# COVER SHEET

5213
SEC Registration Number

GMA NETWORK, INC.
(Group's Full Name)

GMA Network Center, Timog Avenue corner EDSA, Quezon City
(Business Address: No. Street City/Town/Province)

**Mr. Ronaldo P. Mastrili**
(Contact Person)

**982-7777**
(Group Telephone Number)

**06** **30**
*Month* *Day*
(Fiscal Year)

**17-Q**
(Form Type)

*Month* *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended **June 30, 2009**

2. SEC Identification Number **5213**

3. BIR Tax Identification No. **000-917-916-000V**

4. Exact name of issuer as specified in its charter **GMA Network, Inc.**

5. **Philippines**
   Province, country or other jurisdiction of incorporation

6. [ ] (SEC Use Only)
   Industry Classification Code

7. **GMA Network Center, Timog Avenue corner EDSA**
   **Quezon City** **1103**
   Address of principal office Postal Code

8. **(632) 982-7777**
   Issuer's telephone number, including area code

9. **Not applicable** ……………………………
   Former name or former address, if changed since last report

10. Securities registered pursuant to Section 8 and 12 of the SRC and Sections 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding…………….... |
|---|---|
| **Common Stock, P1 par value** | **3,361,047,000 shares** |

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [X] No [ ]

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

**Yes [X ] No [ ]**

(b) has been subject to such filing requirements for the past ninety (90) days.

**Yes [X ] No [ ]**

## TABLE OF CONTENTS

**Management Discussion and Analysis of Financial Condition and Results of Operations for the Six Months Ended June 30, 2009.**

The Network strides forward in the face of a volatile business environment as it ended the first half of 2009 with ₱1.361 billion in net income, equivalent to a double-digit growth of 20% year-on-year.

Despite the uncertainty in the world economy which impacts on the local advertising industry, consolidated gross revenues increased by 8% to ₱6,335 million from same period last year. Top-line contribution from international operations continued to be a major source of growth for the Company, while airtime revenues from QTV Channel 11 likewise showed considerable improvement over the same period in 2008.

Total operating expenses were kept at bay, with a single-digit growth of only 4%, ending the period at ₱3,499 million. Production costs decreased by 3%, wrapping up the first half of the year at ₱1,811 million. On the other hand, general and administrative expenses increased by 14% to ₱1,688 million.

| | 6M '09 *(in millions)* | 6M '08 *(in millions)* | Inc/(Dec) *(in millions)* | % |
|---|---|---|---|---|
| **Statement of Income Data:** | | | | |
| Revenue | | | | |
| Television and radio airtime | **5,798.3** | 5,518.4 | 279.9 | 5% |
| Production and others | **537.2** | 364.6 | 172.6 | 47% |
| | **6,335.4** | 5,883.0 | 452.4 | 8% |
| Less: Revenue Deductions | | | | |
| Agency and marketing commissions | **902.5** | 856.3 | 46.2 | 5% |
| Co-producers' share | **121.7** | 80.3 | 41.5 | 52% |
| Net Revenue | **5,311.2** | 4,946.5 | 364.7 | 7% |
| Production Costs | **1,810.6** | 1,865.0 | (54.3) | -3% |
| Gross Profit | **3,500.6** | 3,081.5 | 419.1 | 14% |
| General and Administrative Expenses | **(1,688.2)** | (1,483.5) | 204.6 | 14% |
| Interest Expense and Financing Charges | **(6.1)** | (6.3) | (0.2) | -4% |
| Interest Income | **36.3** | 46.2 | (9.9) | -21% |
| Other Income | **16.7** | 41.7 | (25.0) | -60% |
| ***Income Before Income Tax*** | **1,859.3** | 1,679.5 | 179.7 | 11% |
| Provision for Income Tax | **498.3** | 542.3 | (44.0) | -8% |
| ***Net Income*** | **1,361.0** | 1,137.2 | 223.7 | 20% |
| Earnings Per Share | | | | |
| Basic | **0.280** | 0.235 | | |
| Diluted | **0.280** | 0.235 | | |

## Revenues

Consolidated gross revenues, consisting of airtime revenues from television and radio, subscription revenue from international operations, and other revenues from subsidiaries, were up 8% or ₱452 million, sealing first-half performance at ₱6,335 million from ₱5,883 million in 2008, despite the contraction in major advertisers' ad spending.

| | 6M '09 *(in millions)* | 6M '08 *(in millions)* | Inc/(Dec) *(in millions)* | % |
|---|---|---|---|---|
| Television and radio airtime | **5,798.3** | 5,518.4 | 279.9 | 5% |
| Production and others | **537.2** | 364.6 | 172.6 | 47% |
| **Gross revenues** | **6,335.4** | 5,883.0 | 452.4 | 8% |

Airtime revenues from TV and radio, which made up 92% of all revenues, posted a 5% increase to ₱5,798 million. Channel 7 airtime revenues – the Company's lifeblood, contributing 88% of the total revenue pie – grew to ₱5,424 million, 5% higher than last year's performance. QTV Channel 11's airtime revenues climbed 13% to ₱214 million for the first six months buoyed by another successful run of the *American Idol* series. Airtime revenues from Radio operations improved by 13% to ₱160 million versus ₱142 million generated last year.

Meanwhile, subscription revenues from international operations provided a hefty boost to the airtime revenues, soaring 59% from last year to ₱415 million. Apart from the steady growth in subscriber count from its main channel, GMA Pinoy TV, the launch of the second international channel – GMA Life TV – contributed further to the revenue upswing in this segment. Subscriber count was up 21% against same period last year. On the other hand, subsidiaries brought in other revenues of ₱122 million, including ₱63M grossed by GMA Films, which produced two profitable movies for this year, the Richard Gutierrez-KC Concepcion tandem *When I Met You* and Robin Padilla's suspense-thriller *Sundo*.

## Expenses

Total operating expenses, composed of production cost and general and administrative expenses, were conscientiously managed, rising only 4% to ₱3,499 million compared to last year's ₱3,348 million.

Production-related expenses, which accounted for 52% of total operating expenses, were reduced by 3% to ₱1,811 million compared to last year's ₱1,865 million. This resulted from the 2% decrease in cash production costs, mainly from a drop in talent fees, coupled with the net lower cost of program rights used.

| Production Costs | 6M '09 *(in millions)* | 6M '08 *(in millions)* | Inc/(Dec) *(in millions)* | % |
|---|---|---|---|---|
| Talent fees | **860.6** | 982.5 | (121.9) | -12% |
| Rentals and outside services | **266.4** | 259.0 | 7.4 | 3% |
| Other program expenses | **454.5** | 376.6 | 77.9 | 21% |
| **Sub-total - cash production cost** | **1,581.5** | 1,618.1 | (36.6) | -2% |
| Program rights amortization | **229.1** | 246.9 | (17.7) | -7% |
| **Total production cost** | **1,810.6** | 1,865.0 | (54.3) | -3% |

Consolidated general and administrative expenses (GAEX) amounted to ₱1,688 million reflecting an increase of 14% or ₱205 million versus ₱1,483 million in 2008. Personnel cost along with taxes and licenses were the major drivers for the year-on-year increase, as the Company continued to expand and operate additional facilities in pursuit of maintaining its ratings lead in Mega Manila and in further closing the gap in the national setting.

Personnel cost amounted to ₱696 million, representing an increase of 16% from last year's ₱600 million. On top of the adjustments in the collective bargaining agreement for rank-and-file employees and annual merit increases for confidential employees, the sheer rise in terms of manpower count year-on-year drove salaries and employment benefits to a double-digit escalation.

Facilities cost – composed of utilities and repairs and maintenance – likewise increased 9% or ₱14 million ending the period at ₱167 million versus ₱153 million in 2008, primarily due to the operations of the new GMA Studios which was launched in October last year.

Outside services, consisting of advertising and promotions, management and professional fees, and sales incentives, were reduced by 1% to ₱223 million mainly due to the Company cutting back on spending for certain promotional activities.

Taxes and licenses recorded an increase of ₱32 million or 50% from the previous year's ₱65 million as a result of higher real property taxes. Apart from this, royalty taxes paid in relation to subscriptions revenues from international operations accounted for a considerable portion of the increase in taxes, as revenues from this segment continued to grow.

The expansion of international operations contributed as well to the 9% or ₱19 million increase in other cash GAEX, largely due to rental charges for the additional satellite transponder for the second international channel.

Total non-cash GAEX climbed 19% from ₱238 million in 2008 to ₱283 million this year. Depreciation expense was up by 19% or ₱44 million resulting from the regional expansion projects and from the new GMA Studios, which boasts state-of-the art broadcast equipment and studio facilities.

| GAEX | 6M '09 (in millions) | 6M '08 (in millions) | Inc/(Dec) (in millions) | % |
|---|---|---|---|---|
| Personnel costs | **695.9** | 599.8 | 96.2 | 16% |
| Facilities costs | **167.3** | 153.3 | 13.9 | 9% |
| Outside services | **223.0** | 224.2 | (1.2) | -1% |
| Taxes and licenses | **97.0** | 64.8 | 32.2 | 50% |
| Others | **222.2** | 203.2 | 19.1 | 9% |
| **Subtotal - Cash GAEX** | **1,405.4** | 1,245.2 | 160.1 | 13% |
| Depreciation and amortization | **273.4** | 229.8 | 43.6 | 19% |
| Amortization of software cost | **9.4** | 8.5 | 0.9 | 10% |
| **Subtotal - Non-cash GAEX** | **282.8** | 238.3 | 44.5 | 19% |
| **Total GAEX** | **1,688.2** | 1,483.5 | 204.6 | 14% |

**Interest and financing charges on short-term loans**

Interest expense and financing charges for the period of ₱6.1 million was 4% lower compared to last year's ₱6.3 million due to the lower short-term notes payable balance.

**Interest income from short-term investments**

Interest income from short-term investments ended lower than last year at ₱36 million generally due to lower interest rates this period.

**Net Income**

The strong improvement in the top-line complemented by managed cost increases drove first-half earnings before interest, taxes, depreciation and amortization (EBITDA) to ₱2,341 million, 10% higher compared to 2008 figures. With the legislated reduction in income tax rate from 35% to 30% effective this year, net income further improved by 20% to ₱1,361 million from ₱1,137 million last year.

**Balance Sheet Accounts**

Consolidated assets totaled ₱12,310 million, 1% lower than the 2008 year-end figure. Cash and cash equivalents decreased to ₱802 million after the higher payout of ₱1.7 billion in cash dividends in May. The strong surge in revenues in the second quarter increased trade receivables to ₱5,170 million, likewise increasing days sales outstanding (DSO) from 141 days at end-2008 to 147 days at the close of the first half of 2009.

The growth in net income drove return on assets (ROA) and return on equity (ROE) to rise to 22% and 29%, respectively, from 20% and 27% on a year-on-year basis.

**GMA NETWORK, INC. AND SUBSIDIARIES**

**UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS**
**June 30, 2009 and December 31, 2008**

| | **June 30, 2009 Unaudited** | December 31, 2008 Audited |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and Cash Equivalents | **806,960,680** | 1,688,107,116 |
| Short-term investment | **24,183,008** | 2,066,957 |
| Trade and other receivables - net | **5,170,303,464** | 4,460,404,397 |
| Program rights | **740,611,070** | 833,188,602 |
| Prepaid expenses and other current assets | **442,239,917** | 290,064,076 |
| Total Current Assets | **7,184,298,139** | 7,273,831,148 |
| **Noncurrent Assets** | | |
| Investments and advances | **406,754,217** | 405,805,681 |
| Available for sale financial assets | **97,206,648** | 99,766,171 |
| Investment Properties | **62,500,361** | 63,914,233 |
| Property and equipment at cost | **2,980,646,657** | 3,023,028,026 |
| Land at revalued amounts | **1,403,122,465** | 1,403,122,465 |
| Deferred tax assets | **39,867,271** | 35,971,633 |
| Other noncurrent assets | **140,236,098** | 160,848,427 |
| Total Noncurrent Assets | **5,130,333,717** | 5,192,456,636 |
| **Total Assets** | **12,314,631,856** | 12,466,287,784 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Current Liabilities** | | |
| Notes payable | **299,589,041** | - |
| Accounts payable and other current liabilities | **1,803,087,064** | 1,631,146,271 |
| Income tax payable | **350,409,017** | 509,903,736 |
| Current portion of obligation from program rights | **64,709,140** | 110,459,407 |
| Dividends Payable | **4,800,506** | 1,564,709 |
| Total Current Liabilities | **2,522,594,768** | 2,253,074,123 |
| **Noncurrent Liabilities** | | |
| Pension liability | **226,323,206** | 288,834,807 |
| Deferred tax liabilities | **169,318,128** | 169,255,508 |
| Total Noncurrent Liabilities | **395,641,334** | 458,090,315 |
| **Stockholders' Equity** | | |
| Capital stock - P1 par value | **4,864,692,000** | 4,864,692,000 |
| Additional paid in capital | **1,657,991,683** | 1,651,547,885 |
| Revaluation increment in land | **744,158,022** | 744,158,022 |
| Unrealized gain (loss) on available-for-sale financial assets | **1,843,368** | 1,843,368 |
| Retained earnings | **2,161,983,868** | 2,527,155,258 |
| Treasury stock | **(28,483,171)** | (28,483,171) |
| Underlying shares of the acquired Philippine deposit receipts | **(5,790,016)** | (5,790,016) |
| Total stockholders' equity | **9,396,395,754** | 9,755,123,346 |
| **Total Liabilities & Stockholder's Equity** | **12,314,631,856** | 12,466,287,784 |

## GMA NETWORK, INC. AND SUBSIDIARIES

## UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME
## For the Six Months Ended June 30, 2009 & 2008

| | For the Quarter Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| **REVENUE** (Note 18) | **3,683,963,051** | 3,318,942,091 | **6,335,447,164** | 5,883,028,672 |
| **LESS: REVENUE DEDUCTIONS** | | | | |
| Agency and marketing commissions | **532,263,119** | 483,048,689 | **902,532,698** | 856,310,226 |
| Co-producers' share | **94,665,221** | 34,637,369 | **121,737,322** | 80,265,897 |
| | **626,928,340** | 517,686,058 | **1,024,270,020** | 936,576,123 |
| **NET REVENUE** | **3,057,034,712** | 2,801,256,033 | **5,311,177,144** | 4,946,452,550 |
| **PRODUCTION COSTS** (Note 19) | **963,602,057** | 1,057,029,941 | **1,810,622,787** | 1,864,966,542 |
| **GROSS PROFIT** | **2,093,432,655** | 1,744,226,092 | **3,500,554,357** | 3,081,486,007 |
| **GENERAL AND ADMINISTRATIVE EXPENSES (Note 20)** | **(926,311,945)** | (775,298,682) | **(1,688,151,331)** | (1,483,530,213) |
| **INTEREST EXPENSES AND FINANCING CHARGES** | **(5,786,191)** | (4,930,701) | **(6,107,890)** | (6,330,823) |
| **INTEREST INCOME** | **16,612,363** | 26,410,267 | **36,316,753** | 46,223,313 |
| **EQUITY IN NET INCOME (LOSSES) OF ASSOCIATES AND JOINT VENTURE** | **1,054,325** | 691,072 | **1,238,467** | 83,648 |
| **OTHER INCOME - Net** (Note 21) | **5,729,675** | 23,900,932 | **15,418,120** | 41,589,040 |
| **INCOME BEFORE INCOME TAX** | **1,184,730,882** | 1,014,998,982 | **1,859,268,476** | 1,679,520,972 |
| **PROVISION FOR (BENEFIT FROM) INCOME TAX** | | | | |
| Current | **326,744,015** | 338,456,557 | **502,116,727** | 527,731,699 |
| Deferred | **(2,434,769)** | (7,109,197) | **(3,833,016)** | 14,550,135 |
| | **324,309,246** | 331,347,360 | **498,283,710** | 542,281,834 |
| **NET INCOME** | **860,421,636** | 683,651,622 | **1,360,984,765** | 1,137,239,138 |
| **Basic Earnings Per Share** (Note 7) | **0.177** | 0.139 | **0.280** | 0.235 |
| **Diluted Earnings Per Share** (Note 7) | **0.177** | 0.139 | **0.280** | 0.235 |

# GMA NETWORK, INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
## For the Six Months Ended June 30, 2009 & 2008

| | Capital Stock | Additional Paid In Capital | Revaluation Increment in Land - Net | Unrealized Gain (Loss) on Available-for-sale Financial Assets | Retained Earnings | Treasury Stock | Underlying Shares of the Acquired Philippine Deposit Receipts | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|
| At January 1, 2009 | 4,864,692,000 | 1,651,547,885 | 744,158,022 | 1,843,368 | 2,527,155,258 | (28,483,171) | (5,790,016) | **9,755,123,346** |
| Prior period adjustment | - | - | - | - | | - | - | - |
| Net Income | - | - | - | - | 1,360,984,764 | - | - | **1,360,984,764** |
| Total income and expense for the year | - | - | - | - | 1,360,984,764 | - | - | **1,360,984,764** |
| Collection of subscriptions receivable | - | 6,443,798 | | | | | | **6,443,798** |
| Cash Dividends | - | - | | | (1,726,156,154) | | | **(1,726,156,154)** |
| Acquisition of treasury stock | - | - | | | | | | - |
| | - | 6,443,798 | - | - | (1,726,156,154) | - | - | **(1,719,712,356)** |
| **At June 30, 2009** | **4,864,692,000** | **1,657,991,683** | **744,158,022** | **1,843,368** | **2,161,983,868** | **(28,483,171)** | **(5,790,016)** | 9,396,395,754 |

| | | | | | | | | Equity |
|---|---|---|---|---|---|---|---|---|
| At January 1, 2008 | 4,864,692,000 | 1,592,615,799 | 733,610,450 | 1,741,413 | 1,372,390,597 | (20,664,588) | (5,790,016) | 8,538,595,655 |
| Net Income | - | - | - | - | 1,137,239,138 | - | - | 1,137,239,138 |
| Total income and expense for the year | - | - | - | - | 1,137,239,138 | - | - | 1,137,239,138 |
| Collections of Subscriptions Receivable | | 28,479,908 | | | | | | 28,479,908 |
| Cash Dividends | | | | | (1,215,224,556) | | | (1,215,224,556) |
| Stock Dividends | | | | | | | | - |
| Acquisition of Treasury Stock | | - | | | | (7,720,020) | | (7,720,020) |
| At June 30, 2008 | 4,864,692,000 | 1,621,095,707 | 733,610,450 | 1,741,413 | 1,294,405,179 | (28,384,608) | (5,790,016) | 8,481,370,125 |

## GMA NETWORK, INC. AND SUBSIDIARIES

## UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
## For the Six Months Ended June 30, 2009 & 2008

| | **2009** | 2008 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | **₱1,859,268,475** | ₱1,686,672,341 |
| Adjustments for: | | |
| Depreciation and amortization (Note 20) | **272,888,699** | 229,772,519 |
| Net pension expense | **59,584,988** | 58,789,041 |
| Interest income from bank deposits and short-term investments | **(36,316,753)** | (46,223,313) |
| Loss (gain) on sale of property and equipment and investment properties | **(2,972,301)** | (15,687,257) |
| Other noncash expenses – net | **–** | – |
| Amortization of software costs | **9,384,651** | 8,511,753 |
| Interest expense and financing charges on short-term loans | **6,107,890** | 6,330,823 |
| Unrealized foreign exchange loss (gain) | **(3,427,742)** | (2,477,240) |
| Equity in net losses of associates and joint ventures | **(1,238,467)** | (83,648) |
| Dividend income | **(17,941)** | (394,580) |
| Reversal of long-outstanding liabilities and accruals | **–** | – |
| Reversal of allowance for impairment loss on investment properties | **–** | – |
| Mark-to-market gain on derivatives and financial assets through profit or loss | **–** | – |
| Operating income before working capital changes | **2,163,261,499** | 1,925,210,439 |
| Program rights usage (Note 19) | **229,143,983** | 246,860,252 |
| Sick and vacation leaves expense | **28,921,155** | 31,493,687 |
| Provision for doubtful accounts | **–** | – |
| Impairment (reversal of allowance for impairment) of program rights carried at perpetuity | **–** | – |
| Decrease (increase) in: | | |
| Trade and other receivables | **(710,388,265)** | 618,787,708 |
| Program rights | **(136,566,451)** | (294,938,977) |
| Prepaid expenses and other current assets | **(152,175,841)** | (118,006,415) |
| Increase (decrease) in: | | |
| Trade payables and other current liabilities | **138,290,667** | 77,530,149 |
| Obligations for program rights | **(45,927,150)** | 44,987,055 |
| Pension liability | **(122,096,589)** | (104,310,048) |
| Cash generated from operations | **1,392,463,007** | 2,427,613,850 |
| Income taxes paid | **(661,611,446)** | (789,470,029) |
| Net cash provided by operating activities | **730,851,561** | 1,638,143,821 |

(Forward)

| | **2009** | 2008 |
|---|---:|---:|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisitions of: | | |
| Property and equipment | **(₱226,828,093)** | (₱323,240,748) |
| Investment properties | **–** | (1,256,796) |
| Decrease (increase) in: | | |
| Short-term investments | **(22,116,051)** | 2,907,361 |
| Available-for-sale financial assets | **6,455,159** | 538,669 |
| Investments and advances (Note 15) | **289,931** | (68,585,583) |
| Other noncurrent assets – net | **11,227,678** | (7,620,316) |
| Interest received | **36,805,951** | 20,965,221 |
| Proceeds from sale of property and equipment and investment properties | **706,936** | 11,048,321 |
| Additions to land at revalued amounts | **–** | (8,048,313) |
| Cash dividends received | **17,941** | 394,580 |
| Net cash used in investing activities | **(115,717,808)** | (372,897,604) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments of: | | |
| Cash dividends | **(1,726,156,154)** | (1,215,261,750) |
| Notes payable | **–** | (1,000,000) |
| Collection of subscriptions receivable | **6,443,798** | – |
| Interest and financing charges paid | **(5,274,557)** | (4,592,490) |
| Acquisitions of: | | |
| Treasury stock (Note 7) | **–** | – |
| Philippine deposit receipts (Note 7) | **–** | – |
| Net proceeds from issuance of common stock | **–** | 20,759,888 |
| Proceeds from availments of notes payable | **299,589,041** | – |
| Net cash used in financing activities | **(1,425,397,872)** | (1,200,094,352) |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | **6,840,422** | 1,134,831 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **(881,146,436)** | 65,151,865 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **1,688,107,116** | 1,019,710,422 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | **₱806,960,680** | ₱1,085,997,118 |

1. Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for available-for-sale (AFS) financial assets, which have been measured at fair value, and land used in operations, which is carried at revalued amounts. The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance

The accompanying consolidated financial statements of the Group have been prepared in compliance with PFRS. PFRS includes statements named PFRS and Philippine Accounting Standards (PAS) issued by the Financial Reporting Standards Council.
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2. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the following new Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) which the Group has adopted during the year:

- Philippine Interpretation IFRIC 11, *PFRS 2 - Group and Treasury Share Transactions*, requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if (a) the entity chooses or is required to buy those equity instruments (e.g., treasury shares) from another party, or (b) the shareholders of the entity provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to the equity instruments of the parent. As the Group has no such transaction, the adoption of this interpretation has no impact on the consolidated financial statements.

- Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, covers contractual arrangements arising from public-to-private service concession arrangements if control of the assets remains in public hands but the private sector operator is responsible for construction activities, as well as for operating and maintaining the public sector infrastructure. No member of the Group is an operator and, therefore, this interpretation has no impact on the consolidated financial statements.
- Philippine Interpretation IFRIC 14, *PAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, *Employee Benefits*. The Group's defined benefit plan has been in deficit, therefore the adoption of this interpretation has no impact on its financial position or performance.

Future Changes in Accounting Policies

The Group did not early adopt the following standards and Philippine Interpretations that have been approved but are not yet effective:

- PFRS 2, *Share-based Payment (Revised)*, will become effective for financial years beginning on or after January 1, 2009. It restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In case the award does not vest as result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, it must be accounted for as a cancellation. As the Group has no such transaction, the revised standard will have no impact on the consolidated financial statements.

- PFRS 3, *Business Combinations (Revised)*, and PAS 27, *Consolidated and Separate Financial Statements (Revised)*, will become effective for financial years beginning on or after July 1, 2009. The revised PFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. The revised PAS 27 requires that a change in the ownership interest of a subsidiary be accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary, as well as the loss of control of a subsidiary. The changes introduced by the revised standards must be applied prospectively and will affect future acquisitions and transactions with minority interests. The changes in the standards will have no impact on the consolidated financial statements.

- PFRS 8, *Operating Segments*, will replace PAS 14, *Segment Reporting*, and will become effective for financial years beginning on or after January 1, 2009. It adopts a management approach in reporting segment information. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the consolidated balance sheets and consolidated statements of income and companies will need to provide explanations and reconciliations of the differences. The Group will assess the impact of this standard to its current manner of reporting segment information when it adopts the standard on January 1, 2009.

- PAS 1, *Presentation of Financial Statements (Revised)*, will become effective for financial years beginning on or after January 1, 2009. It separates owner and non-owner changes in equity. The consolidated statements of changes in stockholders' equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income, which presents all items of income and expense recognized in profit or loss, together with all other items of recognized income and expense, either in one single statement, or in two linked statements. The Group is currently assessing the impact of this revised standard on the consolidated financial statements.

- PAS 23, *Borrowing Costs (Revised)*, will become effective for financial years beginning on or after January 1, 2009. The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transition requirements of the standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs, if any, will be capitalized on qualifying assets starting January 1, 2009.

- PAS 32, *Financial Instrument: Presentation*, and PAS 1, *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)*, will become effective for financial years beginning on or after January 1, 2009. The amendment to PAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to PAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The Group expects that the amendments will have no impact on its financial position or performance.

- PAS 39, *Financial Instruments: Recognition and Measurement – Eligible Hedged Items (Amendment)*, will become effective for financial years beginning on or after July 1, 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The amendment will not have any impact on the consolidated financial statements as the Group has not entered into any such hedges.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, will become effective for financial years beginning on or after July 1, 2008. It requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore, part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Group expects that this interpretation will have no impact on the consolidated financial statements as no such schemes currently exist.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, will become effective for financial years beginning on or after January 1, 2012. The interpretation is to be applied retroactively. It clarifies when and how revenue and related expenses from the sale of real estate should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*. The interpretation will not have an impact on the consolidated financial statements because the Group does not have such activity.

- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in Foreign Operations*, will become effective for financial years beginning on or after October 1, 2008. It provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the Group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The interpretation will have no impact on the consolidated financial statements.

Improvements to Existing Accounting Standards

The Group did not early adopt the following improvements to existing accounting standards that have been approved but are not yet effective. The Group is currently assessing the impact of the following improvements to existing standards but anticipates that the changes will have no material effect on the consolidated financial statements.

- PFRS 7, *Financial Instruments: Disclosures*, removes the reference to "total interest income" as a component of finance costs.

- PAS 1, *Presentation of Financial Statements*, provides that assets and liabilities classified as held for trading in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, are not automatically classified as current in the consolidated balance sheets.

- PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, clarifies that only the implementation guidance that is an integral part of a PFRS is mandatory when selecting accounting policies.

- PAS 10, *Events after the Balance Sheet Date*, clarifies that dividends declared after the end of reporting period are not obligations.

- PAS 16, *Property, Plant and Equipment*, replaces the term "net selling price" with "fair value less costs to sell". It further clarifies that items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental are transferred to inventory when rental ceases and they are held for sale.

- PAS 18, *Revenue*, replaces the term "direct costs" with "transaction costs" as defined in PAS 39, *Financial Instruments: Recognition and Measurement*.

- PAS 19, *Employee Benefits*, revises the definition of past service costs, return on plan assets and short-term and long-term employee benefits. Amendments to plans that result in reduction in benefits related to future services are accounted for as curtailment. It deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

- PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, provides that loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Various terms were revised to be consistent with other PFRS.

- PAS 23, *Borrowing Costs*, revises the definition of borrowing costs to consolidate the two types of items that are considered components of borrowing costs into one – the interest expense calculated using the effective interest method calculated in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*.

- PAS 27, *Consolidated and Separate Financial Statements*, states that when a parent entity accounts for a subsidiary in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

- PAS 28, *Investment in Associates*, establishes that if an associate is accounted for at fair value in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.

- PAS 29, *Financial Reporting in Hyperinflationary Economies*, revises the reference to the exception to measure assets and liabilities at historical costs, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. Various terms were revised to be consistent with other PFRS.

- PAS 31, *Interest in Joint Ventures*, provides that if a joint venture is accounted for at fair value in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, only the requirement of PAS 31 to disclose the commitments of the venturer and the joint venture as well as summary financial information about the assets, liabilities, income and expense will apply.

- PAS 34, *Interim Financial Reporting*, requires that earnings per share be disclosed in interim financial reports if an entity is within the scope of PAS 33, *Earnings per Share*.

- PAS 36, *Impairment of Assets*, provides that if discounted cash flows are used to estimate "fair value less costs to sell", additional disclosure is required about the discount rate, consistent with the disclosures required when the discounted cash flows are used to estimate "value in use."

- PAS 38, *Intangible Assets*, requires that expenditure on advertising and promotional activities be recognized as an expense when the Group has either the right to access the goods or has received the services.

- PAS 39, *Financial Instruments: Recognition and Measurement*, changes in circumstances relating to derivatives are not reclassification and therefore maybe either removed from, or included in, the "fair value through profit or loss" (FVPL) classification after initial recognition. It removes the reference to a segment when determining whether an instrument qualifies as a hedge. It further requires the use of the revised effective interest rate when re-measuring a debt instrument on the cessation of fair value hedge accounting.

- PAS 40, *Investment Property*, revises the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time that fair value can be determined or construction is complete. It revises the conditions for a voluntary change in accounting policy to be consistent with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, and clarifies that the carrying amount of investment property held under lease is the valuation obtained, increased by any recognized liability.

- PAS 41, *Agriculture*, removes the reference to the use of pre-tax discount rate to determine fair value. It likewise removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Furthermore, it replaces the term "point-of-sale costs" with "costs to sell".

3. Seasonality or Cyclicality of Interim Operations

   The company's operations are not generally affected by any seasonality or cyclicality.

4. Nature and Amount of Changes in Estimates

   2Q '08 figures were restated to conform with current period's presentation.

5. Repayments of Debt

   The company has no long-term debt in both periods presented.

6. Dividends paid

   On March 19, 2007, the BOD approved the Parent Company's declaration and distribution of cash dividend of ₱0.35 a share amounting to ₱1,500 million to all stockholders of record as of declaration date.

   On May 10, 2007, the SEC approved the application of the Parent Company, filed on April 27, 2007, to increase its authorized capital stock from ₱5,000 million to ₱6,500 million, divided into 5,000 million common shares with par value of ₱1.00 each and 7,500 million preferred shares with par value of ₱0.20 each. The increase in authorized capital stock of ₱1,500 million consists of 1,500 million common shares.

   Twenty-five percent of the approved increased in authorized capital stock on May 10, 2007, has been subscribed and was fully paid for by means of stock dividends equivalent to the aggregate amount of ₱375 million declared out of the retained earnings of the Corporation as of December 31, 2006 payable to all stockholders of record of the Corporation.

   On July 2, 2007, the BOD approved the Parent Company's declaration and distribution of cash dividend amounting to ₱1,000 million to all stockholders of record as of declaration date.

   On May 21, 2008, the BOD approved the Parent Company's declaration and distribution of cash dividends of ₱0.25 per share totaling to ₱1,214.16 million to all stockholders of record as of June 11, 2008

   On April 2, 2009, the BOD approved the Parent Company's declaration and distribution of cash dividends of ₱0.35 per share totaling ₱1,701.33 million to all stockholders of record as of April 21, 2009.

7. EPS Computation

   The computation of basic EPS follows:

| | **2009** | 2008 |
|---|---|---|
| Net income (a) | **₱1,360,984,765** | ₱1,137,239,138 |
| Less attributable to preferred shareholders | **420,012,276** | 352,426,651 |
| Net income attributable to common shareholders (b) | **₱940,972,490** | ₱784,812,487 |

| | | |
|---|---|---|
| Common shares issued at the beginning of year | **3,364,692,000** | 2,750,000,000 |
| Effect of stock dividends | | 375,000,000 |
| Issuance through IPO | | 167,467,667 |
| Issuance through ESOP (see Note 17) | | 52,250,000 |
| Treasury shares acquired during the year (see Note 17) | **(3,645,000)** | (3,645,000) |
| Underlying shares on acquired PDRs (see Note 17) | **(750,000)** | (750,000) |
| Weighted average number of common shares for basic EPS (c) | **3,360,297,000** | 3,340,322,667 |
| Basic EPS (b/c) | **₱0.280** | ₱0.235 |

The computation of diluted EPS follows:

| | 2009 | 2008 |
|---|---|---|
| Net income (a) | **₱1,360,984,765** | ₱1,137,239,138 |
| Weighted average number of common shares | **3,360,297,000** | 3,340,322,667 |
| Effect of dilution - assumed conversion of preferred shares | **1,499,901,437** | 1,500,000,000 |
| Weighted average number of common shares adjusted for the effect of dilution (d) | **4,860,198,437** | 4,840322,667 |
| Diluted EPS (a/d) | **₱0.280** | ₱0.235 |

As mentioned in Note 6, the SEC approved the increase in the Parent Company's authorized capital stock from ₱2,000 million to ₱5,000 million on February 17, 2006.

As further mentioned in Note 6, the SEC likewise approved the increase in the Parent Company's authorized capital stock from ₱5,000 million to ₱6,500 million on May 10, 2007.

8. Material Events

A. Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

   As of June 30, 2009, there is no known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

B. Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.

   The 2009 Capital Expenditure budget of the parent company amounts to ₱660 million.  This will be partly financed by remaining proceeds from IPO listing and the balance from internally generated funds.

C. 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.

D. Any 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 June 30, 2009, there are no events which may trigger a direct or contingent financial obligation that is material to the Company.

E. Any significant elements of income or loss that did not arise from the issuer's continuing operations.

   As of June 30, 2009, there are no significant elements of income or loss that did not arise from the issuer's continuing operations.

F. Any 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.

G. Any material events that were unusual because of their nature, size or incidents affecting assets, liabilities, equity, net income, or cash flows.

   There are no material events that were unusual because of their nature, size or incidents affecting assets, liabilities, equity, net income, or cash flows.

H. Any material events subsequent to the end of the interim period that that have not been reflected in the financial statements for the interim period.

   There are no material events, subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

9. Business Segment Results

   The Group considers television operations as the major business segment. This accounts for 89% of the Group's gross revenue, net income, assets and liabilities. Other operations account for less than 10% of the Group's gross revenue, net income, asset and liabilities.

10. Changes in Composition of Issuer

   There are no changes in the composition of the Issuer since the last balance sheet date.

11. Changes in Contingent Liabilities or Assets

   As of June 30, 2009, the Group has no contingent assets or liabilities.

12. Material Contingencies

There are no contingent liabilities, events or transactions that will materially affect the company's financial position and results of operations.

13. SFAS 16 / IAS 16, "Property, Plant and Equipment."

See Exhibit 1.

14. SFAS 24 / IAS 24, "Related Party Disclosures."

| | Country of Incorporation | Percentage of Ownership |
|---|---|---|
| Entertainment Business: | | |
| Citynet Network Marketing and Productions, Inc. | Philippines | 100 |
| GMA Network Films, Inc. | - do - | 100 |
| GMA New Media, Inc. (GNMI) | - do - | 100 |
| GMA Worldwide (Philippines), Inc. | - do - | 100 |
| RGMA Network Marketing & Productions, Inc. | - do - | 100 |
| Scenarios, Inc. | - do - | 100 |
| Advertising Business: | | |
| Alta Productions Group, Inc. (Alta) | - do - | 100 |
| GMA Marketing & Productions, Inc. (GMPI) | - do - | 100 |
| Others: | | |
| MediaMerge Corporation * | - do - | 100 |
| Ninja Graphics, Inc. (Ninja) ** | - do - | 51 |

* *Indirectly owned through GNMI; formerly Digital Kitchen, Inc.*
** *Indirectly owned through Alta; ceased commercial operations in 2001*

The ownership interests in associates and joint ventures accounted for under the equity method consist of the following as of June 30:

| | Percentage of Ownership | | Country of |
|---|---|---|---|
| | **2009** | 2008 | Incorporation |
| Associates: | | | |
| Real Estate - | | | |
| Mont-Aire Realty and Development Corporation (Mont-Aire) | **49.0** | 49.0 | Philippines |
| Advertising Business: | | | |
| RGMA Network, Inc. (RGMA) | **49.0** | 49.0 | - do - |
| Joint ventures - | | | |
| Internet Publishing: | | | |
| INQ7 Interactive, Inc. (INQ7) | **50.0** | 50.0 | - do - |
| Philippine Entertainment Portal, Inc. (PEP) | **50.0** | 50.0 | - do - |
| Casual Online Interactive Games: | | | |
| X-Play Online Games Inc. (X-Play) | **50.0** | - | - do - |

Transactions with related parties are as follows:

| Related Party | Nature of Transaction | Year | Transactions During the Year | Due from Related Parties/ Advances | Due to Related Parties | Trade Receivables (Trade Payables) |
|---|---|---|---|---|---|---|
| INQ7, GMA Kapuso Foundation, Inc. (GMA Foundation) and Alta Tierra Resources, Inc. (Alta Tierra) | Grant of non-interest-bearing advances | 2009 | ₱– | ₱11,544,000 | ₱– | ₱2,631,963 |
| | | 2008 | 14,081,026 | 11,544,000 | – | 2,631,963 |
| RGMA | Advances for working capital requirements, net of marketing commission expense | 2009 | 11,657,159 | 58,852,326 | 386 | (1,766,043) |
| | | 2008 | 111,977,320 | 59,281,531 | – | (14,538,295) |
| Mont-Aire | Debt to equity conversion, grant of noninterest-bearing advances | 2009 | – | 84,475,370 | – | – |
| | | 2008 | – | 84,475,370 | – | – |
| Image One | Collection remittance | 2009 | xxxx | – | – | (1,023,381) |
| | | 2008 | 4,300,103 | – | – | (1,023,381) |
| Belo, Gozon, Elma Law (BGE Law), FLG Management and Development Corporation (FLG), San Mateo Management Corporation (San Mateo), 3LM Koblenz Mgt Corp (3LM Koblenz) and Majent Management and Development Corporation (Majent) | Legal and retainers' fees and others | 2009 | 9,123,075 | – | – | – |
| | | 2008 | 152,823,088 | – | – | – |

GMA Foundation and Alta Tierra

The Parent Company and Alta Tierra have certain common stockholders. Some of the trustees of GMA Foundation are also the stockholders of the Parent Company.

RGMA

RGMA became an associate of the Parent Company in 2007. In previous years, the Parent Company and RGMA have certain common stockholders. The advances made by the Parent Company to RGMA were intended for future capital subscription.

Mont-Aire

Mont-Aire became an associate of the Parent Company in 2006. The advances made by the Parent Company to Mont-Aire in previous years were intended for future capital subscription.

Image One

In 2006, the Parent Company's investments in Image One were declared as property dividends to the major stockholders of the Parent Company.

GMPI has an existing agreement with Image One whereby GMPI shall be the sole and exclusive contractor for the marketing and sale of advertising spots of Image One's electronic outdoor and indoor billboards. In consideration for the said services, GMPI receives from Image One a marketing fee based on a certain percentage of Image One's annual collection.

BGE Law

BGE Law is the legal counsel of the Group. The Parent Company's Chairman of the Board is a principal partner of BGE Law.

FLG, San Mateo, 3LM Koblenz, Majent

These companies are owned or partly owned by some officers of the Parent Company and GMPI. GMPI employs the services of these related parties in sourcing and hiring competent and capable personnel and in conducting studies to improve GMPI's capability in providing efficient services to clients.

The compensation of key management personnel of the Group, by benefit type, follows:

| | **6M '09** | 6M '08 |
|---|---|---|
| Salaries and other short-term benefits | **₱120,432,757** | ₱70,517,981 |
| Pension benefits | **19,211,446** | 18,775,866 |
| | **₱139,644,204** | ₱89,293,847 |

15. SFAS 28 / IAS 28, "Accounting for Investments in Associates."

The Group's investments in associates are accounted for under the equity method. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group. The investments in associates are carried in the unaudited interim consolidated balance sheets at cost plus post-acquisition changes in the Group's share in the net assets of the associates, less any impairment in value. The unaudited interim consolidated statements of income include the Group's share in the results of operations of the associates. Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the associates, against the investments in the associates. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

The carrying values of investments accounted for under the equity method and the related advances are as follows:

| | | **June 30, 2009** | |
|---|---|---|---|
| | **Investments** | **Advances** | **Total** |
| Associates: | | | |
| RGMA | **₱172,033,019** | **₱58,852,326** | **₱230,885,345** |
| Mont-Aire | **38,350,618** | **84,475,370** | **122,825,988** |
| Joint ventures: | | | |
| INQ7 | **(8,933,713)** | **11,544,000** | **2,610,287** |
| X-Play | **47,822,927** | **–** | **47,822,927** |
| PEP | **2,609,670** | **–** | **2,609,670** |
| | **₱251,882,521** | **₱154,871,696** | **₱406,754,217** |

| | | December 31, 2008 | |
|---|---|---|---|
| | Investments | Advances | Total |
| Associate: | | | |
| RGMA | ₱170,794,550 | ₱59,281,531 | ₱230,076,081 |
| Mont-Aire | 38,350,619 | 84,475,370 | 122,825,989 |
| Joint ventures: | | | |
| INQ7 | (8,933,713) | 11,544,000 | 2,610,287 |
| X-Play | 47,683,654 | – | 47,683,654 |
| PEP | 2,609,670 | – | 2,609,670 |
| | ₱250,504,780 | ₱155,300,901 | ₱405,805,681 |

16. Long-term Receivable from a Related Party

As of June 30, 2009, the Group has no long-term receivable from a related party.

17. Equity

The composition of capital stock as of June 30, 2009 and December 31, 2008 follows:

| | Number of Preferred Shares | | Number of Common Shares | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| Authorized - ₱0.20 par value per preferred share /₱ 1.00 par value per common share | **7, 500,000,000** | 7,500,000,000 | **5,000,000,000** | 5,000,000,000 |
| Subscribed and issued at beginning of year | **7, 500,000,000** | 7,500,000,000 | **3,364,692,000** | 3,364,692,000 |
| Subscribed and issued at end of year | **7, 500,000,000** | 7,500,000,000 | **3,364,692,000** | 3,364,692,000 |

On April 26, 2007, the BOD and stockholders approved the increase in the Parent Company's authorized capital stock from ₱5,000 million to ₱6,500 million, divided into 5,000 million common shares with ₱1.00 par value and 7,500 million preferred shares with ₱0.20 par value. On the same date, the BOD and stockholders approved the declaration of stock dividends amounting to ₱375 million representing 375 million common shares to all stockholders of record as of April 25, 2007. The stock dividends will be taken from the increase in authorized capital stock. The increase in the Parent Company's authorized capital stock was approved by the SEC on May 10, 2007.

The 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 (1/5th) of the dividend paid to common shares, which rate 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 rate of five (5) preferred shares to one (1) 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.

IPO

The BOD of the PSE, in its regular meeting on June 27, 2007, approved the Parent Company's application to list its common shares with the PSE. On July 16, 2007, the SEC declared the Parent Company's Registration Statement in respect of the IPO effective and issued the "Certificate of Permit to Offer Securities for Sale" in respect of the offer shares.

On July 30, 2007, the Parent Company completed its IPO of 91,346,000 common shares, at an offer price of ₱8.50 a share, from its authorized and unissued capital stock by way of a primary offer (the Domestic Share Offer). In addition, 822,115,000 Philippine Deposit Receipts (PDRs), at an issue price of ₱8.50 per PDR, were issued by GMA Holdings, Inc. (GHI), an affiliate. Of the PDRs issued by GHI, 91,346,000 PDRs covered 91,346,000 common shares of the Parent Company (the Primary PDR Offer) and 730,769,000 PDRs covered 730,769,000 common shares of certain shareholders of the Parent Company (the Secondary PDR Offer).

The total gross proceeds from the Domestic Share Offer and Primary PDR Offer amounted to ₱1,552.88 million while the total gross proceeds for the Secondary PDR Offer amounted to ₱6,211.54 million. The Parent Company did not receive any proceeds from the Secondary PDR Offer. The net proceeds from the Domestic Share Offer and Primary PDR Offer were intended to be used primarily for improvements to existing facilities, investments in capacity expansion and general corporate purposes. Direct costs incurred relative to the IPO amounting to ₱135.00 million were charged against the corresponding additional paid in capital arising therefrom.

ESOP

On April 26, 2007, the Parent Company's BOD and shareholders approved the Parent Company's ESOP. The Parent Company allocated a maximum of 57.00 million shares from its unissued common shares to be made available to its regular employees, talents and consultants under the terms of the ESOP. The purpose of the ESOP is to allow regular employees of the Group, as well as qualified Filipino consultants and talents, to be part owners of the Parent Company and to share in its profits by giving them the opportunity to own common shares.

Under the terms of the ESOP, regular employees with at least three years of service with the Group are allowed to subscribe to a maximum number of shares equivalent to six times of their gross monthly salary at the offer price. Employees with less than three years of service are allowed to subscribe to a maximum of three times their gross monthly salary at the offer price during listing. The shares to be subscribed by the employees, however, cannot be less than the minimum number of shares set by the Parent Company. In the event that the total number of shares applied for by all the employees exceeded the number of shares made available under the ESOP, the number of shares applied for by each employee will be reduced proportionately.

At least 25% of the subscription had to be paid while the balance will be payable over maximum period of one and a half years in 36 equal semi-monthly installments through payroll deductions, without interest. In the case of talents and consultants, the number of shares allotted shall be determined by the Parent Company.

The ESOP is administered by a board of administrators consisting of five members who are appointed by the Parent Company's BOD. The board of administrators oversees the implementation of the ESOP and decides on any matters which may arise regarding its implementation. The Parent Company's Executive Committee has the authority to modify the terms of the ESOP as it may deem necessary or beneficial for the Parent Company.

The ESOP was fully subscribed and was fully paid in February 2009.

Treasury Stock and Underlying Shares of Acquired PDRs

In 2008, the Parent Company reacquired common shares and preferred shares totaling 1,000,000 and 492,816, respectively, at acquisition cost of ₱7.82 million.

In 2007, the Parent Company reacquired common shares totaling 2,645,000 at acquisition cost of ₱20.66 million.

The Parent Company likewise acquired 750,000 PDRs at acquisition cost of ₱5.79 million in 2007.

18. Revenue

This account consists of:

| | **6M '09** | 6M '08 |
|---|---|---|
| Television and radio airtime | **₱5,798,282,079** | ₱5,518,422,318 |
| Production and others | **537,165,085** | 364,606,354 |
| | **₱6,335,447,164** | ₱5,883,028,672 |

19. Production Cost

This account consists of:

| | **6M '09** | 6M '08 |
|---|---|---|
| Talent fees | **₱860,564,780** | ₱982,458,455 |
| Program rights usage | **229,143,983** | 246,860,252 |
| Tapes, sets and production supplies | **171,719,290** | 204,162,581 |
| Rental and outside services | **266,420,743** | 259,015,167 |
| Transportation and communication | **35,664,710** | 50,960,676 |
| Facilities and others | **247,109,281** | 121,509,411 |
| | **₱1,810,622,787** | ₱1,864,966,542 |

20. General and Administrative Expenses

This account consists of:

| | 6M ’09 | 6M ’08 |
|---|---|---|
| Personnel costs | **₱695,929,121** | ₱599,777,067 |
| Depreciation and amortization | **282,782,565** | 238,284,271 |
| Outside services | **222,967,063** | 224,174,609 |
| Facilities costs | **167,259,624** | 153,317,656 |
| Taxes and licenses | **97,006,120** | 64,823,880 |
| Others | **222,206,838** | 203,152,730 |
| | **₱1,688,151,331** | ₱1,483,530,213 |

21. Other Income

This account consists of the following income (expenses):

| | 6M ’09 | 6M ’08 |
|---|---|---|
| Foreign exchange gain/(loss) – net | **₱5,465,012** | (₱3,008,595) |
| Dividends | **17,941** | 394,580 |
| Others | **9,935,167** | 44,203,055 |
| | **₱15,418,120** | ₱41,589,040 |

22. Financial Risk Management Objectives and Policies

The Group’s principal financial instruments include nonderivative instruments such as cash and cash equivalents, short-term investments, guarantee and other deposits, short-term loans and obligations for program rights. The main purposes of these financial instruments include raising financing for the Group’s operations and managing identified financial risks. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the use of financial instruments are liquidity risk, foreign exchange risk, interest rate risk and credit risk.

The Board of Directors 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 to substantially higher working capital requirements and the subsequent difficulty in financing additional working capital.

The Group manages liquidity risk by maintaining a pool of credit lines from financial institutions that exceeds expected financing requirements for working capital. The Group likewise regularly evaluates other financing instruments and arrangements to broaden the Group’s range of financing sources.

The following table summarizes the maturity profile of the Group’s financial liabilities based on contractual undiscounted payments as of June 30, 2009:

| | On Demand | Less than 3 Months | 3 to 12 Months | Total |
|---|---|---|---|---|
| Notes payable | **₱–** | **₱299,589,041** | **₱–** | **₱299,589,041** |
| Trade payables and other current liabilities | **474,961,341** | **345,667,461** | **271,900,303** | **1,092,425,008** |
| Obligations for program rights | **–** | **20,432,978** | **44,276,162** | **64,709,140** |
| Dividends payable | **4,800,506** | | | **4,800,506** |
| | **₱479,761,847** | **₱665,689,480** | **₱316,176,465** | **₱1,180,733,927** |

** Excluding payable to government agencies amounting to ₱710.56 million and ₱630.58 million as of June 30, 2009 and December 31, 2008, respectively, the amounts of which are not considered financial liabilities.*

*Foreign Exchange Risk.* The Group's exposure to foreign exchange risk results from its 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 exchange risk.

The Group's foreign currency-denominated monetary assets and liabilities amounted to ₱396.56 million (US$8.25 million) and ₱98.24 million (US$2.04 million), respectively, as of June 30, 2009 and ₱213.39 million (US$4.49 million) and ₱122.66 million (US$2.58 million), respectively, as of December 31, 2008.

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱48.13 to US$1.00 and ₱47.52 to US$1.00, the Philippine peso to U.S. dollar exchange rates as of June 30, 2009 and December 31, 2008, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in US$ exchange rate, with all other variables held constant, of the Group's income before income tax from balance sheet date up to next reporting date (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Group's equity.

| Increase (Decrease) in ₱ to US$ rate | Effect on Income Before Income Tax |
|---|---|
| ₱0.50 | (₱3,099,097) |
| (0.50) | 3,099,097 |

The increase in ₱ to US$ rate means stronger peso against the U.S. dollar while a decrease in ₱ to US$ means stronger U.S. dollar against the peso.

*Interest Rate Risk.* The Group's exposure to changes in interest rates is minimal as the Group has no long-term obligations.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax from balance sheet date up to next reporting date. There is no impact on the Group's equity.

| Increase (Decrease) in Basis Points | Effect on Income Before Income Tax |
|---|---|
| 50 | ₱4,034,804 |
| (50) | (4,034,804) |

*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.

| | Neither Past Due Nor Impaired | Past Due But Not Impaired | Total |
|---|---|---|---|
| Cash and cash equivalents | ₱806,960,680 | ₱– | ₱ 806,960,680 |
| Short-term investments | 24,183,008 | | 24,183,008 |
| Trade and other receivables | 3,215,226,659 | 1,955,076,805 | 5,170,303,464 |
| Guarantee and other deposits | 15,135,380 | – | 15,135,381 |
| AFS financial assets | 97,206,648 | – | 97,206,648 |
| | ₱5,516,123,746 | ₱1,381,436,300 | ₱6,897,560,047 |

The Group's past due trade receivables include those that are past due but are still collectible. These past due trade receivables are assessed by the management of the Group as good and collectible.

The Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.

Counterparties to financial instruments consist of a large number of prime financial institutions. The Group does not expect any counterparty to default in its obligations, given the high credit ratings. The Group has no significant concentration of credit risk with any counterparty.

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 Group monitors its capital gearing by measuring the ratio of interest-bearing debt to total stockholders' equity. Interest-bearing debt includes all short-term and long-term debt.

The Group's ratios of interest-bearing debt to total stockholders' equity as of June 30, 2009 and December 31, 2008 follow:

| | **2009** | 2008 |
|---|---|---|
| Total interest-bearing debt (a) - Notes payable | **₱299,589,041** | ₱– |
| Total stockholders' equity (b) | **₱9,396,395,754** | ₱9,755,123,346 |
| Interest-bearing debt to total stockholders' equity (a/b) | **3.19%** | – |

23. Financial Assets and Liabilities

The table below presents the carrying values and fair values of the Group's financial instruments by category and by class as of June 30, 2009 and December 31, 2008, respectively:

| | **June 30, 2009 (Unaudited)** | | December 31, 2008 (Audited) | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value |
| **Financial Assets** | | | | |
| Loans and receivables: | | | | |
| Cash and cash equivalents | **₱806,960,680** | **₱806,960,680** | ₱1,688,107,116 | ₱1,688,107,116 |
| Short-term investments | **24,183,008** | **24,183,008** | 2,066,957 | 2,066,957 |
| Trade and other receivables - net | **5,170,303,464** | **5,170,303,464** | 4,460,404,397 | 4,460,404,397 |
| Guarantee and other deposits (included under "Other noncurrent assets" account in the consolidated balance sheets) | **15,135,380** | **14,671,895** | 13,995,285 | 13,447,654 |
| | **6,011,782,026** | **6,016,119,047** | 6,164,573,755 | 6,164,026,124 |
| AFS financial assets | **97,206,648** | **97,206,648** | 99,766,171 | 99,766,171 |
| | **₱6,108,988,674** | **₱6,113,325,695** | ₱6,264,339,926 | ₱6,263,792,295 |
| **Financial Liabilities** | | | | |
| Other financial liablities: | | | | |
| Notes payable | **₱299,589,041** | **₱299,589,041** | ₱– | ₱– |
| Trade payables and other current liabilities* | **1,092,425,008** | **1,092,425,008** | 1,000,570,023 | 1,000,570,023 |
| Obligations for program rights | **64,709,140** | **64,709,140** | 110,459,407 | 110,459,407 |
| Dividends Payable | **4,800,506** | **4,800,506** | 1,564,709 | 1,564,709 |
| | **₱1,461,523,695** | **₱1,461,523,695** | ₱1,112,594,139 | ₱1,112,594,139 |

** Excluding payable to government agencies amounting to ₱710.56 million and ₱630.58 million as of June 30, 2009 and December 31, 2008, respectively, the amounts of which are not considered financial liabilities.*

Fair Value of Financial Instruments

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

*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 other receivables approximate fair values primarily due to the relatively short-term maturity of these financial instruments.

*Guarantee and Other Deposits.* The fair value of guarantee and other deposits is based on the present value of the future discounted cash flows. Discount rates used range from 5.55% to 6.32% as of June 30, 2009 and 6.10% to 6.21% as of December 31, 2008.

*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. In the absence of a reliable basis in determining fair values of unquoted shares, the investments are carried at cost, net of impairment in value.

*Notes Payable.* The carrying value of notes payable that are re-priced every 3 months approximates fair value because of the recent and regular re-pricing based on current market rates. The fair value of notes payable with fixed interest rate is determined by discounting the future cash flows using the prevailing rate as of reporting date.

*Trade Payables and Other Current Liabilities and Obligations for Program Rights.* The carrying values of trade payables and other current liabilities and obligations for program rights approximate fair values due to the relatively short-term maturity of these financial instruments.

24. Causes for Material Changes in the Financial Statements

Balance Sheet (June 30, 2009 vs. December 31, 2008)

- Cash and cash equivalents decreased by 52% to ₱802 million due to net cash used for financing activities, such as the ₱1.7 billion payout of dividends, and investing activities, being higher than cash generated from normal operating activities.
- Accounts receivable increased by 16% to ₱5,170 million as cumulative net sales for the last six months exceeded collections.
- Program rights dropped by 11% to ₱741 million mainly due to higher usage vis-à-vis rate of acquisition.
- Obligation for program rights decreased by 41% to ₱65 million as payments exceeded total acquisitions on account.
- Despite the increase in net income, income tax payable decreased as the result of the lowering of the corporate income tax rate from 35% to 30% effective January 1, 2009.

25. Other Notes to 2nd Quarter 2009 Operations and Financials

The key performance indicators that we monitor are the following:

| | **6M '09** | 6M '08 |
|---|---|---|
| Gross Revenue | **₱6,335,447,164** | ₱5,883,028,672 |
| Gross Airtime Revenue | **₱5,798,282,079** | ₱5,518,422,318 |
| Cash Operating Expense | **₱2,986,847,570** | ₱2,863,352,233 |
| EBITDA | **₱2,340,986,161** | ₱2,124,773,006 |
| Net Income Before Tax | **₱1,859,268,476** | ₱1,679,520,972 |
| Net Income After Tax | **₱1,360,984,765** | ₱1,137,239,138 |
| Diluted EPS | **₱0.280** | ₱0.235 |

| | **As of Jun. 30, 2009** | As of Dec. 31, 2008 |
|---|---|---|
| Current Ratio | **2.85x** | 3.23x |
| Net Debt-to-Equity | **0.03x** | 0.00x |
| EBITDA Margin | **37%** | 36% |
| Net Income Margin | **21%** | 19% |

GMA NETWORK, INC. AND SUBSIDIARIES
ROLLFORWARD OF PROPERTY AND EQUIPMENT- CONSOLIDATED
JUNE 30, 2009

EXHIBIT 1

| | December 31, 2008 | ADDITIONS | DISPOSALS | RECLASSIFICATIONS | JUNE 30, 2009 |
|---|---|---|---|---|---|
| **At cost** | | | | | |
| Buidings and leasehold improvements | 2,425,929,483 | 8,669,543 | (388,381) | 3,683,378 | 2,437,894,024 |
| Broadcast equipment | 3,790,144,484 | 96,487,839 | (4,861,957) | 17,840,161 | 3,899,610,527 |
| Communication & mechanical equipment | 530,553,710 | 9,283,985 | (433,168) | 3,915,271 | 543,319,798 |
| Transportation equipment | 322,302,097 | 11,547,063 | (11,555,518) | 2,451,519 | 324,745,161 |
| Furniture, fixtures and equipment | 205,471,642 | 2,858,104 | (173,386) | 242,580 | 208,398,941 |
| | 7,274,401,416 | 128,846,535 | (17,412,410) | 28,132,909 | 7,413,968,450 |
| **Accumulated Depreciation** | | | | | |
| Buidings and leasehold improvements | (725,596,542) | (61,125,705) | 178,008 | - | (786,544,238) |
| Broadcast equipment | (2,928,195,612) | (134,844,296) | 4,861,908 | (363,938) | (3,058,541,939) |
| Communication & mechanical equipment | (356,462,953) | (32,540,482) | 75,905 | 363,938 | (388,563,592) |
| Transportation equipment | (158,002,509) | (32,446,973) | 10,502,422 | - | (179,947,060) |
| Furniture, fixtures and equipment | (139,469,288) | (14,482,582) | 163,924 | 3,931 | (153,784,015) |
| | (4,307,726,904) | (275,440,039) | 15,782,167 | 3,931 | (4,567,380,844) |
| Equipment for installation | 53,889,179 | 58,324,640 | - | (48,481,142) | 63,732,677 |
| Construction In Progress | 2,331,015 | 67,995,359 | - | | 70,326,374 |
| **Net book value** | **3,022,894,706** | **(20,273,505)** | **1,630,242** | **(20,344,302)** | **2,980,646,657** |
| **LAND** | | | | | |
| **Cost** | 340,039,577 | | | | 340,039,577 |
| **Appraisal Increment** | 1,063,082,888 | | | | 1,063,082,888 |
| | **1,403,122,465** | | | | **1,403,122,465** |

**GMA NETWORK, INC. AND SUBSIDIARIES**
**ACCOUNTS RECEIVABLES AGING**
**JUNE 30, 2009**
(Amounts in Php millions)

**EXHIBIT 2**

| Type of Accounts Receivable | Total | Not Yet Due | Current | 31-150 days | 151 days to 1 year | Over 1 year |
|---|---|---|---|---|---|---|
| Trade Receivables | | | | | | |
| Trade Receivables | 4,908 | 2,765 | 666 | 845 | 183 | 449 |
| Allowance for Doubtful Accounts | (200) | | | | | |
| Net AR - Trade | 4,707 | | | | | |
| Non-Trade Receivables | | | | | | |
| Advances to Talents & Employees | 97 | | | | | |
| Advances to Suppliers | 67 | | | | | |
| Interest Receivable | 3 | | | | | |
| Others | 296 | | | | | |
| | 463 | | | | | |
| Net Receivables | 5,170 | | | | | |

**SIGNATURE**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on behalf by the undersigned thereunto duly authorized.

Issuer: **GMA NETWORK, INC.**

By:

**FELIPE S. YALONG**
TREASURER, SVP & CHIEF FINANCE OFFICER

**RONALDO P. MASTRILI**
VP –FINANCE

Date: August 13, 2009