (including those carried at amortized cost), see Note 31

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

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

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

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

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

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

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

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

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

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

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

Financial Instruments – Beginning January 1, 2018

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

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

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

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

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

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

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

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

The Group does not have debt instruments at FVOCI and financial assets at FVPL as at December 31, 2018.

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

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

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

The Group's financial assets at amortized cost includes cash and cash equivalents, trade and other receivables and refundable deposits (included under "Other noncurrent assets" account in the consolidated statement of financial position) as at December 31, 2018 (see Notes 6, 7, 15 and 30).

Financial Assets Designated at FVOCI (Equity Instruments). Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

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

The Group elected to classify irrevocably under this category its listed and non-listed equity instruments and investment in quoted club shares as at December 31, 2018 (see Notes 10 and 30).

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

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

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

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

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

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

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

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

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

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

Financial Liabilities

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

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

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

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

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

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

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at FVPL as at December 31, 2018.

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

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

This category generally applies to trade payables and other current liabilities (excluding payable to government agencies, customers' deposits and contract liabilities), short-term loans, obligations for program and other rights and dividends payable (see Notes 16, 17, 18 and 30).

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

Financial Instruments – Prior to January 1, 2018

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

Financial Assets
Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVPL, transaction costs that are attributable to the acquisition of the financial asset.

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

The Group's financial assets include cash and cash equivalents, trade and other receivables, refundable deposits (included under "Other noncurrent assets" account in the consolidated statement of financial position) and AFS financial assets.

Subsequent Measurement. The Group has no financial assets at FVPL and HTM investments as at December 31, 2017.

a. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the EIR method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The effective interest amortization is included in interest income in profit or loss. The losses arising from impairment are recognized under "General and administrative expenses" account in the consolidated statement of comprehensive income.

The Group's cash and cash equivalents, trade and other receivables and refundable deposits (included under "Other noncurrent assets" account) are classified as loans and receivables (see Notes 6, 7, 15, and 30).

b. AFS financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to profit or loss. Interest earned while holding AFS financial assets is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

The Group's investments in equity securities in listed and non-listed entities and quoted club shares are classified as noncurrent AFS financial assets (see Notes 10 and 30).

<u>Derecognition</u>
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

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

Impairment of Financial Assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost. If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of comprehensive income. The financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are no longer included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the asset. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group. If a future write-off is later recovered, the recovery is recognized in the consolidated statement of comprehensive income.

Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets Carried at Cost. If there is an objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS Financial Assets. For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the profit or loss, is removed from OCI and recognized in the profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; increases in their fair value after impairment are recognized in OCI.

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the profit or loss, the impairment loss is reversed through the profit or loss.

Financial Liabilities

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

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

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

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

a. *Financial liabilities at FVPL*

The Group has not designated any financial liabilities at FVPL or derivatives designated as hedging instruments in an effective hedge as at December 31, 2017.

b. *Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings and other payables are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

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

Classification of Financial Instruments Between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

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

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

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

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

Program and Other Rights
Program and other rights with finite lives are stated at cost less amortization and impairment in value. The estimated useful lives and the amortization method used depend on the manner and pattern of usage of the acquired rights. The cost of program and other rights with specific number of runs within a specified term is amortized using straight-line method up to the date of expiry. The cost of program and other rights with no definite expiration date is amortized on accelerated method based on the sum of the year's digit of ten years with salvage value of 10% of the total cost. Amortization expense is shown as "Program and other rights usage" account included under "Production costs" account in the consolidated statement of comprehensive income.

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

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

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

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

Tax Credits
Tax credits represent claims from the government arising from airing of government commercials and advertisements availed under Presidential Decree (PD) No. 1362. Pursuant to PD No. 1362, these will be collected in the form of tax credits which the Group can use in paying for import duties and taxes on imported broadcasting related equipment. The tax credits cannot be used to pay for any other tax obligation to the government.

As at December 31, 2018 and 2017, the Group's tax credits are classified as current under "Prepaid expenses and other current assets" account in the consolidated statement of financial position.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Treasury Stocks and Underlying Shares of the Acquired Philippine Deposit Receipts (PDRs)
The Parent Company's own reacquired equity instruments are deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issuance or cancellation of the Group's own equity instruments.

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

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

Revenue Recognition

a. Revenue Recognition Prior to Adoption of PFRS 15

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

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

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

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

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

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

Payments received for advertisements before broadcast (pay before broadcast) are recognized as income on the dates the advertisements are aired. Prior to liquidation, these are classified as unearned revenue under "Contract liabilities" in 2018 and "Advances from customers" in 2017, under "Trade payables and other current liabilities" account, in the consolidated statement of financial position.

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

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

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

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

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

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

c. Revenue Recognition Outside the Scope of PFRS 15

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

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

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

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

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

Contract Balances

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

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

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

Incremental Costs to Obtain a Contract
The Group pays sales commissions to its account executives for each contract that they obtain for advertising agreements with customers. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions (presented as part of "Marketing expense" under "General and administrative expense" account in the consolidated statement of comprehensive income) because the amortization period of the asset that the Group otherwise would have used is less than one year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Leases

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

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is substantial change to the asset.

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

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

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

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

Foreign Currency-denominated Transactions

Transactions in foreign currencies are initially recorded in the functional currency exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing exchange rate at financial reporting period. All differences are taken to profit or loss in the consolidated statements of comprehensive income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. For income tax purposes, foreign exchange gains and losses are treated as taxable income or deductible expenses when realized.

Taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Segment Reporting
For management purposes, the Group's operating businesses are organized and managed separately into television and radio airtime, international subscriptions and other business activities. Such business segments are the basis upon which the Group reports its primary segment information. The Group considers television and radio operations as the major business segment. The Group operates in two geographical areas where it derives its revenue. Financial information on business segments is presented in Note 5 to the consolidated financial statements.

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

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

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

4. Significant Accounting Judgments, Estimates and Assumptions

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

Judgments

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

Consolidation of Entities in which the Group holds less than Majority of Voting Rights. The Group considers that it controls RGMA Network even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of RGMA Network with a 49% equity interest. The remaining 51% of the equity shares in RGMA Network are owned by several parties. Since September 27, 1995, which is the date of incorporation of RGMA Network, there is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group. The carrying amount of NCI as at December 31, 2018 and 2017 are ₱62.80 million and ₱46.61 million, respectively.

Operating Leases - Group as Lessee. The Group has entered into various lease agreements as a lessee. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessors retain all the significant risks and rewards of ownership of the properties and accounts for the contracts as operating leases.

Rental expense charged to operations amounted to ₱992.66 million, ₱936.40 million and ₱899.89 million in 2018, 2017, and 2016 respectively (see Notes 22, 23 and 27).

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

Total rental income amounted to ₱8.27 million, ₱8.18 million and ₱6.56 million in 2018, 2017 and 2016, respectively (see Note 25).

Estimates and Assumptions

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

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

- Simplified approach for trade receivables

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

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

- Definition of default for trade receivables

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

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

- Incorporation of forward-looking information

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

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

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

  Predicted relationship between the key macro-economic indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 3 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

- Grouping of instruments for losses measured on collective basis

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

  The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

  Provision for ECL amounted to ₱109.63 million in 2018. The allowance for ECL amounted to ₱531.34 million as at December 31, 2018. The carrying amounts of trade and other receivables amounted to ₱4,811.97 million as at December 31, 2018 (see Notes 7 and 23).

Estimating Allowance for Doubtful Accounts (applicable until December 31, 2017 prior to the adoption of PFRS 9). Provisions are made for specific and groups of billed accounts where objective evidence of impairment exists. The Group determines the allowance for doubtful accounts based on impairment assessments of individual advertiser balances. Individual balances for which there is no objective evidence of impairment are assessed collectively by applying a loss rate determined based on a five-year average of historical losses. The individual impairment assessment is an inherently uncertain process involving various assumptions and factors about the financial condition of the advertiser, estimates of amounts still collectible and, for the collective assessment, the loss rate used. These assumptions could be significantly different from actual credit losses.

Provision for doubtful accounts amounted to ₱8.25 million and ₱25.15 million in 2017 and 2016, respectively (see Notes 7 and 23). Trade and other receivables, net of allowance for doubtful accounts of ₱311.71 million, amounted to ₱4,905.86 million as at December 31, 2017 (see Note 7).

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

The Group estimates the amortization of program and other rights with finite lives using straight line method up to the date of expiry, which is the manner and pattern of usage of the acquired rights.

The Group estimates the amortization of program and other rights with no definite expiration date using accelerated method based on the sum of the year's digit of ten years with salvage value of 10% of the total cost. The Group estimates that programs are generally more marketable in their initial airing as compared to the succeeding airings. In addition, estimation of the amortization of program and other rights is based on the Group's experience with such rights. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Program and other rights usage amounted to ₱871.45 million, ₱905.25 million and ₱836.18 million in 2018, 2017 and 2016, respectively (see Notes 8 and 22). Program and other rights, net of accumulated impairment in value of ₱2.70 million, amounted to ₱937.23 million and ₱1,346.14 million as at December 31, 2018 and 2017, respectively (see Note 8).

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

The carrying value of materials and supplies inventory, included under "Prepaid expenses and other current assets" account in the consolidated statement of financial position, amounted to ₱13.42 million and ₱15.69 million as at December 31, 2018 and 2017, respectively (see Note 9). There were no provisions for inventory losses in 2018, 2017 and 2016.

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

There has been no change in the Group's estimate of useful lives of its property and equipment, software costs and investment properties in 2018 and 2017.

Total depreciation and amortization expense for the years ended December 31, 2018, 2017 and 2016 amounted to ₱609.62 million, ₱654.88 million, and ₱740.77 million, respectively (see Notes 12, 14, 15, 22 and 23).

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

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

There is a revaluation increment on land in 2018 amounting to ₱990.37 million. In 2017, there is no additional revaluation increment on land due to insignificant movements in the fair value of the land. The revalued amount of land, which is classified under "Property and equipment" account in the statement of financial position, amounted to ₱2,803.20 million and ₱1,805.23 million as at December 31, 2018 and 2017, respectively (see Notes 13 and 31).

Impairment of Nonfinancial Assets. For prepaid production costs, tax credits, investments and advances, property and equipment, investment properties, program and other rights, investment in artworks, deferred production costs and software costs, impairment testing is performed whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business;
- significant negative industry or economic trends; and
- obsolescence or physical damage of an asset.

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

As at December 31, 2018 and 2017, the Group did not identify any indicator of impairment on its nonfinancial assets, hence, no impairment tests were carried out.

The carrying values of nonfinancial assets as at December 31 follow:

	2018	2017
Property and equipment - at cost (see Note 12)	**₱2,642,298,449**	₱2,665,618,075
Land at revalued amounts (see Note 13)	**2,803,196,184**	1,805,234,093
Program and other rights (see Note 8)	**937,234,416**	1,346,137,512
Investments and advances (see Note 11)	**158,215,331**	151,103,271
Prepaid production costs (see Note 9)	**84,473,811**	136,029,723
Software costs (see Note 15)	**81,548,369**	94,113,724
Tax credits (see Note 9)	**59,969,477**	92,288,022
Investment properties (see Note 14)	**40,003,984**	51,048,514
Investment in artworks (see Note 15)	**10,186,136**	10,186,136
Deferred production costs (see Note 15)	**797,800**	976,683

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

Recognized deferred tax assets amounted to ₱976.6 million and ₱766.13 million as at December 31, 2018 and 2017, respectively, while unrecognized deferred tax assets amounted to ₱1.65 million and ₱6.51 million as at December 31, 2018 and 2017, respectively (see Note 28).

Pension and Other Employee Benefits. The determination of the Group's obligation and cost of pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 26 and include, among others, discount rate and salary increase rate. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

Pension liability amounted to ₱2,182.99 million and ₱1,670.16 million as at December 31, 2018 and 2017, respectively (see Note 26).

Determination of Fair Value of Financial Assets and Financial Liabilities. Certain financial assets and financial liabilities are carried and disclosed at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates and interest rates), the amount of changes in fair value would differ if the Group utilized a different valuation methodology. Any changes in the assumptions could affect the fair value of these financial assets and financial liabilities. The fair value of financial assets and liabilities are enumerated in Note 31.

Determination of Fair Value of Investment Properties. PFRS requires disclosure of fair value of investment properties when measured at cost.

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

The description of valuation techniques used and key inputs to fair valuation of investment properties are enumerated in Note 14 of the consolidated financial statements.

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

5. Segment Information

Business Segments

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

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

The Executive Committee, the chief operating decision maker, and Management monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with the net income or loss in the consolidated financial statements. On a consolidated basis, the Group's performance is evaluated based on consolidated net income for the year.

Geographical Segments

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

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

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

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

Inter-segment Transactions

Segment revenues, segment expenses and segment results include transfers among business segments and among geographical segments. The transfers are accounted for at competitive market prices charged to unrelated customers for similar services. Such transfers are eliminated upon consolidation.

Measurement Basis

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

ical	Local						International								
;egment	Television and radio airtime			Other businesses			International subscription			Eliminations			Consolidated		
	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016
'ES															
ales	₱13,768,391,670	₱14,106,884,749	₱15,432,687,765	₱166,044,122	₱134,279,806	₱277,421,350	₱1,301,756,577	₱1,361,127,633	₱1,243,839,184	₱–	₱–	₱–	₱15,236,192,369	₱15,602,292,188	₱16,953,948,299
ıent sales	–	–	–	596,056,036	416,723,790	493,239,657	–	–	–	(596,056,036)	(416,723,790)	(493,239,657)		–	–
	₱13,768,391,670	₱14,106,884,749	₱15,432,687,765	₱762,100,158	₱551,003,596	₱770,661,007	₱1,301,756,577	₱1,361,127,633	₱1,243,839,184	(₱596,054,018)	(₱416,723,790)	(₱493,239,657)	₱15,236,192,369	₱15,602,292,188	₱16,953,948,299
:OME															
esults	₱2,029,449,877	₱2,327,287,494	₱4,039,955,939	₱200,819,048	₱155,027,164	₱157,593,904	₱984,355,287	₱1,038,271,476	₱935,005,207	₱23,522,173	₱15,000,000	(₱56,153,329)	₱3,238,146,385	₱3,535,586,134	₱5,076,401,721
‹pense	(36,251,389)	(23,010,666)	(16,905,154)	–	–	–	–	–	–		–	–	(36,251,389)	(23,010,666)	(16,905,154)
‹change gain	17,034,936	1,460,046	17,490,271	1,628,409	840,354	3,026,862	557,656	451	527,012		–	–	19,221,001	2,300,851	21,044,145
ıcome	23,676,444	22,582,724	22,622,689	1,779,416	1,193,454	1,028,119	–	–	–		–	–	25,455,860	23,776,178	23,650,808
net earnings	–	–	–	6,351,690	329,580	2,758,875	–	–	–		–	–	6,351,690	329,580	2,758,875
›me (expenses)	89,725,112	198,527,049	146,905,819	36,010,956	12,197,845	13,750,069	–	–	–	(46,622,173)	(91,707,493)	(59,790,801)	79,113,895	119,017,401	100,865,087
ıx	(632,518,193)	(726,742,308)	(1,243,290,512)	(75,533,215)	(55,545,957)	(54,116,044)	(295,473,883)	(311,481,578)	(280,659,666)	(4,500,000)	(4,500,000)	16,846,000	(1,008,025,291)	(1,098,269,843)	(1,561,220,222)
	₱1,491,116,787	₱1,800,104,339	₱2,966,779,052	₱171,056,304	₱114,042,440	₱124,041,785	₱689,439,060	₱726,790,349	₱654,872,553	(₱27,600,000)	(₱81,207,493)	(₱99,098,130)	₱2,324,012,151	₱2,559,729,635	₱3,646,595,260
AND LIABILITIES															
assets	₱14,159,482,812	₱13,576,095,160		₱1,163,427,015	₱999,067,187		₱945,621,759	₱1,176,546,383		(₱1,285,591,746)	(₱1,310,065,905)		₱14,982,939,840	₱14,441,642,825	
ıt in associates - at equity	54,593,624	38,350,619		12,060,134	21,951,449		–	–			–		66,653,758	60,302,068	
tax assets	102,485,454	144,828,605		42,971,403	47,477,395		–	–		97,483,007	98,863,389		242,939,864	291,169,389	
	₱14,316,561,890	₱13,759,274,384		₱1,218,458,552	₱1,068,496,031		₱945,621,759	₱1,176,546,383		(₱1,188,108,739)	(₱1,211,202,516)		₱15,292,533,462	₱14,793,114,282	
:s															
liabilities	₱5,374,409,333	₱4,897,143,505		₱600,445,444	₱571,391,857		₱382,639,036	₱505,353,822		(₱653,029,079)	(₱630,481,469)		₱5,704,464,734	₱5,343,407,715	
gment Information															
xpenditures:															
rogram and other rights and software cost	₱473,050,515	₱1,210,748,319		₱–	₱15,216		₱105,263	₱21,658,042		₱–	₱–		₱473,155,778	₱1,232,421,577	
roperty and equipment	564,881,013	508,362,648		–	13,909,070		301,779	1,455,894		–	–		565,182,792	523,727,612	
and at revalued amount	7,593,292	1,364,718		–	–		–	–		–	–		7,593,292	1,364,718	
ıvestment properties	–	–		–	–		–	–		–	–		-	–	
tion and amortization	1,471,527,586	1,545,612,737		17,094,805	14,399,966		7,450,737	15,120,018		(15,000,000)	(15,000,000)		1,481,073,128	1,560,132,721	

6. Cash and Cash Equivalents

	2018	2017
Cash on hand and in banks	**₱1,943,590,994**	₱1,285,979,018
Short-term deposits	**615,514,328**	993,859,477
	₱2,559,105,322	₱2,279,838,495

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

Interest income earned from bank deposits and short-term deposits amounted to ₱25.46 million, ₱23.78 million and ₱23.65 million in 2018, 2017 and 2016, respectively.

7. Trade and Other Receivables

	2018	2017
Trade:		
Television and radio airtime	**₱4,943,909,836**	₱4,759,231,155
Subscriptions	**206,855,121**	292,367,075
Others	**173,557,400**	145,138,147
Nontrade:		
Advances to officers and employees	**2,354,227**	2,489,025
Others (see Note 20)	**16,639,473**	18,350,003
	5,343,316,057	5,217,575,405
Less allowance for doubtful accounts	**531,342,255**	311,711,194
	₱4,811,973,802	₱4,905,864,211

Trade Receivables

Television and Radio Airtime. Television and radio airtime receivables are unsecured, noninterest-bearing and are generally on 60-90 day terms upon receipt of invoice by the customers. Invoicing normally takes around 30 days from airing.

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

Subscriptions Receivable. Subscriptions receivable pertain to receivables from international channel subscriptions and advertisements. These are unsecured, noninterest-bearing and normally collected within 30-60 days.

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

Nontrade Receivables

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

Allowance for Doubtful Accounts
The movements in the allowance for doubtful accounts on trade receivables in 2018 are as follows:

	2018		
	Corporate	**Individual**	**Total**
Balance at beginning of year, as previously reported	**₱311,198,755**	**₱512,439**	**₱311,711,194**
Effect of PFRS 9 adoption	**96,724,278**	**13,275,722**	**110,000,000**
Balance at beginning of year, as restated	**407,923,033**	**13,788,161**	**421,711,194**
Provision for the year (see Note 23)	**109,631,061**	**–**	**109,631,061**
Balance at end of year	**₱517,554,094**	**₱13,788,161**	**₱531,342,255**

	2017		
	Television and Radio airtime	Others	Total
Balance at beginning of year	₱298,663,895	₱9,763,600	₱308,427,495
Write-off	(4,969,586)	–	(4,969,586)
Provision for the year (see Note 23)	6,584,977	1,668,308	8,253,285
Balance at end of year	₱300,279,286	₱11,431,908	₱311,711,194

	2017		
	Television and Radio airtime	Others	Total
Individually impaired	₱255,734,391	₱–	₱255,734,391
Collectively impaired	44,544,895	11,431,908	55,976,803
	₱300,279,286	₱11,431,908	₱311,711,194

8. Program and Other Rights

Details and movement in this account are as follows:

	2018			
	Program Rights	**Story/Format Rights**	**Program Rights - Incidentals**	**Total**
Cost:				
Balance at beginning of year	**₱1,329,239,538**	**₱9,690,475**	**₱9,909,759**	**₱1,348,839,772**
Additions	**399,602,489**	**–**	**62,945,636**	**462,548,125**
Program and other rights usage (see Note 22)	**(810,968,253)**	**(4,471,235)**	**(56,011,733)**	**(871,451,221)**
Balance at end of year	**917,873,774**	**5,219,240**	**16,843,662**	**939,936,676**
Accumulated impairment in value	**(2,702,260)**	**–**	**–**	**(2,702,260)**
	915,171,514	**5,219,240**	**16,843,662**	**937,234,416**
Less noncurrent portion	**200,772,808**	**–**	**–**	**200,772,808**
Current portion	**₱714,398,706**	**₱5,219,240**	**₱16,843,662**	**₱736,461,608**

	2017			
	Program Rights	Story/Format Rights	Program Rights - Incidentals	Total
Cost:				
Balance at beginning of year	₱1,040,347,613	₱7,185,812	₱8,740,459	₱1,056,273,884
Additions	1,138,091,775	9,690,475	50,037,828	1,197,820,078
Program and other rights usage (see Note 22)	(849,199,850)	(7,185,812)	(48,868,528)	(905,254,190)
Balance at end of year	1,329,239,538	9,690,475	9,909,759	1,348,839,772
Accumulated impairment in value	(2,702,260)	–	–	(2,702,260)
	1,326,537,278	9,690,475	9,909,759	1,346,137,512
Less noncurrent portion	205,914,090	–	–	205,914,090
Current Portion	₱1,120,623,188	₱9,690,475	₱9,909,759	₱1,140,223,422

9. Prepaid Expenses and Other Current Assets

	2018	2017
Advances to suppliers (Notes 2 and 15)	**₱199,967,534**	₱84,406,197
Input VAT	**141,295,086**	152,562,473
Prepaid production costs	**84,473,811**	136,029,723
Prepaid expenses	**81,735,886**	95,433,891
Creditable withholding taxes	**61,673,964**	107,592,110
Tax credits	**59,969,477**	92,288,022
Materials and supplies inventory	**13,421,134**	15,692,696
Others	**2,401,027**	1,987,518
	₱644,937,919	₱685,992,630

Advances to suppliers are noninterest-bearing and are generally applied to acquisition of program and other rights, inventories, availment of services and others within the next financial year.

Input VAT pertains to value-added tax on purchase or importation of goods and services which are to be claimed and credited in the succeeding month's filing of VAT return.

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

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

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

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

Materials and supplies inventory includes the Group's office supplies, spare parts and production materials.

10. Financial Assets at Fair Value Through Other Comprehensive Income and Available-for-Sale Financial Assets

As a result of the adoption of PFRS 9 in 2018, AFS financial assets were reclassified to financial assets at FVOCI.

These accounts consist of the following:

	2018	2017
Listed equity instruments	**₱173,005,514**	₱127,820,000
Non-listed equity instruments	**67,250,332**	117,921,881
	₱240,255,846	₱245,741,881

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

Financial Assets at FVOCI
The movement of financial assets at FVOCI in 2018 is as follows:

	2018
Balance at beginning of year, as previously presented	₱–
Reclassification from AFS financial assets	245,741,881
Effect of adoption of new accounting standard (see Note 2)	26,385,412
Balance at beginning of year, as restated	272,127,293
Return of investment	(6,089,790)
Unrealized loss on fair value changes during the year	(25,781,657)
Balance at end of year	₱240,255,846

The return of investment amounting to ₱6.09 million represents the reduction surplus of the Parent Company's investment in Mabuhay Investments Corporation (Mabuhay) as a result of the decrease in the latter's par value of common shares of stock. The return of investment did not result to a change in the Parent Company's ownership interest in Mabuhay.

Dividend income earned from financial assets at FVOCI amounted to ₱2.50 million in 2018 (see Note 25).

The movements in net unrealized loss on financial assets at FVOCI in 2018 follow:

	2018
Balance at beginning of year, as previously presented	₱–
Reclassification from AFS financial assets	(8,092,181)
Effect of adoption of new accounting standard (see Note 2)	26,385,412
Tax effect	198,852
Balance at beginning of year - net of tax, as restated	18,492,083
Net unrealized loss on fair value changes during the year	(25,781,657)
Tax effect of the changes in fair market values	2,238,229
Balance at end of year	(₱5,051,345)

AFS Financial Assets

The movement of AFS financial assets in 2017 is as follows:

	2017
Balance at beginning of year	₱243,391,881
Net changes in the fair value of AFS financial assets	2,350,000
Balance at end of the year	₱245,741,881

In 2017 and 2016, the Group recognized dividends from AFS financial assets amounting to ₱0.13 million and ₱2.55 million, respectively (see Note 25).

The movements in net unrealized loss on AFS financial assets in 2017 follow:

	2017
Balance at beginning of the year - net of tax	(₱10,113,681)
Net changes in the fair market value of AFS financial assets	2,350,000
Tax effect of the changes in fair market values	(328,500)
Balance at end of the year - net of tax	(₱8,092,181)

IP E-Games

In 2015, IP E-Games Ventures, Inc. (IPE) issued ₱13,000.00 million of its own common shares to the Group in exchange of the Group's investment in X-Play Online Games Incorporated (X-Play) and in settlement of ₱30.00 million advances and ₱50.00 million airtime credits granted by the Group to X-Play. At initial recognition, the Group recognized at fair value the IPE shares as AFS financial assets amounting to ₱130.00 million.

Of the ₱50.00 million airtime credits, ₱22.00 million has not been implemented at the date of exchange and therefore was recognized by the Group as unearned revenue presented as "Contract liabilities" in 2018 and as part of "Advances from customers" in 2017, included as part of trade payables and other current liabilities (see Note 16).

11. Investments and Advances

The following are the details of this account:

	2018	2017
Investment in an associate and interests in joint ventures	**₱66,653,758**	₱60,302,068
Advances to an associate and joint ventures (see Note 20)	**91,561,573**	90,801,203
	₱158,215,331	₱151,103,271

The movements in the account are as follows:

	2018	2017
Investment in an associate and interests in joint ventures:		
Acquisition cost -		
Balance at beginning and end of year	₱131,722,056	₱131,722,056
Accumulated equity in net losses:		
Balance at beginning of year	(71,419,988)	(71,749,568)
Equity in net earnings during the year	6,351,690	329,580
Balance at end of year	(65,068,298)	(71,419,988)
	66,653,758	60,302,068
Advances to an associate:		
Balance at beginning of year	88,231,235	88,269,696
Advances during the year (see Note 20)	785,796	–
Other adjustments	–	(38,461)
Balance at end of year	89,017,031	88,231,235
Advances to joint ventures:		
Balance at beginning of year	2,569,968	2,593,765
Advances during the year (see Note 20)	376,352	–
Collections	(401,778)	–
Other adjustments	–	(23,797)
Balance at end of year	2,544,542	2,569,968
Total investments and advances	₱158,215,331	₱151,103,271

The ownership interests in joint ventures and an associate, which were all incorporated in the Philippines, and are accounted for under the equity method, as at December 31, 2018 and 2017 follows:

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

**Not operational.*
***Indirect investment through GNMI.*

The carrying values of investments and the related advances are as follows:

	2018		
	Investments	Advances (Note 20)	Total
Associate -			
Mont-Aire	₱38,350,619	₱89,017,031	₱127,367,650
Joint ventures:			
Gamespan	8,947,966	1,959,670	10,907,636
PEP	19,355,173	584,872	19,940,045
	28,303,139	2,544,542	30,847,681
	₱66,653,758	₱91,561,573	₱158,215,331

	2017		
	Investments	Advances (Note 20)	Total
Associate - Mont-Aire	₱38,350,619	₱88,231,235	₱126,581,854
Joint ventures:			
Gamespan	8,947,966	1,959,670	10,907,636
PEP	13,003,483	610,298	13,613,781
	21,951,449	2,569,968	24,521,417
	₱60,302,068	₱90,801,203	₱151,103,271

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

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

The Group recognized its share in net earnings of PEP amounting to ₱6.35 million, ₱0.33 million and ₱2.76 million in 2018, 2017 and 2016, respectively.

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

Gamespan has not started its commercial operations since its establishment. In 2014, the Group and MJC agreed to terminate its shareholder's agreement and to close Gamespan. As at December 31, 2018, the process of cessation of Gamespan is ongoing. Since Gamespan already ceased its operations, the Group did not recognize any share in net earnings in 2018, 2017 and 2016.

INQ7
Losses of INQ7 recognized under the equity method in excess of the Group's carrying value of investment were applied against its advances to the Parent Company thereby reducing both advances and investments to zero as at December 31, 2018 and 2017. INQ7 ceased operations in 2007. In 2013, INQ7 submitted a request to liquidate its assets to SEC. The liquidation is still ongoing as at December 31, 2018.

The Group believes that its interests in joint ventures are not individually material. Aggregate information of joint ventures that are not individually material are as follows:

	2018	2017	2016
The Group's share in income / total comprehensive income	**₱6,351,690**	₱329,580	₱2,758,875
Aggregate carrying value of the Group's interests and advances	**30,847,681**	24,521,417	24,215,634

Mont-Aire
The table below shows the condensed financial information of Mont-Aire as at December 31, 2018 and 2017, respectively:

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

Mont-Aire ceased its commercial operations in 2009. Assets include real estate and parcels of land with an aggregate cost of ₱157.09 million and fair market value of ₱210.64 million, as determined by an accredited appraiser as at March 14, 2017, enough to cover for the carrying amount of the Group's investment in Mont-Aire. Management believes that there are no events or changes in circumstances indicating a significant change in the fair value of the abovementioned properties from the last appraisal made.

12. Property and Equipment at Cost

	2018				
	January 1	Additions/ Depreciation (see Notes 22 and 23)	Disposals	Reclassifications (see Note 15)	December 31
Cost:					
Land, buildings, towers and improvements	₱2,930,048,452	₱3,179,466	(₱946,735)	₱43,756,987	₱2,976,038,170
Antenna and transmitter systems and broadcast equipment	6,470,175,940	69,398,131	–	111,676,414	6,651,250,485
Communication and mechanical equipment	1,220,148,947	48,906,363	(14,394,474)	40,429,265	1,295,090,101
Transportation equipment	499,631,390	71,609,275	(47,160,711)	–	524,079,954
Furniture, fixtures and equipment	153,908,972	3,305,429	(621,724)	(28,214)	156,564,463
	11,273,913,701	196,398,664	(63,123,644)	195,834,452	11,603,023,173
Accumulated Depreciation:					
Buildings, towers and improvements	1,905,248,383	148,347,971	(946,735)	–	2,052,649,619
Antenna and transmitter systems and broadcast equipment	5,720,869,471	286,804,659	–	–	6,007,674,130
Communication and mechanical equipment	1,071,490,247	73,434,340	(12,083,729)	–	1,132,840,858
Transportation equipment	349,164,873	71,122,626	(45,162,057)	–	375,125,442
Furniture, fixtures and equipment	146,794,301	4,483,423	(621,724)	(11,280)	150,644,720
	9,193,567,275	584,193,019	(58,814,245)	(11,280)	9,718,934,769
Construction in progress and equipment for installation	585,271,649	376,118,387	–	(203,179,991)	758,210,045
	₱2,665,618,075	(₱11,675,968)	(₱4,309,399)	(₱7,334,259)	₱2,642,298,449

	2017				
	January 1	Additions/ Depreciation (see Notes 22 and 23)	Disposals	Reclassifications (see Note 15)	December 31
Cost:					
Land, buildings, towers and improvements	₱2,921,554,061	₱9,203,472	(₱709,081)	₱–	₱2,930,048,452
Antenna and transmitter systems and broadcast equipment	6,383,536,005	186,179,289	(97,875,045)	(1,664,309)	6,470,175,940
Communication and mechanical equipment	1,149,777,938	39,047,592	(16,922,595)	48,246,012	1,220,148,947
Transportation equipment	498,682,573	56,088,773	(56,804,265)	1,664,309	499,631,390
Furniture, fixtures and equipment	151,578,448	2,530,875	(200,351)	–	153,908,972
	11,105,129,025	293,050,001	(172,511,337)	48,246,012	11,273,913,701
Accumulated Depreciation:					
Buildings, towers and improvements	1,764,451,369	141,479,413	(682,399)	–	1,905,248,383
Antenna and transmitter systems and broadcast equipment	5,486,061,495	334,312,359	(97,840,074)	(1,664,309)	5,720,869,471
Communication and mechanical equipment	1,015,150,890	73,008,734	(16,669,377)	–	1,071,490,247
Transportation equipment	326,274,574	75,826,821	(54,600,831)	1,664,309	349,164,873
Furniture, fixtures and equipment	142,371,928	4,622,724	(200,351)	–	146,794,301
	8,734,310,256	629,250,051	(169,993,032)	–	9,193,567,275
Construction in progress and equipment for installation	406,943,315	230,677,611	–	(52,349,277)	585,271,649
	₱2,777,762,084	(₱105,522,439)	(₱2,518,305)	(₱4,103,265)	₱2,665,618,075

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

The reclassification relates to the cost of low value assets amounting to ₱0.23 million in 2018 and software that were transferred to other noncurrent assets amounting to ₱7.10 million and ₱4.10 million in 2018 and 2017, respectively (see Note 15).

The Group disposed various property and equipment in 2018, 2017 and 2016 resulting to the recognition of gain on sale amounting to ₱19.83 million, ₱27.06 million and ₱29.72 million, respectively (see Note 25).

The cost of fully depreciated assets still being used by the Group amounted to ₱6,475.24 million and ₱5,753.97 million as at December 31, 2018 and 2017, respectively.

As at December 31, 2018 and 2017, no property and equipment have been pledged as collateral or security for any of the Group's liabilities.

13. Land at Revalued Amounts

	2018	2017
Cost	**₱352,024,052**	₱350,659,334
Additions	**7,593,293**	1,364,718
	359,617,345	352,024,052
Revaluation increment	**2,443,578,839**	1,453,210,041
	₱2,803,196,184	₱1,805,234,093

Land used in operations was last appraised on November 19, 2018 by an accredited firm of appraisers and is valued in terms of its highest and best use.

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

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

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

As at December 31, 2018 and 2017, no land has been pledged as collateral or security for any of the Group's liabilities and the Group has no restrictions on the realizability of its land and no contractual obligation to purchase, construct or develop land or for repairs, maintenance and enhancements.

14. Investment Properties

	2018		
	Land and Improvements	**Buildings and Improvements**	**Total**
Cost:			
Balance at beginning of year	**₱30,501,881**	**₱77,028,321**	**₱107,530,202**
Disposals	**(6,740,058)**	–	**(6,740,058)**
Balance at end of year	**23,761,823**	**77,028,321**	**100,790,144**
Accumulated depreciation:			
Balance at beginning of year	–	**54,677,639**	**54,677,639**
Depreciation during the year (see Note 23)	–	**2,255,880**	**2,255,880**
Balance at end of year	–	**56,933,519**	**56,933,519**
Accumulated impairment:			
Balance at beginning of year	–	**1,804,049**	**1,804,049**
Provision during the year	–	**2,048,592**	**2,048,592**
Balance at end of year	–	**3,852,641**	**3,852,641**
	₱23,761,823	**₱16,242,161**	**₱40,003,984**

	2017		
	Land and Improvements	Buildings and Improvements	Total
Cost:			
Balance at beginning and end of year	₱30,501,881	₱77,028,321	₱107,530,202
Accumulated depreciation:			
Balance at beginning of year	–	52,412,042	52,412,042
Depreciation during the year (see Note 23)	–	2,265,597	2,265,597
Balance at end of year	–	54,677,639	54,677,639
Accumulated impairment in value	–	1,804,049	1,804,049
	₱30,501,881	₱20,546,633	₱51,048,514

The Group recognized provision for impairment in value of certain investment properties amounting to ₱2.05 million 2018 and ₱1.8 million in prior years. Management believes that the carrying values after impairment approximate its recoverable values.

The fair value of investment properties owned by the Group amounted to ₱209.58 million as at December 31, 2018. The land was last appraised on November 19, 2018 by an accredited appraiser and was valued in terms of its highest and best use. The fair value was determined using the "Market Data Approach". The fair value represents the amount that would be received to sell the property in an orderly transaction between market participants at the date of valuation. The description of the valuation techniques used and key inputs to fair valuation are as follows:

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

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

Rental income and the directly related expense arising from these investment properties follow:

	2018	2017	2016
Rental income (see Note 25)	**₱5,243,247**	₱4,925,603	₱3,864,727
Depreciation expense (see Note 23)	**(2,255,880)**	(2,265,597)	(2,277,701)
	₱2,987,367	₱2,660,006	₱1,587,026

As at December 31, 2018 and 2017, no investment properties have been pledged as collateral or security for any of the Group's liabilities and the Group has no restriction on the realizability of its investment properties and no contractual obligation to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

15. Other Noncurrent Assets

	2018	2017
Software costs	**₱81,548,369**	₱94,113,724
Advances to contractors	**45,762,624**	182,757,565
Deferred input VAT	**33,281,960**	35,537,774
Refundable deposits	**14,174,904**	13,697,898
Guarantee deposits	**14,031,849**	15,254,753
Investment in artworks	**10,186,136**	10,186,136
Development costs	**5,767,800**	5,043,000
Facilities	**2,164,041**	2,161,423
Deferred production costs	**797,800**	976,683
Others	**4,656,862**	5,637,255
	₱212,372,345	₱365,366,211

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

Advances to contractors pertain to advance payments made by the Parent Company for the construction of assets to be classified as property and equipment. In 2018, in compliance with PIC Q&A 2018-15, the Group's advances to contractors is classified as noncurrent assets. Accordingly, the prior year balance of ₱182.76 million was reclassified to be aligned with the current period's presentation (see Note 2). The reclassification increased total noncurrent assets and decreased total current assets as at December 31, 2017 by ₱182.76 million. The reclassification did not have any impact on the consolidated statement of comprehensive income, consolidated statement of equity and consolidated statement of cash flows. The reclassification has also no impact on the Group's basic/diluted earnings per share.

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

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

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

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

The movements in software costs follows:

	2018	2017
Cost:		
Balance at beginning of year	**₱375,524,834**	₱329,760,185
Additions during the year	**3,504,612**	41,661,384
Reclassifications during the year (see Note 12)	**7,103,040**	4,103,265
Balance at end of year	**386,132,486**	375,524,834
Accumulated amortization:		
Balance at beginning of year	**281,411,110**	258,048,227
Amortization during the year (see Note 23)	**23,173,007**	23,362,883
Balance at end of year	**304,584,117**	281,411,110
	₱81,548,369	₱94,113,724

16. Trade Payables and Other Current Liabilities

	2018	2017
Payable to government agencies	**₱713,762,142**	₱762,892,224
Trade payables (see Note 20)	**678,867,935**	845,018,977
Customers' deposits	**63,666,744**	31,753,616
Contract liabilities (see Note 10)	**22,040,292**	–
Accrued expenses:		
Utilities and other expenses	**260,679,160**	145,812,643
Payroll and talent fees (see Notes 24 and 26)	**169,079,170**	173,654,334
Production costs	**141,318,241**	195,428,814
Commission	**59,267,945**	18,757,609
Advances from customers (see Note 10)	**–**	162,247,590
Others	**52,304,638**	51,335,791
	₱2,160,986,267	₱2,386,901,598

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

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

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

Contract liabilities pertain to payments received before broadcast and before delivery of goods and services which were previously reclassified from "Advances from customers" on January 1, 2018, upon adoption of PFRS 15. These are recognized as revenue when the Group performs the obligation under the contract. Out of the balance of the beginning balance of ₱162.25 million, total revenue recognized amounted to ₱140.25 million for the year ended December 31, 2018. As provided in Note 10, this account also includes contract liabilities of ₱22.00 million resulting from the sale of the Group's interests in X-Play in 2015.

Accrued expenses and other payables are noninterest-bearing and are generally settled within the next financial year.

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

17. Short-term Loans

The Parent Company obtained unsecured short-term peso and US dollar denominated loans from local banks in 2018 and 2017. Details and movements of the short-term loans are as follows:

	2018	2017
Balance at beginning of year	**₱500,000,000**	₱646,360,000
Availments	**1,500,000,000**	1,500,000,000
Payments	**(1,500,000,000)**	(1,647,452,000)
Foreign currency exchange loss	**–**	1,092,000
Balance at end of year	**₱500,000,000**	₱500,000,000

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

Lender	Currency	Amount	Interest Rate (per annum)	Terms	**2018**	2017
BPI	Peso	₱500,000,000	4.25%	Availed in 2018; payable in one year	**₱500,000,000**	
BPI	Peso	₱500,000,000	3.10%	Availed in 2017; payable in one year		₱500,000,000

Interest expense amounted to ₱36.25 million, ₱23.01 million and ₱16.91 million in 2018, 2017 and 2016, respectively.

18. Obligations for Program and Other Rights

Obligations for program and other rights represent liabilities to foreign and local film suppliers for program and other rights purchased by the Group. Outstanding unpaid balance as at December 31, 2018 and 2017 amounted to ₱119.65 million and ₱139.57 million, respectively. Obligations for program and other rights are generally payable in equal monthly or quarterly installments.

Interest expense recognized on obligations for program and other rights amounted to nil in 2018 and 2017 and ₱0.21 million in 2016.

19. Equity

a. Capital Stock

Details of capital stock as at December 31, 2018 and 2017:

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

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

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

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

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

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

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

b. Retained Earnings

The retained earnings of the Parent Company is restricted for the payment of dividends to the extent of ₱34.27 million as at December 31, 2018 and 2017, representing the cost of shares held in treasury and underlying shares of the acquired PDRs amounting to ₱28.48 million and ₱5.79 million, respectively.

The Parent Company's retained earnings available for dividend declaration, computed based on the guidelines provided in SRC Rule 68, As Amended (2011), amounted to ₱2,042.61 million and ₱2,437.70 million as at December 31, 2018 and 2017, respectively. The difference between the consolidated retained earnings and the Parent Company's retained earnings available for dividend declaration primarily consist of undistributed earnings of subsidiaries. Stand-alone earnings of the subsidiaries are not available for dividend declaration by the Parent Company until declared by the subsidiaries as dividends.

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

Year	Declaration Date	Record Date	Cash Dividend Per Share	Total Cash Dividend Declared
2018	**April 5, 2018**	**April 23, 2018**	**₱0.50**	**₱2,430,099,220**
2017	March 27, 2017	April 20, 2017	₱0.73	₱3,547,944,859
2016	April 8, 2016	April 25, 2016	₱0.40	₱1,943,884,375

The Parent Company's outstanding dividends payable amounts to ₱17.05 million and ₱15.44 million as at December 31, 2018 and 2017, respectively.

On March 29, 2019 the Parent Company's BOD approved declaration and distribution of cash dividends amounting to ₱0.45 per share totaling ₱2,187.09 million to all stockholders of record as at April 22, 2019 and will be paid on May 14, 2019.

20. Related Party Disclosures

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individual or corporate entities.

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. For years ended December 31, 2018 and 2017, the Group has not recorded any impairment of receivables on amounts owed by the related parties. The assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

In the ordinary course of business, the Group transacts with associate, affiliates, joint venture and other related parties on advances, reimbursement of expenses, and future stock subscriptions.

The transactions and balances of accounts as at and for the years ended December 31, 2018 and 2017 with related parties are as follows:

Account Name and Category	Related Party	Year	Amount/ Volume of Transactions	Receivables (Payables)	Terms	Conditions
Advances (see Note 11)	**Associate:**					
	Mont-Aire	**2018**	**₱785,796**	**₱89,017,031**	Noninterest-	Unsecured;
		2017	1,539	88,231,235	bearing	not impaired
	Joint ventures:					
	Gamespan	**2018**	**–**	**1,959,670**	Noninterest-	Unsecured;
		2017	–	1,959,670	bearing	not impaired
	PEP	**2018**	**376,352**	**584,872**	Noninterest-	Unsecured;
		2017	–	610,298	bearing	not impaired
	INQ7	**2018**	**–**	**11,544,000**	Noninterest-	Unsecured;
		2017	–	11,544,000	bearing	fully impaired
	Total	**2018**	**₱1,162,148**	**₱103,105,573**		
		2017	1,539	102,345,203		
Trade Receivables						
Reimbursable charges (see Note 7)	**Common stockholders:**					
	GMA Kapuso Foundation Inc.	**2018**	**₱2,478,333**	**₱–**	On demand,	Unsecured;
		2017	902,727	1,370,431	noninterest-bearing	not impaired
Other Services		**2018**	**–**	–	On demand,	Unsecured;
		2017	30,000	–	noninterest-bearing	not impaired
Legal, consulting and retainers' fees	Belo, Gozon, Elma Law	**2018**	**9,586,300**	–	On demand,	Unsecured;
		2017	16,240,413	–	noninterest-bearing	not impaired
	Total	**2018**	**₱12,064,333**	**₱–**		
		2017	₱17,173,140	₱1,370,431		
Trade Payables	**Joint venture**					
Share in short messaging fee and development fee	PEP	**2018**	**₱–**	**₱–**	Noninterest-	Unsecured
		2017	–	(4,392)	bearing	
	Total	**2018**	**₱–**	**₱–**		
		2017	–	(4,392)		

The advances made by the Parent Company to Mont-Aire and PEP are intended for future capital subscription. On the other hand, the advances to INQ7 were fully impaired as a result of the application of the Group's share in the losses of INQ7 recognized under the equity method in excess of the Group's carrying value of investment (see Note 11).

Compensation of Key Management Personnel
The compensation of key management personnel of the Group, by benefit type, are as follows:

	2018	2017	2016
Salaries and other long-term benefits (see Notes 23 and 24)	**₱568,481,703**	₱444,995,586	₱438,671,187
Pension benefits (see Notes 23 and 24)	**253,271,403**	167,153,219	160,724,249
	₱821,753,106	₱612,148,805	₱599,395,436

Equity Investments of the Retirement Fund
The Group's retirement fund includes equity investments in GMA Network, Inc. and GMA PDRs amounting to ₱272.45 million and ₱37.88 million in 2018, respectively, and ₱288.71 million and ₱40.67 million in 2017, respectively (see Note 26).

21. Revenues

Set out below is the disaggregation of the Group's revenues from contract with customers for the year ended December 31:

	2018	2017	2016
Type of service			
Sale of service			
Advertising revenue	**₱13,834,535,108**	₱14,176,872,108	₱15,509,075,765
Subscription revenue (see Note 27)	**1,160,342,535**	1,154,838,009	1,068,931,357
Production revenue	**131,857,044**	90,210,317	234,301,740
Revenue from distribution and content provisioning	**109,457,682**	180,371,754	141,639,437
Total revenue from contracts with customers	**₱15,236,192,369**	₱15,602,292,188	₱16,953,948,299
Geographical markets			
Local	**₱13,934,435,792**	₱14,241,164,555	₱15,710,109,115
International	**1,301,756,577**	1,361,127,633	1,243,839,184
Total revenue from contracts with customers	**₱15,236,192,369**	₱15,602,292,188	₱16,953,948,299
Timing of revenue recognition			
Services transferred at a point in time	**₱14,075,849,834**	₱14,447,454,179	₱15,885,016,942
Services transferred over time	**1,160,342,535**	1,154,838,009	1,068,931,357
Total revenue from contracts with customers	**₱15,236,192,369**	₱15,602,292,188	₱16,953,948,299

22. Production Costs

	2018	2017	2016
Talent fees and production personnel costs (see Note 24)	**₱2,992,043,969**	₱3,113,585,509	₱2,873,152,666
Program and other rights usage (see Note 8)	**871,451,221**	905,254,190	836,176,965
Rental (see Note 27)	**895,795,347**	845,002,050	820,553,007
Tapes, sets and production supplies	**539,520,779**	622,487,377	540,954,636
Facilities and amortization of production services	**826,000,103**	781,523,282	1,153,784,656
Depreciation (see Notes 12 and 23)	**202,361,442**	240,899,214	272,208,103
Transportation and communication	**156,530,203**	173,544,646	144,627,484
	₱6,483,703,064	₱6,682,296,268	₱6,641,457,517

23. General and Administrative Expenses

	2018	2017	2016
Personnel costs (see Note 24)	**₱3,284,815,334**	₱3,282,897,875	₱3,054,296,394
Depreciation and amortization (see Notes 12 and 14)	**384,087,457**	390,616,434	451,390,669
Communication, light and water	**340,696,239**	289,288,398	274,874,628
Advertising	**223,861,267**	177,910,388	182,516,701
Taxes and licenses	**192,819,834**	182,742,107	178,419,077
Professional fees	**184,332,966**	197,920,814	223,438,561
Repairs and maintenance	**125,012,025**	160,322,397	171,439,293
Provision for doubtful accounts (see Note 7)	**109,631,061**	8,253,285	25,151,364
Marketing expense	**99,870,405**	142,229,650	168,803,212
Rental (see Note 27)	**96,864,644**	91,398,647	79,341,640
Research and surveys	**81,418,243**	86,854,160	91,246,946
Security services	**68,412,361**	62,836,643	60,978,694
Software maintenance	**60,315,430**	66,895,171	54,231,481
Transportation and travel	**58,150,821**	57,081,350	49,018,265
Insurance	**29,254,674**	29,628,102	27,418,475
Amortization of software costs (see Note 15)	**23,173,007**	23,362,883	17,173,566
Janitorial services	**22,612,232**	22,633,153	24,759,025
Materials and supplies	**19,815,582**	18,116,056	15,350,814
Entertainment, amusement and recreation	**13,454,014**	12,329,587	14,597,783
Freight and handling	**7,691,224**	6,736,657	11,988,188
Dues and subscriptions	**7,534,012**	7,137,566	7,459,137
Others	**80,520,088**	67,218,463	52,195,148
	₱5,514,342,920	₱5,384,409,786	₱5,236,089,061

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

Depreciation

	2018	2017	2016
Property and equipment (see Note 12)			
Production costs (see Note 22)	**₱202,361,442**	₱240,899,214	₱272,208,103
General and administrative expenses	**381,831,577**	388,350,837	449,112,968
	584,193,019	629,250,051	721,321,071
Investment properties			
General and administrative expenses (see Note 14)	**2,255,880**	2,265,597	2,277,701
	₱586,448,899	₱631,515,648	₱723,598,772

24. Personnel Costs

	2018	2017	2016
Talent fees	**₱2,922,326,940**	₱3,045,140,935	₱2,813,626,359
Salaries and wages	**1,993,485,463**	1,803,593,788	1,739,898,034
Employee benefits and allowances	**932,500,288**	1,161,561,467	1,079,728,582
Pension expense (see Note 26)	**312,489,341**	289,541,781	227,546,241
Sick and vacation leaves expense	**116,057,271**	96,645,413	66,649,844
	₱6,276,859,303	₱6,396,483,384	₱5,927,449,060

The above amounts were distributed as follows:

	2018	2017	2016
Production costs (see Note 22)	**₱2,992,043,969**	₱3,113,585,509	₱2,873,152,666
General and administrative expenses (see Note 23)	**3,284,815,334**	3,282,897,875	3,054,296,394
	₱6,276,859,303	₱6,396,483,384	₱5,927,449,060

25. Others - Net

	2018	2017	2016
Commission from Artist Center	**₱37,094,499**	₱42,587,971	₱42,373,980
Gain on sale of property and equipment (see Note 12)	**19,829,189**	27,060,463	29,717,284
Rental income (see Notes 14 and 27)	**8,269,926**	8,183,881	6,561,032
Merchandising license fees and others	**8,052,792**	4,373,351	16,126,548
Dividend income (see Note 10)	**2,499,895**	132,811	2,550,000
Income from mall shows	**1,950,226**	1,201,057	1,401,855
Bank charges	**(1,940,697)**	(3,268,288)	(3,898,899)
Sales of DVDs and integrated receiver-decoders	**49,283**	172,029	120,868
Reversal of long-outstanding payables	**–**	32,999,414	3,233,336
Others	**3,308,782**	5,574,712	2,679,083
	₱79,113,895	₱119,017,401	₱100,865,087

26. Pension and Other Employee Benefits

As at December 31, pension and other employee benefits consist of:

	2018	2017
Pension liability	**₱2,182,994,135**	₱1,670,157,190
Vacation and sick leave accrual	**303,666,555**	292,056,473
	2,486,660,690	1,962,213,663
Less current portion of vacation and sick leave accrual*	**4,822,827**	7,402,445
Pension and other long-term employee benefits	**₱2,481,837,863**	₱1,954,811,218

**Included in "Accrued expenses" under Trade payables and other current liabilities (see Note 16).*

Pension Benefits
The Group operates non-contributory defined benefit retirement plans.

Under the existing regulatory framework, R.A. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Pension benefits recognized in the statements of comprehensive income are as follows (see Note 24):

	2018	2017	2016
Current service cost	**₱216,272,094**	₱202,107,964	₱194,341,085
Past service cost	**8,713,551**	–	–
Net interest cost	**87,503,696**	87,433,817	33,205,156
	₱312,489,341	₱289,541,781	₱227,546,241

Net pension liability recognized in the consolidated statements of financial position is as follows:

	2018	2017	2016
Present value of defined benefit obligation	**₱3,180,957,326**	₱2,531,456,676	₱2,319,848,369
Fair value of plan assets	**997,963,191**	861,299,486	675,524,622
Pension liability	**₱2,182,994,135**	₱1,670,157,190	₱1,644,323,747

The changes in the present value of the defined benefit obligation are as follows:

	2018	2017	2016
Balance at beginning of year	**₱2,531,456,676**	₱2,319,848,369	₱1,700,980,562
Current service cost	**216,272,094**	202,107,964	194,341,085
Past service cost	**8,713,551**	–	–
Interest cost	**136,667,808**	123,844,594	63,342,653
Benefits paid:			
From plan assets	**(148,327,656)**	(106,518,329)	(72,832,747)
From Company's own funds	**(48,311,185)**	(7,825,922)	(7,646,509)

(Forward)

	2018	2017	2016
Remeasurement losses (gains):			
Changes in financial assumptions	**(₱448,513,200)**	₱–	(₱241,262,891)
Changes in demographic assumptions	**19,038,199**	–	(19,999,260)
Experience adjustment	**913,961,039**	–	702,925,476
Balance at end of year	**₱3,180,957,326**	₱2,531,456,676	₱2,319,848,369

The changes in the fair value of plan assets are as follows:

	2018	2017	2016
Balance at beginning of year	**₱861,299,486**	₱675,524,622	₱598,265,691
Contribution during the year	**279,003,770**	259,000,000	200,000,000
Interest income	**49,164,112**	36,410,777	30,137,497
Benefits paid	**(148,327,656)**	(106,518,329)	(72,832,747)
Remeasurement loss - return on plan assets	**(43,176,521)**	(3,117,584)	(80,045,819)
Balance at end of year	**₱997,963,191**	₱861,299,486	₱675,524,622

Remeasurement loss on retirement plans amounting to ₱367.2 million, ₱2.2 million and ₱365.2 million reported under the consolidated statement of comprehensive income in 2018, 2017 and 2016 is presented net of deferred tax.

At each reporting period, the Group determines its contribution based on the performance of its retirement fund.

The Group expects to contribute ₱300.00 million to the fund in 2019.

The funds are managed and supervised by trustee banks for the benefits of the members. However, the general administration of the funds is vested in a Retirement Committee.

The following table presents the carrying amounts and estimated fair values of the plan assets:

	2018	2017
	Carrying Value/Fair Value	Carrying Value/Fair Value
Cash and cash equivalents	**₱234,580,745**	₱310,303,178
Equity instruments (see Note 20):		
GMA PDRs	**272,445,584**	288,710,992
GMA Network, Inc.	**37,884,160**	40,669,760
Debt instruments -		
Government securities	**423,187,875**	219,910,756
Others	**29,864,827**	1,704,800
	₱997,963,191	₱861,299,486

The plan assets consist of the following:

- Cash and cash equivalents consist of regular savings and time deposits.
- Investments in equity instruments consist of listed shares of GMA Network, Inc. and GMA PDRs (see Note 20). Changes in the fair market value of these investments resulted to a loss of ₱44.23 million in 2018 and gain of ₱6.27 million and ₱17.91 million in 2017 and 2016, respectively.

- Investments in debt instruments bear interest ranging from 2.38% to 7.89% and have maturities from January 2018 to October 2037. Equity and debt instruments held have quoted prices in an active market.
- Others consist of loans and receivables which are collectible within the next twelve months.

The person who exercises voting rights over shares is within the powers of the Trustee, who do not have any relationship with the directors or officers of the Group.

The plan assets are primarily exposed to financial risks such as liquidity risk and price risk.

Liquidity risk pertains to the plan's ability to meet its obligation to the employees upon retirement. To effectively manage liquidity risk, the Board of Trustees invests at least the equivalent amount of actuarially computed expected compulsory retirement benefit payments for the year to liquid/semi-liquid assets such as treasury notes, treasury bills, and savings and time deposits with commercial banks.

The Group performs an Asset-Liability Matching Study (ALM) annually. The principal technique of the Group's ALM in order to minimize the portfolio liquidation risk is to ensure that the expected return on assets will be sufficient to support the desired level of funding arising from the defined benefit plans.

Price risk pertains mainly to fluctuations in market prices of equity securities listed in the Philippine Stock Exchange. In order to effectively manage price risk, the Board of Trustees continuously assesses these risks by closely monitoring the market value of the securities and implementing prudent investment strategies.

However, in the event a benefit claim arises under the retirement plan and the retirement fund is not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable to the retirement fund from the Group.

The principal assumptions used in determining pension liability for the Group's plans are shown below:

	2018	2017	2016
Discount rate	**7.09-7.70%**	4.70-5.90%	4.7-5.9%
Expected rate of salary increase	**2.5-5.00%**	4.00%	4.00%
Turn-over rates:			
19-24 years old	**7.26-32.00%**	7.5-9.54%	7.5-9.54%
25-29 years old	**5.56-25.50%**	6.00-7.26%	6.00-7.26%
30-34 years old	**3.25-20.00%**	3.79-4.5%	3.79-4.5%
35-39 years old	**0.00-8.00%**	3.00-3.20%	3.00-3.20%
40-44 years old	**0.00-6.50%**	2.00-2.31%	2.00-2.31%
≥45 years old	**0.00-8.25%**	0.00-1.96%	0.00-1.96%

The sensitivity analysis below has been determined by remeasuring the defined benefit obligation at the reporting period after first adjusting one of the current assumption that were reasonably possible at the valuation date while all other assumptions remained unchanged. It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation		
		2018	2017	2016
Discount rate	50	**(₱151,033,648)**	(₱147,053,322)	(₱130,821,241)
	(50)	**163,215,384**	160,848,171	142,741,801
Future salary increases	50	**166,759,223**	154,891,568	132,347,649
	(50)	**(155,480,126)**	(142,790,665)	(122,666,215)

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2018:

Less than one year	₱279,167,499
More than 1 year to 3 years	1,189,031,936
More than 3 years to 7 years	1,742,318,266
More than 7 years to 15 years	3,156,019,371
More than 15 years to 20 years	4,306,561,185
More than 20 years	10,005,760,987

Other Long-Term Employee Benefits

Other long-term employee benefits consist of accumulated and unexpired employee sick and vacation leave entitlements. Noncurrent portion of other employee benefits amounted to ₱298.84 million and ₱284.66 million as at December 31, 2018 and 2017, respectively, while current portion of other employee benefits recorded in "Accrued payroll and talent fees" included under "Trade and other current liabilities" account amounted to ₱4.82 million and ₱7.4 million as at December 31, 2018 and 2017, respectively (see Note 16).

27. Agreements

Lease Agreements

Operating Lease Commitments - Group as Lessee. The Group entered into various lease agreements for the land, building, studio spaces, satellite and airtime that it presently occupies and uses for periods ranging from three to twenty five years. The leases are cancellable at the Group's option.

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

The future minimum rentals payable under the non-cancellable operating lease with ZBN follow:

	2018	2017
Within one year	**₱100,691,244**	₱232,505,236
After one year but not more than five years	–	100,691,244
	₱100,691,244	₱333,196,480

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

Total rental expense amounted to ₱992.66 million, ₱936.40 million and ₱899.89 million in 2018, 2017, and 2016, respectively (see Notes 22 and 23).

Operating Lease - Group as Lessor. The Group also leases out certain properties for a period of one year, renewable annually. The leased out properties include investment properties and broadcast equipment. Total rental income amounted to ₱8.27 million, ₱8.18 million and ₱6.56 million in 2018, 2017 and 2016, respectively (see Note 25).

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

Total subscription income amounted to ₱1,160.34 million, ₱1,154.84 million and ₱1,068.93 million in 2018, 2017 and 2016, respectively (see Note 21).

28. Income Taxes

Current Income Tax
The current income tax consists of the following:

	2018	2017	2016
RCIT	**₱1,056,837,806**	₱1,094,393,014	₱1,510,149,656
MCIT	**16,100**	493,093	773,934
	₱1,056,853,906	₱1,094,886,107	₱1,510,923,590

The reconciliation between the statutory income tax rates and effective income tax rates are shown below:

	2018	2017	2016
Statutory income tax	**30.00%**	30.00%	30.00%
Additions (deductions) in income tax resulting from:			
Interest income already subjected to final tax	**(0.64)**	(0.24)	(0.13)
Nondeductible interest expense	**0.23**	0.09	0.06
Nondeductible tax deficiency payment	**0.42**	0.01	0.05
Equity in net losses of joint ventures	**–**	–	(0.02)
Others - net	**–**	0.16	0.02
Effective income tax	**30.02%**	30.02%	29.98%

Deferred Taxes
The components of the Group's net deferred tax assets and liabilities are as follows:

	2018	2017
Deferred tax assets:		
Pension liability	**₱654,385,915**	₱500,215,593
Allowance for doubtful accounts	**157,327,702**	91,847,244
Other long-term employee benefits	**89,653,118**	88,108,821
Accruals for research	**27,405,542**	10,061,847
Intercompany sale of intangible assets	**27,000,000**	31,500,000
Allowance for probable losses in advances	**7,044,910**	15,622,045

(Forward)

	2018	2017
Customers' deposits	₱6,600,000	₱13,243,552
Unamortized past service cost	4,110,253	–
Unrealized loss on financial assets at FVOCI	2,396,535	–
Excess MCIT over RCIT	700,684	1,068,164
Accrued rent	–	13,676,991
Others	–	442,887
Unrealized loss on AFS financial assets	–	340,455
	976,624,659	766,127,599
Deferred tax liabilities:		
Revaluation increment on land	(733,073,652)	(435,963,012)
Unrealized foreign exchange gain	–	(18,692,539)
Discounting of noncurrent obligation for program and other rights	–	(19,921,659)
Others	(611,143)	(381,000)
	(733,684,795)	(474,958,210)
	₱242,939,864	₱291,169,389

The components of deferred tax assets (liabilities) pertaining to accounts presented under equity in the consolidated statements of financial position are as follows:

	2018	2017
Revaluation increment on land	(₱733,073,652)	(₱435,963,012)
Pension liability - remeasurement loss on retirement plan	446,690,600	286,227,805
Revaluation of financial assets at FVOCI	2,396,535	–
Revaluation of AFS financial assets	–	(45,545)
	(₱283,986,517)	(₱149,780,752)

The components of the subsidiaries' deductible temporary differences and carryforward benefits of NOLCO and MCIT, for which no deferred tax assets have been recognized in the Group's consolidated statements of financial position, are as follows:

	2018	2017
Allowance for doubtful accounts	₱2,761,683	₱4,637,981
Allowance for inventory stock	2,093,486	1,670,219
Pension liability	512,326	831,564
Unamortized past service cost	103,954	–
NOLCO	–	4,568,684
Excess MCIT over RCIT	–	2,941,699
Other long-term employee benefits	–	176,828
Others	12,088	–
	₱5,483,537	₱14,826,975

The unrecognized deferred tax assets from the above deductible temporary differences and carryforward benefits of NOLCO and MCIT amounted to ₱1.65 million and ₱6.51 million as at December 31, 2018 and 2017, respectively.

The deferred tax assets were not recognized as management believes that future taxable income against which the deferred tax assets can be used for these entities may not be available.

As at December 31, 2018, the Group's MCIT and NOLCO are as follows:

Years Paid/Incurred	Carryforward Benefit Up To	MCIT	NOLCO
2016	2019	₱585,583	₱3,557,616
2017	2020	29,092	776,438
2018	2021	86,009	3,626,616
		₱700,684	₱7,960,670

The movements in MCIT and NOLCO in 2018 are as follows:

	MCIT	NOLCO
Balance at beginning of year	₱4,009,863	₱4,568,684
Additions	86,009	3,626,616
Applications	(448,077)	–
Expirations	(2,947,111)	(234,630)
	₱700,684	₱7,960,670

The movements in MCIT and NOLCO in 2017 are as follows:

	MCIT	NOLCO
Balance at beginning of year	₱3,895,590	₱11,644,457
Additions	117,273	2,724,874
Expirations	(3,000)	(9,800,647)
	₱4,009,863	₱4,568,684

29. EPS Computation

The computation of basic and diluted EPS follows:

	2018	2017	2016
Net income attributable to equity holders of the Parent Company (a)	**₱2,304,793,288**	₱2,543,897,957	₱3,626,334,921
Less attributable to preferred shareholders	**711,150,895**	784,927,359	1,119,119,934
Net income attributable to common equity holders of the Parent Company (b)	**1,593,642,393**	1,758,970,598	2,507,214,987
Common shares issued at the beginning of year (Note 19)	**3,364,692,000**	3,364,692,000	3,364,692,000
Treasury shares (Note 19)	**(3,645,000)**	(3,645,000)	(3,645,000)
Underlying shares on acquired PDRs (Note 19)	**(750,000)**	(750,000)	(750,000)
Weighted average number of common shares for basic EPS (c)	**3,360,297,000**	3,360,297,000	3,360,297,000
Weighted average number of common shares	**3,360,297,000**	3,360,297,000	3,360,297,000

(Forward)

	2018	2017	2016
Effect of dilution - assumed conversion of preferred shares	**1,500,000,000**	1,500,000,000	1,500,000,000
Reacquired preferred shares	**(492,816)**	(492,816)	(492,816)
Weighted average number of common shares adjusted for the effect of dilution (d)	**4,859,804,184**	4,859,804,184	4,859,804,184
Basic EPS (b/c)	**₱0.474**	₱0.523	₱0.746
Diluted EPS (a/d)	**₱0.474**	₱0.523	₱0.746

30. Financial Risk Management Objectives and Policies

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

The BOD reviews and approves the Group's objectives and policies.

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

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

The tables below summarize the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted payments as at December 31:

		2018			
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**More than 1 year**	**Total**
Financial assets at amortized cost:					
Cash and cash equivalents	₱1,943,590,994	₱615,514,328	₱–	₱–	₱2,559,105,322
Trade receivables:					
Television and radio airtime	2,119,976,245	2,338,252,278	–	–	4,458,228,523
Subscriptions	19,120,372	157,039,179	–	–	176,159,551
Others	32,604,820	125,987,208	–	–	158,592,028
Nontrade receivables:					
Advances to officers and employees	–	–	2,354,227	–	2,354,227
Others	8,207,806	–	8,431,667	–	16,639,473
Refundable deposits*	–	–	–	14,174,904	14,174,904
Financial assets at FVOCI	–	–	–	240,255,846	240,255,846
	4,123,500,237	3,236,792,993	10,785,894	254,430,750	7,625,509,874

(Forward)

		2018			
	On Demand	Less than 3 Months	3 to 12 Months	More than 1 year	Total
Loans and borrowings:					
Trade payables and other current liabilities**	**₱404,510,362**	**₱940,245,180**	**₱16,761,547**	**₱–**	**₱1,361,517,089**
Short-term loans***	–	**6,986,301**	**500,582,192**	–	**507,568,493**
Obligations for program and other rights	–	**119,646,269**	–	–	**119,646,269**
Dividends payable	**17,053,776**	–	–	–	**17,053,776**
	421,564,138	**1,066,877,750**	**517,343,739**	–	**2,005,785,627**
Liquidity Portion (Gap)	**₱3,701,936,099**	**₱2,169,915,243**	**(₱506,557,845)**	**₱254,430,750**	**₱5,619,724,247**

**Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 15).*
***Excluding payable to government agencies, customer deposits and contract liabilities amounting to ₱713.76 million ₱63.67 million and ₱22.04 million, respectively (see Note 16).*
****Gross contractual payments.*

		2017			
	On Demand	Less than 3 Months	3 to 12 Months	More than 1 year	Total
Loans and receivables:					
Cash and cash equivalents	₱1,285,979,018	₱993,859,477	₱–	₱–	₱2,279,838,495
Trade receivables:					
Television and radio airtime	861,990,654	3,596,961,215	–	–	4,458,951,869
Subscriptions	98,286,060	194,081,015	–	–	292,367,075
Others	64,223,614	69,482,625	–		133,706,239
Nontrade receivables:					
Advances to officers and employees	74,423	2,414,602	–	–	2,489,025
Others	204,175	18,145,828		–	18,350,003
Refundable deposits*	–	–	–	13,697,898	13,697,898
AFS financial assets	–	–	–	245,741,881	245,741,881
	2,310,757,944	4,874,944,762	–	259,439,779	7,445,142,485
Other financial liabilities:					
Trade payables and other current liabilities**	462,449,326	939,793,903	27,764,939	–	1,430,008,168
Short-term loans***	–	3,875,000	501,937,500	–	505,812,500
Obligations for program and other rights	–	139,571,493	–	–	139,571,493
Dividends payable	15,437,102	–	–	–	15,437,102
	477,886,428	1,083,240,396	529,702,439	–	2,090,829,263
Liquidity Portion (Gap)	₱1,832,871,516	₱3,791,704,366	(₱529,702,439)	₱259,439,779	₱5,354,313,222

**Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 15).*
***Excluding payable to government agencies, customer deposits and advances from customers amounting to ₱762.89 million ₱31.75 million and ₱162.25 million, respectively (see Note 16).*
****Gross contractual payments.*

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

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

	2018		2017	
Assets				
Cash and cash equivalents	**\$19,661,959**	**₱1,033,825,779**	\$5,653,614	₱282,284,947
	C\$1,951,866	**75,602,601**	C\$1,073,427	42,632,227
Trade receivables	**\$2,995,217**	**157,488,524**	\$4,184,458	208,929,988
	C\$1,041,796	**40,352,392**	C\$1,967,742	78,150,841
	S\$145,148	**5,583,556**	S\$150,727	5,625,554
	¥3,659,217	**1,738,494**	¥485,806	214,872
	A\$26,529	**983,424**	A\$51,697	2,011,272
	DH49,371	**708,731**	DH75,612	1,027,930
	£–	**–**	£6,331	424,915
		₱1,316,283,501		₱621,302,546
Liabilities				
Trade payables	**\$1,286,974**	**₱67,669,073**	\$3,413,632	₱170,442,646
Obligations for program and other rights	**1,966,624**	**103,405,104**	2,405,795	120,121,344
		₱171,074,177		₱290,563,990
		₱1,145,209,324		₱330,738,556

In translating the foreign currency-denominated monetary assets and liabilities into Philippine peso amounts, the exchange rate used were ₱52.58 to US\$1.00 and ₱49.93 to US\$1.00, the Philippine peso to U.S. dollar exchange rate, as at December 31, 2018 and 2017, respectively. The exchange rate for Philippine peso to Canadian dollar was ₱38.73 to CAD\$1.00 as at December 31, 2018. The peso equivalents for the Singaporean Dollar, Australian Dollar, Dirham, UK Pound and Japanese Yen are ₱38.47, ₱37.07 and ₱14.36, ₱66.73 and ₱0.48, respectively.

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

	Appreciation/ (Depreciation) of Peso	Effect on Income before Income Tax							
		USD	CAD	SGD	AUD	AED	GBP	JPY	Total
2018	**0.50**	**(₱9,701,789)**	**(₱1,496,831)**	**(₱72,569)**	**(₱13,264)**	**(₱24,685)**	**₱–**	**(₱1,829,608)**	**(₱13,138,746)**
	(0.50)	**9,701,789**	**1,496,831**	**72,569**	**13,264**	**24,685**	**–**	**1,829,608**	**13,138,746**
2017	0.50	(₱2,009,323)	(₱1,520,585)	(₱75,364)	(₱25,849)	(₱37,806)	(₱3,166)	(₱242,903)	(₱3,914,996)
	(0.50)	2,009,323	1,520,585	75,364	25,849	37,806	3,166	242,903	3,914,996

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

The Group ensures that sales of products and services are made to customers with appropriate credit history. The Group has an internal mechanism to monitor the granting of credit and management of credit exposures. The Group has made provisions, where necessary, for potential losses on credits extended. The Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of the instruments. The Group does not require any collateral for its financial assets, thus, maximum exposure to credit risk is equal to the carrying value of the financial instruments.

The table below shows the maximum exposure to credit risk for the components of the consolidated financial position as at December 31:

	2018	2017
Financial assets at amortized cost in 2018 and Loans and receivables in 2017:		
Cash and cash equivalents*	**₱2,331,066,120**	₱2,128,344,290
Trade receivables:		
Television and radio airtime	**4,458,228,523**	4,458,951,869
Subscriptions	**176,159,551**	292,367,075
Others	**158,592,028**	133,706,239
Nontrade receivables:		
Advances to officers and employees	**2,354,227**	2,489,025
Others	**16,639,473**	18,350,003
Refundable deposits**	**14,174,904**	13,697,898
	7,157,214,826	7,047,906,399
Financial assets at FVOCI	**240,255,846**	–
AFS financial assets	–	245,741,881
	₱7,397,470,672	₱7,293,648,280

**Excluding cash on hand amounting to ₱206.51 million and ₱129.67 million as at December 31, 2018 and 2017, respectively.*
***Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 15).*

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

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

Set out below is the information about the credit risk exposure of the Group's trade receivables using provision matrix as at December 31, 2018:

	Trade Receivables					
		Days past due				
	Current	0-30 days	31 - 60 days	61 - 90 days	91 days and above	Total
Expected credit loss rate	1%	4%	7%	11%	27%	
Estimated total gross carrying amount at default	₱2,621,278,665	₱672,627,381	₱272,879,000	₱111,771,677	₱1,646,040,002	₱5,324,596,725
Expected credit loss	34,444,886	27,120,876	19,908,808	12,647,383	437,220,302	531,342,255

The credit quality of financial assets is managed by the Group using high grade and standard grade as internal credit ratings.

- *High Grade.* Pertains to a counterparty who is not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes prime financial institutions and companies and top 20 advertisers in terms of volume of sales, who consistently pay on or before the maturity date and related parties.

- *Standard Grade.* Pertains to a counterparty with tolerable delays (normally from 1 to 30 days) in settling its obligations to the Group. The delays may be due to cut-off differences. This includes customers outside the top 20 advertisers in terms of volume of sales, who consistently pay on maturity date and officers and employees.

As at December 31, 2017, the credit quality of the Group's financial assets is as follows:

	2017				
	Neither Past Due Nor Impaired		Past Due but	Past Due and	
	High Grade	Standard Grade	not Impaired	Impaired	Total
Loans and receivables:					
Cash and cash equivalents*	₱2,150,174,152	₱–	₱–	₱–	₱2,150,174,152
Trade receivables:					
Television and radio airtime	2,932,227,638	463,495,382	1,063,228,849	300,279,286	4,759,231,155
Subscriptions	180,069,041	7,649,963	104,648,071	–	292,367,075
Others	40,585,643	17,475,408	75,645,188	11,431,908	145,138,147
Nontrade receivables:					
Advances to officers and employees	2,414,602	35,423	39,000	–	2,489,025
Others	17,568,445	541,960	239,598	–	18,350,003
Refundable deposits**	13,697,898	–	–	–	13,697,898
	5,336,737,419	489,198,136	1,243,800,706	311,711,194	7,381,447,455
AFS financial assets	245,741,881	–	–	–	245,741,881
	₱5,565,247,335	₱489,198,136	₱1,261,032,671	₱311,711,194	₱7,627,189,336

**Excluding cash on hand amounting to ₱129.66 million as at December 31, 2017.*
***Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 15).*

As at December 31, 2017, the aging analysis of receivables that are not impaired follows:

	2017				
	Trade				
	Television and Radio Airtime	Subscriptions	Others	Nontrade	Total
Neither past due nor impaired	₱3,395,723,020	₱187,719,004	₱58,061,051	₱20,560,430	₱3,662,063,505
Past due but not impaired:					
1-30 days	317,900,137	7,128,832	15,212,225	32,021	340,273,215
31-60 days	154,168,708	5,928,618	10,016,375	8,483	170,122,184
61-90 days	118,012,576	16,907,691	6,408,342	40,967	141,369,576
91-180 days	236,108,444	1,782,287	7,123,818	27,024	245,041,573
181-365 days	209,797,368	11,293,583	10,184,329	92,610	231,367,890
Over 1 year	27,241,616	61,607,060	26,700,099	77,493	115,626,268
	₱4,458,951,869	₱292,367,075	₱133,706,239	₱20,839,028	₱4,905,864,211

Capital Management

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

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

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

No changes were made in the objectives, policies or processes for each of the three years ended December 31, 2018, 2017 and 2016.

The Group monitors its capital gearing by measuring the ratio of interest-bearing loan to total equity. The Group's interest-bearing loans, which are the short-term loans, amounted to ₱500.00 million and ₱500.00 million as at December 31, 2018 and 2017, respectively. The Group's total equity attributable to equity holders of the Parent Company as at December 31, 2018 and 2017 amounted to ₱9,525.27 million and ₱9,403.09 million, respectively.

31. Fair Value Measurement

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

	2018			
		Fair Value		
	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Measured at Fair Value				
Land at revalued amount	**₱2,803,196,184**	**₱–**	**₱–**	**₱2,803,196,184**
Financial assets at FVOCI	**240,255,846**	**–**	**13,261,000**	**226,994,846**
Assets for which Fair Values are Disclosed				
Investment properties	**40,003,984**	**–**	**–**	**209,582,548**
Loans and receivables - Refundable deposits*	**14,174,904**	**–**	**–**	**12,915,727**
	₱3,097,630,918	**₱–**	**₱13,261,000**	**₱3,252,689,305**

**Included under "Other noncurrent assets" account in the consolidated statement of financial position (see Note 15).*

	2017			
		Fair Value		
	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Measured at Fair Value				
Land at revalued amount	₱1,806,511,193	₱–	₱–	₱1,806,511,193
AFS financial assets - quoted	127,820,000	118,435,000	9,385,000	–
Assets for which Fair Values are Disclosed				
Investment properties	51,048,514	–	–	135,434,290
Loans and receivables - Refundable deposits*	13,697,898	–	–	12,845,135
	₱1,999,077,605	₱118,435,000	₱9,385,000	₱1,954,790,618

**Included under "Other noncurrent assets" account in the consolidated statement of financial position (see Note 15).*

During 2018, equity instruments in a listed entity was transferred from level 1 to level 3 due to the investee Company's suspension of trading in the market as at December 31, 2018.

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

Presented below are the significant unobservable inputs used in the market approach valuation of the Group's financial assets in 2018:

Description	Unobservable Inputs	Range December 31	Range January 1
Listed equity instrument:			
Casinos and gaming industry	Price-to-book value multiple	1.2-2.4	1.5-3.3
	Discount for lack of marketability	10%-30%	10%-30%
Non-listed equity instruments:			
Media and entertainment industry	Enterprise value-to-EBITDA multiple	9.9-25.9	8.5-14.2
	Discount for lack of marketability	10%-30%	10%-30%

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

Movements in the fair value of equity investments classified under Level 3 are as follows:

Balance at beginning of year	₱–
Reclassification from AFS financial assets	228,811,090
Fair value adjustment recognized under "net unrealized loss on financial assets at FVOCI" in OCI as at January 1, 2018 due to adoption of PFRS 9	26,385,412
Fair value adjustment in 2018 recognized under "net unrealized loss on financial assets at FVOCI" in OCI	(28,201,657)
Balance at end of year	₱226,994,845

Fair Value Determination

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

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

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

Refundable Deposits

The fair value of refundable deposits is based on the present value of the future discounted cash flows. Discount rates used range from 3.64% to 4.83% in 2018 and 2.05% to 2.52% in 2017.

Financial assets at FVOCI

The Group's investments in club shares were based on prices readily available from brokers and other regulatory agencies as at reporting date. The fair values of equity investments in listed and non-listed companies have been estimated using the net asset value model and market approach. The valuation using market approach requires management to make certain judgments in deriving the set of comparable companies for each entity and in the selection of the appropriate multiples within the range, considering qualitative and quantitative factors specific to the measurement.

AFS Financial Assets
These are investments in quoted and unquoted shares of stock. The fair value of quoted shares is based on quoted market prices. The unquoted shares are stated at cost as there are no reliable sources and bases for subsequent fair value measurement.

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

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

Trade Payables and Other Current Liabilities (excluding Payable to Government Agencies and Advances from Customers), Short-term Loans, Obligations for Program and Other Rights and Dividends Payable
The carrying values of trade payables and other current liabilities, short-term loans, current portion of obligations for program and other rights and dividends payable approximate their fair values due to the relatively short-term maturity of these financial instruments.

32. Changes in Liabilities Arising from Financing Activities

	January 1, 2018	**Additions**	**Cash flows**	**December 31, 2018**
Short-term loans	**₱500,000,000**	**₱1,500,000,000**	**(₱1,500,000,000)**	**₱500,000,000**
Dividends payable	**15,437,102**	**2,437,749,220**	**(2,436,132,546)**	**17,053,776**
Accrued interest expense	**818,055**	**36,251,389**	**(36,125,000)**	**944,444**
Total liabilities from financing activities	**₱516,255,157**	**₱3,974,000,609**	**(₱3,972,257,546)**	**₱517,998,220**

	January 1, 2017	Additions	Cash flows	December 31, 2017
Short-term loans	₱646,360,000	₱1,501,092,000	(₱1,647,452,000)	₱500,000,000
Dividends payable	12,705,059	3,565,794,859	(3,563,062,816)	15,437,102
Accrued interest expense	767,015	23,018,650	(22,967,610)	818,055
Total liabilities from financing activities	₱659,832,074	₱5,089,905,509	(₱5,233,482,426)	₱516,255,157

SGV
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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
GMA Network, Inc. and Subsidiaries
GMA Network Center
Timog Avenue corner EDSA
Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of GMA Network, Inc. and Subsidiaries (the Group) as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 and have issued our report thereon dated March 29, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui

Belinda T. Beng Hui
Partner
CPA Certificate No. 88823
SEC Accreditation No. 0943-AR-3 (Group A),
March 14, 2019, valid until March 13, 2022
Tax Identification No. 153-978-243
BIR Accreditation No. 08-001998-78-2018,
March 14, 2018, valid until March 13, 2021
PTR No. 7332528, January 3, 2019, Makati City

March 29, 2019

GMA NETWORK, INC. AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES DECEMBER 31, 2018

Annex 68 - E

Additional Components

GMA NETWORK, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-E
DECEMBER 31, 2018

Schedule A. Financial Assets

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amounts of Bonds and Notes	Amount Shown in the Statements of Financial Position	Value Based on Market Quotation at end of Reporting Period	Income Received and Accrued
Cash and cash equivalents				
Cash on hand	–	₱206,507,826	₱–	₱–
Cash in banks	–	1,737,083,168	–	1,665,385
Peso Placements:				
Abacus Capital & Investment Corporation	–	79,383,520	–	5,017,423
Banco De Oro	–	–	–	1,481,379
Bank of Philippine Island	–	102,329,770	–	3,053,166
Malayan Bank	–	80,839,595	–	2,845,275
Philippine Bank of Communications	–	20,153,233	–	764,925
Unicapital, Inc.	–	–	–	794,048
Philippine National Bank	–	–	–	278,055
Eastwest	–	21,263,723	–	492,990
Union Bank of the Philippines	–	109,152,500	–	1,735,911
MBTC	–	12,307,375	–	1,452,794
AUB	–	50,000,000	–	647,757
UCPB	–	78,917,926	–	2,335,668
Land Bank of the Philippines	–	–	–	674,917
PBB	–	2,034,900	–	39,939
Amalgamated Investment Bancorporation	–	7,403,536	–	197,852
	–	563,786,078	–	21,812,099
Dollar Placements:				
Eastwest Bank	–	39,486,714	–	692,194
Union Bank of the Philippines	–	12,241,536	–	1,286,182
	–	51,728,250	–	1,978,376
Total Placements	–	615,514,328	–	23,790,475
	–	₱2,559,105,322	₱–	₱25,455,860
Financial Assets at Fair Value Through Other Comprehensive Income				
IP E Games Ventures, Inc.	13,000,000,000	₱159,744,514	₱–	₱–
Unicapital, Inc.	–	68,055,391	–	–
Mabuhay Philippine Satellite	–	(5,828,593)	–	–
Optima Studio	–	4,805,609	–	2,499,895
Ayala Alabang Country Club - A	1	8,000,000	8,000,000	–
Baguio Country Club	1	2,400,000	2,400,000	–
Metropolitan Club (Metroclub) A	7	1,115,000	1,115,000	–
Manila Southwoods A	1	1,206,000	1,206,000	–
Camp John Hay Golf Club	1	320,000	320,000	–
Reefpoint Picture	–	216,925	–	–
Royale Tagaytay	1	220,000	220,000	–
Others	–	1,000	–	–
		₱240,255,846	₱13,261,000	₱2,499,895

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2018

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Noncurrent	Balance at End of Period
			Amount Collected	Amount Written Off			

Not Applicable: The Group has no amounts receivable from directors, officers, employees, related parties and principal stockholders as at December 31, 2018 other than those for purchases subject to usual terms, for ordinary travel and expense advances, and for other such items arising in the ordinary course of business.

Schedule C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2018

Alta Productions Company, Inc. (Alta)

			Deductions				
Account	January 1, 2018	Additions	Amount Collected	Amount written off/ Reclassified	Current	Noncurrent	December 31, 2018
Receivables - Trade	₱143,455	₱271,563	(₱143,455)	₱–	₱271,563	₱–	₱271,563
Payables - Trade	(10,479,497)	(53,885,168)	54,639,621	–	(9,725,044)	–	(9,725,044)
Total	**(₱10,336,042)**	**(₱53,613,605)**	**₱54,496,166**	**₱–**	**(₱9,453,481)**	**₱–**	**(₱9,453,481)**

Citynet Network Marketing and Productions, Inc. (Citynet)

			Deductions				
Account	January 1, 2018	Additions	Amount Collected	Amount written off/ Reclassified	Current	Noncurrent	December 31, 2018
Advances to Citynet	₱118,934,402	₱–	₱–	₱–	₱–	₱118,934,402	₱118,934,402
Receivables - Nontrade	5,500,000	–	(5,500,000)	–	–	–	–
Payables -Trade	(672,000)	–	672,000	–	–	–	–
Total	**₱123,762,402**	**₱–**	**(₱4,828,000)**	**₱–**	**₱–**	**₱118,934,402**	**₱118,934,402**

Schedule C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements (cont.)
December 31, 2018

GMA Marketing and Productions, Inc. (GMPI)

Account	January 1, 2018	Additions	Deductions: Amount Collected	Deductions: Amount written off/ Reclassified	Current	Noncurrent	December 31, 2018
Receivables - Trade	₱31,728,699	₱–	(₱31,728,699)	₱–	₱–	₱–	₱–
Payables - Trade	(140,185,987)	–	33,904,989	–	–	(106,280,998)	(106,280,998)
Payables - Nontrade	(33,200)	(268,949)	–	–	(268,949)	(33,200)	(302,149)
Total	**(₱108,490,488)**	**(₱268,949)**	**₱2,176,290**	**₱–**	**(₱268,949)**	**(₱106,314,198)**	**(₱106,583,147)**

GMA New Media, Inc. (GNMI)

Account	January 1, 2018	Additions	Deductions: Amount Collected	Deductions: Amount written off/ Reclassified	Current	Noncurrent	December 31, 2018
Receivables - Trade	₱35,524,846	₱–	(₱36,524,846)	₱–	₱–	₱–	₱–
Payables - Trade	40,837,814	104,103,166	(18,467,147)	–	104,103,166	22,370,667	126,473,833
Payables - Nontrade	(59,667,011)	(88,413,528)	51,822,073	–	(88,413,528)	(7,844,938)	(96,257,266)
Total	**₱16,695,649**	**₱15,689,638**	**(₱2,169,920)**	**₱–**	**₱15,689,638**	**₱14,525,729**	**₱30,216,567**

Schedule C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements (cont.)
December 31, 2018

GMA Worldwide (Philippines), Inc. (GWI)

			Deductions				
Account	January 1, 2018	Additions	Amount Collected	Amount written off/ Reclassified	Current	Noncurrent	December 31, 2018
Receivables - Trade	₱108,812	₱3,536,467	(₱3,500,000)	₱–	₱145,279	₱–	₱145,279
Payables - Trade	(12,150,972)	(52,438,391)	54,389,597	–	(10,199,766)	–	(10,199,766)
Total	**(₱12,042,160)**	**(₱48,901,924)**	**₱50,889,597**	**₱–**	**(10,054,487)**	**₱–**	**(₱10,054,487)**

RGMA Marketing & Productions, Inc. (GMA Records)

			Deductions				
Account	January 1, 2018	Additions	Amount Collected	Amount written off/ Reclassified	Current	Noncurrent	December 31, 2018
Advances to GMA Records	₱20,806,217	₱–	₱–	₱–	₱–	₱20,806,217	₱20,806,217
Receivables - Trade	5,574,896	–	(5,574,896)	–	–	–	–
Receivables - Nontrade	500,000	8,448,486	(3,112,503)	–	5,835,983	–	5,835,983
Payables - Trade	(1,298,843)	–	1,298,843	–	–	–	–
Total	**₱25,582,270**	**₱8,448,486**	**₱7,388,556**	**₱–**	**₱5,835,983**	**₱20,806,217**	**₱26,642,200**

Schedule C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements (cont.)
December 31, 2018

Scenarios, Inc. (Scenarios)

			Deductions				
Account	January 1, 2018	Additions	Amount Collected	Amount written off/ Reclassified	Current	Noncurrent	December 31, 2018
Advances to Scenarios	₱1,014,090	₱–	₱–	₱–	₱–	₱1,014,090	₱1,014,090
Receivables – Trade	6,145,311	–	(436,781)	–	–	5,708,530	5,708,530
Payables – Trade	(12,914,811)	–	12,914,811	–	–	–	–
Payables – Nontrade	(315,000)	–	–	–	–	–	(315,000)
Total	**(₱6,070,410)**	**₱–**	**₱12,478,030**	**₱–**	**₱–**	**₱6,407,620**	**₱6,407,620**

Script2010, Inc. (Script2010)

			Deductions				
Account	January 1, 2018	Additions	Amount Collected	Amount written off/ Reclassified	Current	Noncurrent	December 31, 2018
Receivables – Trade	₱18,832,302	₱7,641,551	(₱2,321,148)	₱–	₱7,641,551	₱16,551,154	₱24,152,705
Receivables - Nontrade	–	15,485	(15,485)				–
Payables - Trade	(4,588,010)	–	153,591,690	–	(23,681,710)	–	(23,681,710)
Payables - Nontrade	(9,897,581)	(172,685,390)	8,019,095	–	–	(1,878,486)	(1,878,486)
Total	**₱4,346,711**	**(₱165,028,354)**	**₱159,274,152**	**₱–**	**(₱16,040,159)**	**₱14,632,668**	**(₱1,407,491)**

Schedule C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements (cont.)
December 31, 2018

Media Merge Corporation (MM)

			Deductions				
Account	January 1, 2018	Additions	Amount Collected	Amount written off/ Reclassified	Current	Noncurrent	December 31, 2018
Receivables - Trade	₱12,023,726	₱182,762	₱–	₱–	₱182,762	₱12,023,726	₱12,206,488
Payables - Trade	(69,631,521)	(142,046,796)	138,376,247	–	(73,302,070)	–	(73,302,070)
Total	**(₱57,607,795)**	**(₱141,864,034)**	**₱138,376,247**	**₱–**	**(₱73,119,308)**	**₱12,023,726**	**(₱61,095,582)**

Digify, Inc.

			Deductions				
Account	January 1, 2018	Additions	Amount Collected	Amount written off/ Reclassified	Current	Noncurrent	December 31, 2018
Receivables - Nontrade	₱1,200	₱–	(₱1,200)	₱–	₱–	₱–	₱–
Total	**₱1,200**	**₱–**	**(₱1,200)**	**₱–**	**₱–**	**₱–**	**₱–**

Schedule C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements (cont.)
December 31, 2018

RGMA Network, Inc. (RGMA Network)

Account	January 1, 2018	Additions	Deductions		Current	Noncurrent	December 31, 2018
			Amount Collected	Amount written off/ Reclassified			
Receivables - Nontrade	₱52,241	₱53,330,000	(₱53,093,453)	₱–	₱288,788	₱–	₱288,788
Payables - Trade	(83,982,231)	(210,518,075)	267,594,947	–	(26,905,359)	–	(26,905,359)
Total	**(₱83,929,990)**	**(₱157,188,075)**	**₱214,501,494**	**₱–**	**(₱26,616,571)**	**₱–**	**(₱26,616,571)**

Schedule D. Intangible Asset - Other Asset
December 31, 2018

Description	Beginning balance	Additions at cost	Charge to cost and expenses	Charged to other accounts	Ending balance
Program and film rights	₱1,336,447,037	₱462,548,125	(₱866,979,986)	₱–	₱932,015,176
Story format rights	9,690,475	–	(4,471,235)	–	5,219,240
Software cost	94,113,724	10,607,652	(23,173,007)	–	81,548,369
	₱1,440,251,236	**₱473,155,777**	**(₱894,624,228)**	**₱–**	**₱1,018,782,785**

Schedule E. Long-Term Debt
December 31, 2018

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under caption "Current portion of long term debt" in related balance sheet	Amount shown under caption "Long term debt" in related balance sheet

Not Applicable: The Group has no long-term debt as at December 31, 2018.

Schedule F. Indebtedness to Related Parties (Long-Terms from Related Companies)
December 31, 2018

Name	Balance, January 1, 2018	Balance, December 31, 2018

Not Applicable: The Group has no noncurrent indebtedness to a related party as at December 31, 2018.

Schedule G. Guarantees of Securities of Other Issuers
December 31, 2018

Name of Issuing Entity of Securities Guaranteed by the Company for which this statement is filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which the Statement is Filed	Nature of Guarantee

Not Applicable: The Group has no guarantees of securities of other issuers as at December 31, 2018.

Schedule H. Capital Stock
December 31, 2018

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statements of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers, and employees	Others
Common	5,000,000,000	3,361,047,000*	N/A	2,972,771,548	6,971,354	381,304,098
Preferred	7,500,000,000	7,499,507,184**	N/A	7,428,344,388	27,294	71,135,502

**Net of treasury stock totaling 3,645,000 shares.*
***Net of treasury stock totaling 492,816 shares.*

GMA NETWORK, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION FOR THE YEAR ENDED DECEMBER 31, 2018

Unappropriated retained earnings, as adjusted, beginning	₱2,437,699,903
Restatements -	
Effect of adoption of new accounting standards	(77,000,000)
Unappropriated retained earnings, as restated, beginning	2,360,699,903
Add: Net income actually earned/realized during the period	
Net income of the Parent Company closed to Retained Earnings	2,180,555,848
Less: Non-actual/unrealized loss (income)	
Provision for deferred income tax	(34,269,001)
Net income actually earned/realized during the year	2,146,286,847
Less:	
Dividends declaration during the year	(2,430,099,220)
Treasury stocks	(28,483,171)
Underlying shares of the acquired Philippine Deposit Receipts	(5,790,016)
Unappropriated Retained Earnings Available for Dividend Declaration, Ending	**₱2,042,614,343**

GMA NETWORK, INC. AND SUBSIDIARIES

LIST OF PHILIPPINE FINANCIAL REPORTING STANDARDS EFFECTIVE AS AT DECEMBER 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property	✓		
	Amendments to PAS 40, Transfers of Investment Property			✓
PAS 41	Agriculture			✓

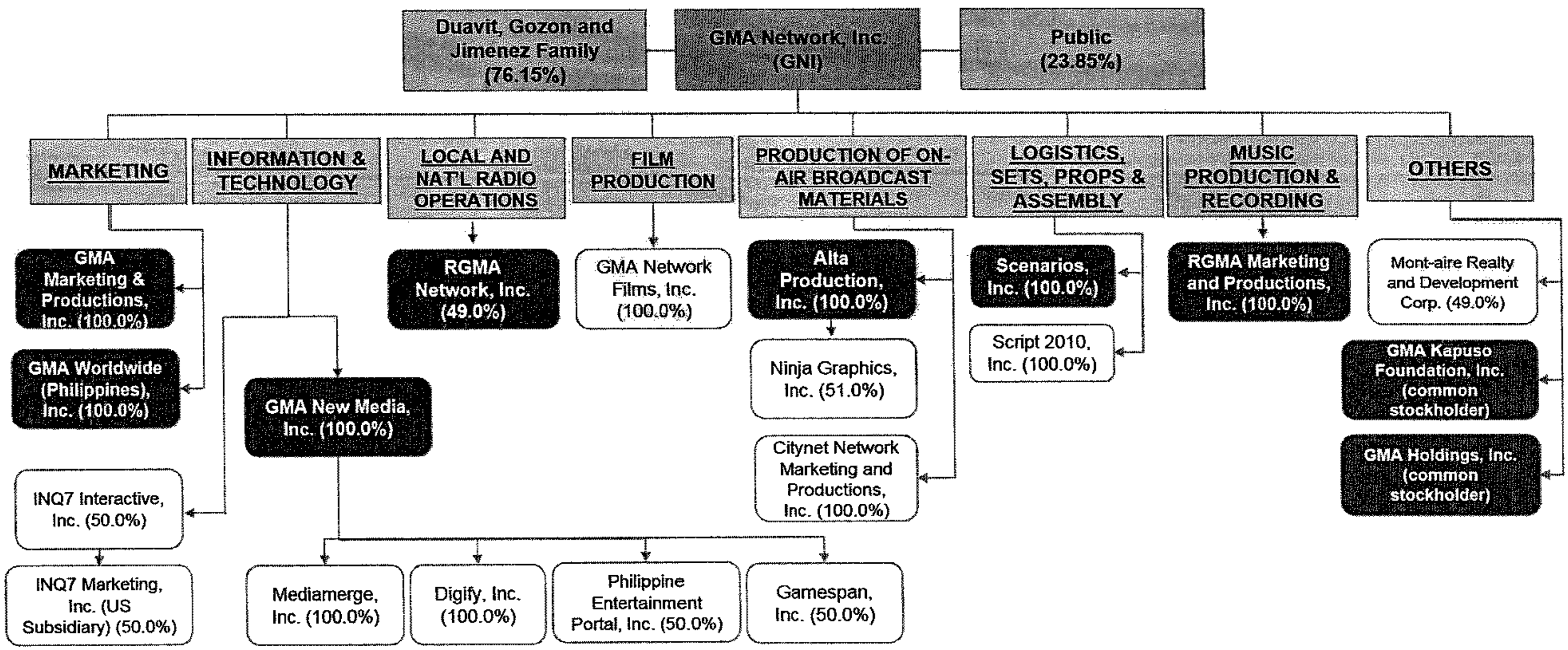
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment	✓		
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-21	Levies	✓		
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓

Note: Standards and interpretations tagged as "Not Applicable" are those standards and interpretations which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2018.

GMA NETWORK, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP



GMA NETWORK, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL RATIOS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

Financial Ratios	Description	December 31 2018	December 31 2017
Current/liquidity ratio	Current assets over current liabilities	2.72:1	2.66:1
Asset to equity ratio	Total asset over total equity	1.59:1	1.57:1
Debt-to-equity ratio	Short-term loans over total equity	0.05:1	0.05:1
Net debt to equity ratio	Interest-bearing loans and borrowings less cash and cash equivalents over total equity	(0.21):1	(0.23):1

Financial Ratios	Description	Years Ended December 31 2018	2017	2016
Interest rate coverage ratio	Earnings before interest, tax over interest expense	92.91:1	159.97:1	307.66:1
Gross profit margin	Gross profit over net revenues	57.44%	57.17%	61.85%
Net income margin	Net income over net revenues	15.25%	16.41%	21.87%