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(Group's Full Name)

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(Business Address: No. Street City/Town/Province)

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|--------------------------------|
| Mr. Ronaldo P. Mastrili |
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(Contact Person)

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| 982-7777 |
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(Group Telephone Number)

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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 **September 30, 2016**
- 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

| <u>Title of Each Class</u> | <u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding.....</u> |
|----------------------------|---|
| Common Stock | 3,361,047,000 |
| Preferred Stock | 7,499,507,184 |

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

Yes 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 No

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

Yes No

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SIGNATURES

Management's Discussion and Analysis of Financial Condition and Results of Operations for the Nine Months Ended September 30, 2016 and 2015

GMA Network and its subsidiaries (GMA/the Company) sealed nine months' financial results recording a milestone in terms of financial performance with net income after tax breaching the P3.0-billion mark, an all-time high in the history of the Company.

Consolidated revenues for the nine months ended September 30, 2016 soared to P12,803 million, cementing a P2,489 million or 24% growth over same period last year buoyed by the windfall from the recently concluded national and local elections and supplemented by the improvement in sales from recurring placements. The presence of political advocacies and advertisements equivalent to about P1,500 million was a major factor for this year's sterling top-line performance. Nonetheless, even without the extra-ordinary influx, consolidated sales from regular advertisers advanced from last year by more than P1B or 12%. Airtime revenues and inflows from subsidiaries and other sources wrapped up the first nine months of the year with double-digit percentage increases in their top lines vs. prior year's performance.

| Income Data | 9M-2016 <i>(in millions PhP)</i> | 9M-2015 <i>(in millions PhP)</i> | Inc/(Dec) <i>(in millions PhP)</i> | % |
|---|--|--|--|----------|
| Revenues | | | | |
| Television and radio airtime | 11,672.1 | 9,373.3 | 2,298.8 | 25% |
| Production and others | 1,130.5 | 940.0 | 190.5 | 20% |
| | 12,802.7 | 10,313.3 | 2,489.4 | 24% |
| Total operating expenses | 8,426.9 | 7,683.5 | 743.4 | 10% |
| EBITDA | 5,669.7 | 3,812.0 | 1,857.7 | 49% |
| Net income | 3,111.2 | 1,804.4 | 1,306.8 | 72% |
| <i>Attributable to Equity Holders of Parent Company</i> | 3,095.5 | 1,792.0 | 1,303.4 | 73% |
| <i>Noncontrolling Interest</i> | 15.8 | 12.4 | 3.4 | 28% |

While consolidated revenues climbed by a double-digit growth of 24%, total operating expenses by the end of three quarters grew at a much slower pace of only 10%, finishing off at P8,427 million versus P7,683 million during the same period last year. Total production cost and general and administrative expenses (GAEX) both scaled by 10% in between periods.

With the buoyant top-line since the start of the year, coupled with minimal growth in costs, earnings before interest, taxes, depreciation and amortization (EBITDA) by the close of the third quarter ballooned to P5,670 million, a whopping P1,858 million or 49% improvement than a year ago.

Consequently, consolidated net income after tax for the nine-month period ended September this year swelled to P3,111 million, manifesting a hefty improvement over same period last year's P1,804 million and equivalent to a 72% climb.

Revenues

Consolidated revenues comprised of airtime sales from television and radio, subscription revenues from international operations, and revenues from subsidiaries and other sources, registered at P12,803 million for the first three quarters of 2016, registering an increase of 24% or P2,489 million compared with sales by end of Q3 in 2015. Both airtime sales from television and radio as well as revenues from subsidiaries and other revenue streams hurdled past year's performance by double-digit percentages.

| Revenues | 9M-2016 <i>(in millions PhP)</i> | 9M-2015 <i>(in millions PhP)</i> | Inc/(Dec) <i>(in millions PhP)</i> | % |
|------------------------------|--|-------------------------------------|---------------------------------------|-----|
| Television and radio airtime | 11,672.1 | 9,373.3 | 2,298.8 | 25% |
| Production and others | 1,130.5 | 940.0 | 190.5 | 20% |
| | 12,802.7 | 10,313.3 | 2,489.4 | 24% |

Airtime revenues continued to propel the growth with combined sales from all platforms generating P11,672 million, ahead by a whopping P2,299 million or 25% from a year ago, composing about 92% of the total sales' hike year-on-year. All production units surpassed last year's performance with double-digit percentages. Minus the impact of the non-recurring top-line gain from the election season, regular advertising load likewise saw a 12% hike equivalent to more than a billion pesos.

On a per platform basis, Channel 7 topped the revenue chart pitching in 84% of total sales at P10,767 million, higher by P2,182 billion or 25% from last year and contributing a commanding 88% out of the total revenue climb for the Company. Sans the impact of political advertisements amounting to more than a billion pesos, the channel grew its revenues by another billion or 13% from regular advertising load.

Based on data from the industry's trusted ratings service provider Nielsen TV Audience Measurement, GMA overtook ABS-CBN in National Urban Television Audience Measurement (NUTAM) ratings in September 2016 and has since sustained the lead in the most recent Nielsen survey.

Leading free-to-air news channel GMA News TV (GNTV-11) which is the third most watched channel in Mega Manila, wrapped up three quarters this year with sales ahead by 12% over same period last year. The channel was moderately benefitted by the influx from the recent elections which partly aided in the y-o-y improvement of the platform. Nonetheless, sales from regular customers propelled the larger part of the increase equivalent to 8%.

Radio operation's revenues were similarly boosted by election-related placements during the first part of this year as it finished of the nine-month period this 2016 with a top line higher by 18% from a year ago. Election-related load reaching over a hundred million pesos heavily influenced the platform's performance for the year.

Lastly, it was also the presence of election-driven load which aided Regional TV this period as it slowly gained ground from the reorganization and restructuring that took place by the 2nd quarter of 2015. The platform posted revenues up 13% vs. the close of three quarters of last year. Without the benefit from the aforesaid campaign placements, Regional TV nevertheless managed to inch up vs. same period last year by a notch.

The feat displayed by airtime sales was likewise seen in revenues coming from International operations and other sources. Nine-months into the year, this segment pitched in combined revenues higher by 20% ending at P1,131 million. International operations, in particular GMA Pinoy/Life TV drove the increase with revenues swelling by 15% in between years. The increase was buoyed by the additional subscribers for the various channels, to wit: (a) GMA Pinoy TV up 10% vs. end-September last year; and (b) the 26% increment in GMA Life TV compared to same period last year. The growth in subscriber count/revenues was spurred by the comeback tie-up with OSN in the Middle East, (OSN's partnership was revived starting April this year). Apart from this development, the depreciation of the peso against the dollar in between periods (average of PhP45.14 to USD1 in 2015 vs. PhP47.06 to USD1 in 2016) by P1.92 or 4% also buoyed the platform's revenues for the month. Film distribution/syndication aided in further boosting the platform's sales with an increase of 13% from same period last year. This year included licensing of format rights abroad with the likes of *My Destiny*, *Other Mrs. Real* and *Half Sister*, to name some. From subsidiaries operations, combined revenue hike of 42% was seen for the full nine-month period this year – with GMA New Media topping the charts due to fresh revenues brought in by content provisioning services to HOOQ and iFlix as well as increase in sponsorship income in between periods. Other subsidiaries also pitched in revenue improvements coming from Digify, Script2010, Alta and GMA Records.

Expenses

For the third quarter ended this year, total operating expenses stood at P8,427 million, edging prior period by P743 million or by 10%, albeit at a much slower pace than the climb in the top line of 24%. Production costs and general and administrative expenses (GAEX) grew by 10% apiece year-on-year.

Combined Production cost and talent fees which made up 54% of total operating expenses amounted to P4.585 billion for the past nine months this year, increasing by 10% or P401 million from a year ago. As revenues were driven by the recent election activities, the comprehensive coverage of the same via *Eleksyon 2016* entailed additional costs for the Company. At the same time, the presence of the historic *Pilipinas Debates 2016* special further accentuated the escalation in production cost for the year. Rental and outside services hiked by 16% owing to rental adjustments to Zoe Broadcasting Network, Inc (ZBNI) for the Company's use of Ch-11. Apart from these, amortization of program rights grew to P640 million or 16% higher from last year due to higher-costing rented movies shown this period vice-selected anime slot.

| Production Costs | 9M-2016 <i>(in millions PhP)</i> | 9M-2015 <i>(in millions PhP)</i> | Inc/(Dec) <i>(in millions PhP)</i> | % |
|--|--|-------------------------------------|---------------------------------------|------|
| Talent fees | 2,111.9 | 2,028.7 | 83.1 | 4% |
| Rentals and outside services | 616.3 | 533.0 | 83.3 | 16% |
| Other program expenses | 1,009.7 | 836.3 | 173.3 | 21% |
| Sub-total - Cash Production Costs | 3,737.8 | 3,398.0 | 339.8 | 10% |
| Program rights amortization | 639.6 | 550.5 | 89.0 | 16% |
| Depreciation and amortization | 207.4 | 235.4 | (28.0) | -12% |
| Sub-total - Non-cash Production Costs | 847.0 | 786.0 | 61.1 | 8% |
| Total production costs | 4,584.8 | 4,184.0 | 400.8 | 10% |

Meanwhile, general and administrative expenses (GAEX) grew to P3,842 million during the first nine months, up P343 million or 10% from same period last year. The rise was propelled by higher Personnel cost in between periods by P390 million or 22% from P1,783 million to P2,173 million. Personnel cost made up the largest component of GAEX at 56%. The hike this year was influenced by higher across-the-board mid-year bonus given to all regular employees of the Network and select subsidiaries. Apart from this, the balance of the increase was likewise accounted for by the annual merit and CBA adjustments for both confidential and rank and file employees. Partly trimming down the growth in this account was the drop seen in payment for outside services, comprised of advertising and promotions and sales incentives. The drop in other GAEX which included rental fees partly cushioned the rise seen in the other accounts. Rental fees saw a reduction particularly from the decrease in payments to the satellite provider due to lower bandwidth requirements resulting from the implementation of the Uplink encoding system upgrade.

| General and Administrative Expenses | 9M-2016 <i>(in millions PhP)</i> | 9M-2015 <i>(in millions PhP)</i> | Inc/(Dec) <i>(in millions PhP)</i> | % |
|--|--|-------------------------------------|---------------------------------------|------|
| Personnel costs | 2,173.3 | 1,782.9 | 390.4 | 22% |
| Outside services | 288.0 | 397.6 | (109.7) | -28% |
| Facilities costs | 365.9 | 272.3 | 93.6 | 34% |
| Taxes and licenses | 122.8 | 117.1 | 5.7 | 5% |
| Others | 454.6 | 532.2 | (77.6) | -15% |
| Subtotal - Cash GAEX | 3,404.5 | 3,102.1 | 302.3 | 10% |
| Depreciation and amortization | 342.7 | 369.6 | (26.8) | -7% |
| Provision for doubtful accounts | 70.5 | - | 70.5 | - |
| Amortization of software costs | 24.4 | 27.8 | (3.4) | -12% |
| Subtotal - Non-cash GAEX | 437.6 | 397.4 | 40.3 | 10% |
| Total GAEX | 3,842.1 | 3,499.5 | 342.6 | 10% |

EBITDA

With the impressive top line performance and with costs kept at bay, earnings before interest, taxes, depreciation and amortization (EBITDA) for the first nine months this year soared to P5,670 billion from P3,812 billion last year, translating into a huge P1,858 million or 49% growth from a year ago

Net Income

Consequently, consolidated net income after tax settled at P3,111 million, surpassing prior year's results by a huge P1,307 million or 72% with three months more remaining this 2016. In fact, since first half of this year, bottom line already exceeded Y2015 full year audited net income of P2,126 million and overtook highest consolidated net income recorded of P2,821 million generated in 2010.

Balance Sheet Accounts

Total assets as at end-September this year stood at P16,168 million, reflecting a 12% increase from end-2015's P14,416 million. This primarily came from the climb in Cash and cash equivalents and Trade receivables by P1,392 million and P713 million, respectively, partially offset by the drop in Program and other rights by P49 million to P1,143 million as of September 30, 2016 and decrease in Prepaid expenses and other current assets from P1,069 million in December 31, 2015 to P937 million as of September 30, 2016.

Total liabilities edged December 31, 2015 balance by 11% or P585 million as at end of the third quarter this year to P5,918 million from P5,333 million. Income tax payable considerably increased to P1,085 million as of end-September 2016 directly attributable to income earned by the Company. On the other hand, Short-term loans payable declined to P631 million, down P522 million or 45% from end-2015's P1,153 million. Total equity of P10,250 million climbed by 13% or P1,167 million compared with end-December 2015, owing to the bottom-line improvement this nine-month period of 2016.

Cash Flows

The table below shows the operating, investing and financing cash outflow or inflows of the Company:

| Cash Flows | 9M-2016 <i>(in millions PhP)</i> | 9M-2015 <i>(in millions PhP)</i> |
|--|--|--|
| Net cash provided by operating activities | 4,217.8 | 3,657.0 |
| Net cash used in investing activities | (294.5) | (527.2) |
| Net cash used in financing activities | (2,498.1) | (1,672.6) |
| Effect of exchange rate changes on cash and cash equivalents | (33.0) | 21.1 |
| Net increase in cash and cash equivalents | 1,392.3 | 1,478.3 |
| Cash and cash equivalents at beginning of period | 2,160.3 | 1,598.8 |
| Cash and cash equivalents at end of period | 3,552.6 | 3,077.1 |

Operating Activities

Net cash from operations registered at P4,218 million this year. This resulted from income before income tax of P4,458 million adjusted mainly by depreciation expense of P550 million, provision for doubtful accounts of P71 million, unrealized foreign exchange loss of P52 million, amortization of software costs of P24 million, gain on sale of property and equipment of P20 million and interest income of P17 million apart from the changes in working capital. The primary components of the changes in working capital include the P782 million in trade & other receivables partly offset by the P191 million rise in trade payables & other current liabilities.

Investing Activities

Net cash used in investing activities amounted to P294 million, coming primarily from the P250 million and P71 million additions to property and equipment and software costs partially reduced by the P22 million proceeds from sale of property and equipment.

Financing Activities

Net cash used in financing activities amounted to P2,498 million, primarily resulted from cash dividends and short-term loans payments of P1,942 million and P1,041 million, respectively. These were partly offset by the P500 million availment of short-term loan.

Key Financial Performance Indicators

The key financial performance indicators that the Company monitors are the following:

| Key Performance Indicators | 9M-2016 <i>(in millions PhP)</i> | 9M-2015 <i>(in millions PhP)</i> | Inc/(Dec) <i>(in millions PhP)</i> | % |
|---|--|-------------------------------------|---------------------------------------|-----|
| Revenues | 12,802.7 | 10,313.3 | 2,489.4 | 24% |
| Airtime revenues | 11,672.1 | 9,373.3 | 2,298.8 | 25% |
| Cash operating expenses | 7,147.8 | 6,500.1 | 647.6 | 10% |
| EBITDA | 5,669.7 | 3,812.0 | 1,857.7 | 49% |
| Net income attributable to Parent Company | 3,095.5 | 1,792.0 | 1,303.5 | 73% |

* * * * *

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

| | September 30, 2016 Unaudited | December 31, 2015 Audited |
|---|---------------------------------|------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents (Notes 8 and 31) | 3,552,587,245 | 2,160,298,125 |
| Trade and other receivables (Notes 9, 22 and 31) | 5,097,455,158 | 4,384,198,602 |
| Program and other rights (Note 10) | 1,143,235,668 | 1,192,607,228 |
| Prepaid expenses and other current assets (Note 11) | 937,389,523 | 1,069,029,207 |
| Total Current Assets | 10,730,667,594 | 8,806,133,162 |
| Noncurrent Assets | | |
| Available-for-sale financial assets (Notes 12, 31 and 32) | 191,566,881 | 191,116,881 |
| Investments and advances (Notes 13 and 22) | 147,280,578 | 147,652,576 |
| Property and equipment: | | |
| At cost (Note 14) | 2,827,829,579 | 3,127,843,301 |
| At revalued amounts (Note 15) | 1,805,053,839 | 1,802,522,857 |
| Investment properties (Note 16) | 53,880,510 | 55,548,001 |
| Deferred income tax assets - net | 273,579,772 | 185,462,919 |
| Other noncurrent assets (Note 17) | 138,240,110 | 99,262,238 |
| Total Noncurrent Assets | 5,437,431,269 | 5,609,408,773 |
| TOTAL ASSETS | 16,168,098,863 | 14,415,541,935 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Short-term loans (Note 18) | 630,500,000 | 1,152,970,000 |
| Trade payables and other current liabilities (Notes 19, 23 and 31) | 2,380,680,720 | 2,190,657,499 |
| Income tax payable | 1,084,852,792 | 359,645,980 |
| Current portion of obligation for program and other rights (Notes 20 and 31) | 149,111,818 | 220,843,041 |
| Dividends payable (Note 31) | 13,077,603 | 10,873,177 |
| Total Current Liabilities | 4,258,222,933 | 3,934,989,697 |
| Noncurrent Liabilities | | |
| Pension liability | 1,290,919,717 | 1,102,714,871 |
| Other long-term employee benefits (Note 32) | 369,149,286 | 295,717,251 |
| Total Noncurrent Liabilities | 1,660,069,003 | 1,398,432,122 |
| Total Liabilities | 5,918,291,936 | 5,333,421,819 |

(Forward)

| | September 30, 2016 Unaudited | December 31, 2015 Audited |
|--|---------------------------------|------------------------------|
| Equity Attributable to Equity Holders of the Parent Company | | |
| Capital stock (Note 22) | 4,864,692,000 | 4,864,692,000 |
| Additional paid-in capital (Note 22) | 1,659,035,196 | 1,659,035,196 |
| Revaluation increment in land - net of tax (Note 15) | 1,017,247,029 | 1,017,247,029 |
| Remeasurements loss on retirement plans - net of tax | (300,549,629) | (300,486,170) |
| Unrealized loss on available-for-sale financial assets - net of tax | (59,275,681) | (59,671,681) |
| Retained earnings (Note 22) | 3,043,888,734 | 1,892,306,756 |
| Treasury stock (Notes 22 and 30) | (28,483,171) | (28,483,171) |
| Underlying shares of the acquired Philippine Deposit Receipts (Notes 22 and 30) | (5,790,016) | (5,790,016) |
| Total Equity Attributable to Parent Company | 10,190,764,462 | 9,038,849,943 |
| Equity Attributable to Non-controlling Interest | 59,042,465 | 43,270,173 |
| Total Equity | 10,249,806,927 | 9,082,120,116 |
| TOTAL LIABILITIES AND EQUITY | 16,168,098,863 | 14,415,541,935 |

See accompanying Notes to Consolidated Financial Statements.

GMA NETWORK, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME

| | For the Quarters Ended September 30 | | For the Nine Months Ended September 30 | |
|--|-------------------------------------|---------------|--|----------------|
| | 2016 | 2015 | 2016 | 2015 |
| NET REVENUES (Note 24) | 4,042,795,422 | 3,659,875,863 | 12,802,650,254 | 10,313,294,362 |
| PRODUCTION COSTS (Note 25) | 1,692,159,298 | 1,466,665,398 | 4,584,808,686 | 4,183,999,787 |
| GROSS PROFIT | 2,350,636,124 | 2,193,210,465 | 8,217,841,568 | 6,129,294,575 |
| GENERAL AND ADMINISTRATIVE EXPENSES (Note 26) | 1,350,995,669 | 1,164,938,107 | 3,842,080,669 | 3,499,483,968 |
| OTHER INCOME (EXPENSE) - NET | | | | |
| Net foreign currency exchange gain (loss) | 27,052,576 | (22,377,460) | 10,038,468 | (31,753,004) |
| Interest income (Note 8) | 5,987,874 | 4,463,326 | 17,108,930 | 7,740,389 |
| Interest expense and financing charges | (3,357,084) | (13,115,793) | (14,427,293) | (33,253,241) |
| Others - net (Note 28) | 20,389,356 | 12,928,729 | 69,749,182 | 29,023,469 |
| | 50,072,722 | (18,101,198) | 82,469,287 | (28,242,387) |
| INCOME BEFORE INCOME TAX | 1,049,713,177 | 1,010,171,160 | 4,458,230,186 | 2,601,568,220 |
| PROVISION FOR (BENEFIT FROM) INCOME TAX | | | | |
| Current | 382,622,255 | 324,367,546 | 1,435,108,394 | 825,870,358 |
| Deferred | (65,938,403) | (20,000,597) | (88,116,853) | (28,694,610) |
| | 316,683,852 | 304,366,949 | 1,346,991,541 | 797,175,748 |
| NET INCOME | 733,029,325 | 705,804,211 | 3,111,238,645 | 1,804,392,472 |
| OTHER COMPREHENSIVE INCOME (LOSS) - net of tax | | | | |
| <i>Item to be reclassified to profit or loss in subsequent periods -</i> | | | | |
| Unrealized gain on available-for-sale financial assets | - | - | 396,000 | - |
| <i>Item not to be reclassified to profit or loss in subsequent periods -</i> | | | | |
| Remeasurement loss on retirement pla | - | - | (63,459) | (877,022) |
| | - | - | 332,541 | (877,022) |
| TOTAL COMPREHENSIVE INCOME | 733,029,325 | 705,804,211 | 3,111,571,186 | 1,803,515,450 |
| Net income attributable to: | | | | |
| Equity holders of Parent Company | 731,394,966 | 703,046,120 | 3,095,466,353 | 1,792,029,849 |
| Non-controlling interest | 1,634,359 | 2,758,091 | 15,772,292 | 12,362,623 |
| | 733,029,325 | 705,804,211 | 3,111,238,645 | 1,804,392,472 |
| Total comprehensive income attributable to: | | | | |
| Equity Holders of Parent Company | - | - | 3,095,798,894 | 1,791,152,827 |
| Non-controlling interest | - | - | 15,772,292 | 12,362,623 |
| | - | - | 3,111,571,186 | 1,803,515,450 |
| Basic/Diluted Earnings Per Share (Note 30) | 0.150 | 0.083 | 0.637 | 0.369 |

See accompanying Notes to Consolidated Financial Statements.

GMA NETWORK, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Attributable to Equity Holders of Parent Company | | | | | | | | | Non-controlling Interest | Total Equity | |
|-----------------------------------|--|--|--|--|--|-----------------------------------|-------------------------------------|--|-----------------|--------------------------|-----------------|---|
| | Capital Stock (Note 22) | Additional Paid-in Capital (Note 22) | Revaluation Increment in Land - Net of Tax | Remeasurements on Retirement Plans - Net of Tax | Unrealized Gain on Available-for-sale Financial Assets - Net of Tax | Retained Earnings (Note 22) | Treasury Stock (Notes 22 and 30) | Underlying Shares of the Acquired Philippine Deposit | | | | Total Equity Attributable to Parent Company |
| | | | | | | | | Receipts | | | | |
| At 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 | |
| Net income | - | - | - | - | - | 3,095,466,353 | - | - | 3,095,466,353 | 15,772,292 | 3,111,238,645 | |
| Other comprehensive income (loss) | - | - | - | (63,459) | 396,000 | - | - | - | 332,541 | - | 332,541 | |
| Total comprehensive income | - | - | - | (63,459) | 396,000 | 3,095,466,353 | - | - | 3,095,798,894 | 15,772,292 | 3,111,571,186 | |
| Cash dividends | - | - | - | - | - | (1,943,884,375) | - | - | (1,943,884,375) | - | (1,943,884,375) | |
| At September 30, 2016 | 4,864,692,000 | 1,659,035,196 | 1,017,247,029 | (300,549,629) | (59,275,681) | 3,043,888,734 | (28,483,171) | (5,790,016) | 10,190,764,462 | 59,042,465 | 10,249,806,927 | |
| At January 1, 2015 | 4,864,692,000 | 1,659,035,196 | 1,017,247,029 | (313,328,670) | 5,019,775 | 992,079,088 | (28,483,171) | (5,790,016) | 8,190,471,231 | 42,723,943 | 8,233,195,174 | |
| Net income | - | - | - | - | - | 1,792,029,849 | - | - | 1,792,029,849 | 12,362,623 | 1,804,392,472 | |
| Other comprehensive loss | - | - | - | (877,022) | - | - | - | - | (877,022) | - | (877,022) | |
| Total comprehensive income | - | - | - | (877,022) | - | 1,792,029,849 | - | - | 1,791,152,827 | 12,362,623 | 1,803,515,450 | |
| Cash dividends | - | - | - | - | - | (1,214,854,610) | - | - | (1,214,854,610) | - | (1,214,854,610) | |
| At September 30, 2015 | 4,864,692,000 | 1,659,035,196 | 1,017,247,029 | (314,205,692) | 5,019,775 | 1,569,254,327 | (28,483,171) | (5,790,016) | 8,766,769,448 | 55,086,566 | 8,821,856,014 | |

See accompanying Notes to Consolidated Financial Statements.

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

For the Nine Months Ended September 30

| | 2016 | 2015 |
|--|-----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | 4,458,230,186 | 2,601,568,220 |
| Adjustments for: | | |
| Depreciation and amortization (Notes 14 and 16) | 550,176,659 | 604,989,446 |
| Provision for doubtful accounts | 70,500,000 | - |
| Unrealized foreign exchange loss | 51,737,748 | 26,232,264 |
| Amortization of software costs (Note 17) | 24,385,278 | 27,820,376 |
| Gain on sale of property and equipment (Note 28) | (19,591,730) | (2,327,325) |
| Interest income (Note 8) | (17,108,930) | (7,740,389) |
| Interest expense and financing charges | 14,427,292 | 34,847,860 |
| Operating income before working capital changes | 5,132,756,503 | 3,285,390,452 |
| Program rights usage (Note 10) | 639,576,358 | 550,526,605 |
| Decreases (increases) in: | | |
| Trade and other receivables | (781,771,159) | (761,513,504) |
| Program and other rights | (590,204,798) | (601,083,047) |
| Prepaid expenses and other current assets | 131,639,684 | 147,019,654 |
| Increases (decreases) in: | | |
| Trade and other payables | 190,781,509 | 970,327,584 |
| Obligations for program rights | (71,731,223) | 157,864,016 |
| Pension liability | 188,141,387 | 66,111,516 |
| Other long-term employee benefits | 73,432,035 | 15,721,082 |
| Net cash generated from operations | 4,912,620,296 | 3,830,364,358 |
| Interest received | 15,123,533 | 6,710,424 |
| Income taxes paid | (709,901,582) | (180,115,064) |
| Net cash provided by operating activities | 4,217,842,247 | 3,656,959,718 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisitions of: | | |
| Property and equipment (Note 14) | (250,466,991) | (374,923,938) |
| Software costs (Note 17) | (71,118,439) | (2,105,512) |
| Land (Note 15) | (2,530,982) | - |
| Investment properties (Note 16) | (40,785) | - |
| Proceeds from sale of property and equipment | 21,604,060 | 2,327,325 |
| Decrease (increase): | | |
| Other noncurrent assets | 7,755,289 | (148,517,776) |
| Available-for-sale financial assets | (54,000) | (4,007,842) |
| Investments and advances | 371,998 | - |
| Net cash used in investing activities | (294,479,850) | (527,227,743) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from availments of short-term loans (Note 18) | 500,000,000 | 1,000,000,000 |
| Payments of: | | |
| Cash dividends (Note 22) | (1,941,679,949) | (1,213,142,454) |
| Short-term loans (Note 18) | (1,041,190,000) | (1,425,197,500) |
| Interest and financing charges on short-term loans | (15,185,580) | (34,258,556) |
| Net cash used in financing activities | (2,498,055,529) | (1,672,598,510) |
| EFFECT OF EXCHANGE RATE CHANGES ON | | |
| CASH ON HAND AND CASH EQUIVALENTS | (33,017,748) | 21,135,236 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,392,289,120 | 1,478,268,701 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 2,160,298,125 | 1,598,825,520 |
| CASH AND CASH EQUIVALENTS OF PERIOD | 3,552,587,245 | 3,077,094,221 |

See accompanying Notes to Consolidated Financial Statements.

GMA NETWORK, INC. AND SUBSIDIARIES

NOTES TO INTERIM 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 registered office address of the Parent Company is GMA Network Center, Timog Avenue corner EDSA, Quezon City. The Parent Company was registered with the Securities and Exchange Commission (SEC) on September 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 September 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.

2. Basis of Preparation

Basis of Preparation

The consolidated financial statements of the Parent Company and its subsidiaries have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets and land, 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 September 30, 2016 and December 31, 2015. 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 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 financial statements 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 of the Group 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 into 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 Group 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 statements of income. Any investment retained is recognized at fair value.

NCI represent the interests in the subsidiaries not held by the Parent Company, and are presented separately in the consolidated statements of 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).

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

In 2015, RGMA declared and paid dividends amounting to P10.20 million to NCI. There were no dividends paid to NCI as of September 30, 2016.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries as at September 30, 2016 and December 31, 2015:

| | 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 | 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 the 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/advertising initiatives | – | 100 |
| Ninja Graphics, Inc.**** | Ceased commercial operations in 2004 | – | 51 |

*Under liquidation

**Indirectly owned through Citynet

***Indirectly owned through GNMI

****Indirectly owned through Alta; ceased commercial operations in 2004

Changes in Accounting Policies and Disclosures

The accounting policies adopted were consistent with those of the previous financial year, except for the adoption of the following amendments and improvements to the Philippine Accounting Standards (PAS) which became effective for annual periods beginning on or after January 1, 2015. The adoption of these amendments and improvements did not have significant impact on the Group's consolidated financial statements.

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contribution*
- Annual Improvements to PFRS (2010-2012 Cycle)
 - PFRS 2, *Share-based Payment - Definition of Vesting Condition*
 - PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
 - PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
 - PFRS 24, *Related Party Disclosures - Key Management Personnel*
- Annual Improvements to PFRS (2011-2013 cycle)
 - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangement*
 - PFRS 13, *Fair Value Measurement - Portfolio Exception*
 - PAS 40, *Investment Property*

Future Changes in Accounting Policies

The Group did not early adopt the following new standards, amendments and improvements to PFRS and Philippine Interpretations that have been approved but are not yet effective.

Effective January 1, 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment, and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements as the Group has not used a revenue-based method to depreciate its noncurrent assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendments are not applicable to the Group as it does not have any bearer plants.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures, and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

- PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. The standard is not applicable to the Group since it is an existing PFRS preparer.

- PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities* and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception (Amendments)*

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity (IE) that measures all of its subsidiaries at fair value and that only a subsidiary of an IE that is not an IE itself and that provides support services to the IE parent is consolidated. The amendments also allow an investor (that is not an IE and has an IE associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the IE associate or joint venture to its interests in subsidiaries. These amendments are effective from annual periods beginning on or after January 1, 2016. These amendments will not have any impact on the Group's consolidated financial statements since none of the entities within the Group is an IE nor does the Group have IE associates or joint venture.

- PAS 1, *Presentation of Financial Statements - Disclosure Initiative (Amendments)*

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. The amendments clarify the following:

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions;
- That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements;
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. The Group is currently assessing the impact of these amendments on its consolidated financial statements.

- Annual Improvements to PFRS (2012-2014 cycle)

These improvements to the following standards and interpretations are effective for annual periods beginning on or before January 1, 2016 and are not expected to have a material impact on the Group's consolidated financial statements.

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the

guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- *PFRS 7 - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- *PAS 19, Employee Benefits - Regional Market Issue Regarding Discount Rate*

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- *PAS 34, Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*

The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- *PFRS 9, Financial Instruments*

In July 2014, the International Accounting Standards Board (IASB) issued the final version of PFRS 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015.

The Group is currently assessing the impact of the adoption of PFRS 9 on its consolidated financial statements.

In addition, the IASB has issued the following new standards that have not yet been adopted locally by the SEC and Financial Reporting Standards Council. The Group is currently assessing the impact of these new standards and plans to adopt them in their required effective dates once adopted locally.

- *International Financial Reporting Standards (IFRS) 15, Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is 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. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted.

Effective January 1, 2019

- *IFRS 16, Leases*

On January 13, 2016, the IASB issued its new standard, IFRS 16, *Leases*, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their statement of financial position, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their statement of income. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

3. Summary of Significant Accounting and Financial Reporting Policies

Investments in Associates 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 and 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 statements 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 its 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 statements 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 statements of comprehensive income.

Current versus Noncurrent Classification

The Group presents assets and liabilities in consolidated statements 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.

The Group classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities.

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 six 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 32
- Investment properties, see Note 16
- Financial instruments (including those carried at amortized cost), see Note 32

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 statements of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which 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 - Initial Recognition and Subsequent Measurement

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 fair value through profit or loss (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, short-term investments, trade and other receivables (excluding advances to suppliers), refundable deposits (included under "Other noncurrent assets" account in the consolidated statements of financial position) and AFS financial assets.

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

Subsequent Measurement

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

- Financial assets at FVPL
- Loans and receivables
- HTM investments
- AFS financial assets

The Group did not classify any financial asset under financial assets at FVPL and HTM investments as at September 30, 2016 and December 31, 2015.

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 effective interest rate (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 statements of comprehensive income.

The Group's cash and cash equivalents, receivables (excluding advances to suppliers) and refundable deposits (included under "other noncurrent assets" account) are classified as loans and receivables (see Notes 8, 9 and 17).

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 listed and unlisted equity securities and golf club shares are classified as noncurrent AFS investments (see Notes 12 and 32).

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 statements 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

Further disclosures relating to impairment of financial assets, if any, are also provided in the following notes:

- Disclosures for significant estimates and assumptions, see Note 4
- Trade and other receivables, see Notes 9 and 31

- AFS investments, see Notes 12 and 31
- Financial assets, see Note 31

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 statements 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 statements 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 statements of comprehensive income. Any subsequent reversal of an impairment loss is recognized in the consolidated statements 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, 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 accounts payable and other current liabilities (excluding payable to government agencies, customer deposits and advances from customers), short-term loans, obligations for program and other rights and dividends payable.

As at September 30, 2016 and December 31, 2015, the Group does not have financial liabilities at FVPL.

Subsequent Measurement

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

a. *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 PAS 39. 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 profit or loss 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 PAS 39 are satisfied. The Group has not designated any financial liability as at FVPL as at September 30, 2016 and December 31, 2015.

b. *Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in the consolidated statements of 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.

There is no offsetting of financial assets and financial liabilities and any similar arrangements that are required to be disclosed in the consolidated financial statements as at September 30, 2016 and December 31, 2015.

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" included under "Production costs" account in the consolidated statements of comprehensive income.

For series of rights acquired, the cost is charged to income 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 statements 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 statements 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 statements of financial position, is stated at the lower of cost and net realizable value. Cost is determined using the weighted moving 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.

Asset Classified as Held for Sale

Asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group).

Property and Equipment

Property and equipment, except 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. The present value of the

expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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 in 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 statements 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 statements of financial position, are capitalized and amortized on a straight-line basis over three to five 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 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 associates 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 associates and interests in joint ventures. The Group determines at each reporting period whether there is any objective evidence that the investments in associates 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 associates and the acquisition cost and recognizes the amount in the consolidated statements 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 statements of comprehensive income, net of any dividend declaration.

Treasury Stock and Underlying Shares of 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 statements 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 statements 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.

Revenues

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. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

Airtime Revenue. Revenue is recognized in the period the advertisements are aired. Such revenues are net of co-producers' share. The fair values of capitalizable exchange deals are included in airtime revenue and related accounts. These transactions represent advertising time exchanged for program materials, merchandise or service.

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 "Advances from customers" included under "Trade payables and other current liabilities" in the consolidated statements of financial position.

Goods received in exchange for airtime usage pursuant to ex-deals 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 income when there is reasonable certainty that these can be used to pay duties and taxes on imported broadcasting related equipment.

Subscription Income. Revenue is recognized on an accrual basis in accordance with the terms of subscription agreements.
Commission from Artist Center. Revenue is recognized as income on an accrual basis in accordance with the terms of the related marketing agreements.

Production and Others. Production revenue is recognized when project-related services are rendered. Others pertain to revenue from sponsorship and licensing income which is recognized on an accrual basis in accordance with the terms of the agreement.

Rental Income. Revenue from lease of property and equipment 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.

Co-producers' Share

Co-producers' share is deducted from gross revenues in the profit or loss in the period the advertisements are aired.

Share of co-producers on revenues of specific programs are covered by duly authorized contracts entered into between the Group and the co-producers. The co-producers normally undertake the production of such program in return for a stipulated percentage of revenue.

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 statements of comprehensive income, are recognized as incurred.

Pension and Other Employee Benefits

The Parent Company has funded, noncontributory defined benefit retirement plans 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.

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.

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' 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.

Employee Leave Entitlements. Employee entitlements to annual leave are recognized as a liability when they accrue to the employees. The liability relating to employee leave entitlement is recognized for services rendered equivalent to the maximum credit leaves earned by the employee, which is expected to be settled upon the employee's resignation or retirement. The present value of the noncurrent portion of the liability is determined by applying the discount rate based on government bonds.

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 statements 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 statements 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 Income Tax. Deferred income tax is provided using the balance sheet 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 income 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 income 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 ventures, deferred income 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 income 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 income 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 income tax assets to be recovered.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill 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 taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, 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 income 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 income 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.

Income tax relating to other comprehensive income is recognized in other comprehensive income section of the consolidated statements of comprehensive income.

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, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- where receivables and payables are stated with the amount of VAT included.

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 statements 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, with 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.

Functional Currency. The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. The Philippine peso is also the functional currency of all the subsidiaries. It is the currency of the primary economic environment in which the Group operates.

Asset Classified as Held for Sale. The Group assessed that the interest in X-Play Online Games Incorporated (X-Play) met the criteria to be classified as held for sale in 2014 for the following reasons:

- X-Play is available for immediate sale and can be sold in its current condition.
- IP E-Games Ventures, Inc. (IPE) and GNMI have a recent agreement which provides the execution of the option agreement as discussed in Note 17. On July 28, 2014, the increase in capital stocks of IPE is already approved by the SEC.

In 2014, the Group classified its investment in X-Play as "Asset classified as held for sale" account in the consolidated statements of financial position. On November 9, 2015, the sale of X-Play was completed.

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.

Assessing Joint Control of an Arrangement and the Type of Arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group assessed that it has joint control in all its joint arrangements by virtue of a contractual agreement with other shareholders. The Group's joint ventures have separate legal entity and its stockholders have rights to its net assets.

The carrying value of the investments in joint venture amounted to ₱18.86 million as at September 30, 2016 and December 31, 2015 (see Note 13).

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 thus accounts for the contracts as operating leases.

Rental expense charged to operations amounted to ₱674.80 million and ₱620.29 million as of September 30, 2016 and 2015, respectively (see Note 29).

Tax Credits. The Parent Company has determined that tax credits earned from airing of government commercials and advertisements are recognized based on the Parent Company's forecast of importation for the next twelve (12) months from reporting period in which the tax credits will be applied and when the application is reasonably certain.

Classification of Leave Entitlements as Current or Noncurrent. The Group assesses the classification of its leave entitlements as either current or noncurrent based on the historical experience of the outstanding leave availed.

Other employee benefits classified as current under "Trade payables and other current liabilities" account in the consolidated statements of financial position amounted to ₱13.60 million and ₱9.23 million as at September 30, 2016 and December 31, 2015, respectively, while other employee benefits classified as noncurrent amounted to ₱369.15 million and ₱295.72 million as at September 30, 2016 and December 31, 2015, respectively.

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 Doubtful Accounts. Provisions are made for specific and groups of billed accounts where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances that affect the collectability of the accounts. The review is accomplished using a combination of specific and collective assessment. The factors considered in specific and collective impairment assessments include, but not limited to, the length of the Group's relationship with customers, customers' current credit status and known market forces, average age of accounts, collection experience and historical loss experience. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies. An increase in allowance for doubtful accounts would increase the recorded general and administrative expenses and decrease current assets.

Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱5,097.46 million and ₱4,384.20 million as at September 30, 2016 and December 31, 2015, respectively (see Note 9).

Amortization of Program and Other Rights. The Group estimates the amortization of program and other rights with finite lives based on the manner and pattern of usage of the acquired rights. 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 ₱639.58 million and ₱550.53 million as of September 30, 2016 and 2015, respectively (see Note 25). Program and other rights, net of accumulated impairment loss of ₱2.70 million, amounted to ₱1,143.24 million and ₱1,192.61 million as at September 30, 2016 and December 31, 2015, respectively (see Note 10).

Determination of Impairment of AFS Financial Assets. For unquoted equity instruments, the financial assets are considered to be impaired when the Group believes that future cash flows generated from the investment is expected to decline significantly. The Group's management makes significant estimates and assumptions on the future cash flows expected and the appropriate discount rate to determine if impairment exists. Impairment may also be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance. For the quoted shares, the Group determines that the financial assets are considered to be impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The Group determines that a decline in fair value of greater than 20% of cost is considered to be a significant decline and a decline for a period of more than 12 months is considered to be a prolonged decline. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates, among other factors, the normal volatility in share price for quoted equities.

There were no provision for impairment loss on AFS financial assets recorded as of September 30, 2016 and 2015, respectively. The carrying value of AFS financial assets amounted to ₱191.57 million and ₱191.12 million as at September 30, 2016 and December 31, 2015, respectively (see Note 12).

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" in the consolidated statements of financial position amounted to ₱20.61 million and ₱26.01 million as at September 30, 2016 and

December 31, 2015, respectively (see Note 11). No provisions for inventory losses were reported as of September 30, 2016 and 2015, respectively.

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 as of September 30, 2016 and December 31, 2015.

Total depreciation and amortization expense for the periods ended September 30, 2016 and 2015 amounted to ₱550.18 million and ₱604.99 million, respectively (see Notes 14, 16, 17, 25 and 26).

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 performed every 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.

The revalued amount of land amounted to ₱1,805.05 million and ₱1,802.52 million as at September 30, 2016 and December 31, 2015, respectively (see Note 15).

Impairment of Nonfinancial Assets. For prepaid production costs, tax credits, investments and advances, property and equipment, investment properties 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 and the 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 September 30, 2016 and December 31, 2015, 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 September 30, 2016 and December 31, 2015 follow:

| | September 30, 2016 | December 31, 2015 |
|---|---------------------------|-------------------|
| | (Unaudited) | (Audited) |
| Property and equipment (see Note 14) | 2,827,829,579 | 3,373,810,427 |
| Program and other rights (see Note 10) | 1,143,235,668 | 1,192,607,228 |
| Prepaid production costs (see Note 11) | 161,960,470 | 129,352,549 |
| Investments and advances (see Note 13) | 147,280,578 | 147,652,576 |
| Tax credits (see Note 11) | 146,590,919 | 146,590,919 |
| Investment properties (see Note 16) | 53,880,510 | 55,548,001 |
| Investment in artworks (see Note 17) | 10,406,255 | 10,406,255 |
| Software costs (see Note 17) | 64,139,797 | 17,406,636 |
| Deferred production costs (see Note 17) | 3,869,407 | 1,952,433 |

Taxes. The Group has exposures to the tax rules and regulations in the Philippines and significant judgment is involved in determining the provision for these tax exposures. The Group recognizes liabilities for expected tax issues based on estimates of whether additional taxes are due. Where the final tax outcome of these matters is different from the amounts that were initially recognized, such difference will impact profit or loss in the period in which such determination is made.

Estimating Realizability of Deferred Income Tax Assets. The Group reviews the carrying amounts of deferred income tax assets on nondeductible temporary differences and carryforward benefits of NOLCO and excess MCIT over RCIT at each reporting date and reduces deferred income tax assets 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.

Based on the Group's assessment, not all nondeductible temporary differences and carryforward benefits of NOLCO and excess MCIT over RCIT will be realized.

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 ₱1,290.92 million and ₱1,102.71 million as at September 30, 2016 and December 31, 2015, respectively.

Determination of Fair Value of Financial Assets and Financial Liabilities. PFRS requires 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 32.

Determination of Fair Value of Investment Properties and Land at Revalued Amounts. PFRS requires disclosure of fair value of investment properties when measured at cost and requires land at revalued amount to be re-measured at fair value with sufficient regularity.

The fair values of these assets as at September 30, 2016 and December 31, 2015 are based on the appraisal report prepared by an accredited appraiser in 2013. Management believes that there is no significant change on the fair value of these assets given that there were no events or circumstances (i.e., development in the area, expected market value, condition of the property) that would indicate a significantly different fair value.

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 outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material adverse effect on the Group's financial position.

5. Seasonality or Cyclicity of Interim Operations

The Company's operations are not generally affected by any seasonality or cyclicity.

6. Nature and Amount of Changes in Estimates

2015 figures were restated to conform to the current period's presentation.

7. 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 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. In the Philippines, its home country, the Group is involved in television operations. In the 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 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 immaterial to the consolidated financial statements.

Noncurrent assets consisting 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 amounts to 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.

Please refer to Exhibit 1.

8. Cash and Cash Equivalents

This account consists of:

| | September 30, 2016 | December 31, 2015 |
|---------------------------|---------------------------|-------------------|
| | (Unaudited) | (Audited) |
| Cash on hand and in banks | 2,174,780,936 | 1,507,255,528 |
| Short-term placements | 1,377,806,309 | 653,042,597 |
| | 3,552,587,245 | 2,160,298,125 |

Cash in banks earn interest at the respective bank deposit rates. Short-term placements are made for varying periods of up to six months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term placement rates.

Interest income earned from bank deposits and short-term investments amounted to ₱17.11 million and ₱7.74 million for the nine months ended September 30, 2016 and 2015, respectively.

9. Trade and Other Receivables

This account consists of:

| | September 30, 2016 | December 31, 2015 |
|--------------------------------------|---------------------------|-------------------|
| | (Unaudited) | (Audited) |
| Trade: | | |
| Television and radio airtime | 4,388,920,718 | 4,254,300,514 |
| Subscription receivable | 913,067,704 | 277,677,942 |
| Others | 125,950,262 | 123,009,854 |
| Nontrade: | | |
| Advances to officers and employees | 4,224,164 | 3,417,982 |
| Others | 19,068,441 | 9,068,441 |
| | 5,451,231,289 | 4,667,474,733 |
| Less allowance for doubtful accounts | 353,776,131 | 283,276,131 |
| | 5,097,455,158 | 4,384,198,602 |

Trade Receivables

Television and Radio Airtime. Television and radio airtime receivables are noninterest-bearing and are generally on a 60–90 days terms upon receipt of invoice by the customer. Invoicing normally takes around 30 days from airing.

Television and radio airtime receivables include unbilled airtime receivables, arising when advertisements have been aired during the year but billing or acceptance by the customer has been delayed due to time lag in completing all required documents.

Subscriptions Receivable. Subscriptions receivable include receivables pertaining to revenue generated from international channel subscriptions and advertisements. These are noninterest-bearing and normally collected within 30–60 days.

Other Trade Receivables. Other trade receivables are 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 as at September 30, 2016 and December 31, 2015 are as follows:

| | September 30, 2016 (Unaudited) | December 31, 2015 (Audited) |
|------------------------------|-----------------------------------|--------------------------------|
| Balance at beginning of year | 283,276,131 | 274,694,272 |
| Provision for the period | 70,500,000 | 8,581,859 |
| Balance at end of period | 353,776,131 | 283,276,131 |

The allowance for doubtful accounts for television and radio airtime and other receivables as at September 30, 2016 and December 31, 2015 are results of specific and collective impairment assessments performed by the Group as follows:

| | September 30, 2016 (Unaudited) | December 31, 2015 (Audited) |
|-----------------------|-----------------------------------|--------------------------------|
| Individually impaired | 209,461,822 | 203,961,822 |
| Collectively impaired | 144,314,309 | 79,314,309 |
| | 353,776,131 | 283,276,131 |

As of September 30, 2016 and December 31, 2015, the aging analysis of receivables that were not impaired follows:

| | September 30, 2016 (Unaudited) | | | | |
|-------------------------------|-----------------------------------|--------------------|--------------------|-------------------|----------------------|
| | Trade | | | | |
| | Television and Radio Airtime | Subscriptions | Others | Nontrade | Total |
| Neither past due nor impaired | 1,951,102,201 | 365,227,082 | 86,914,216 | 12,094,193 | 2,415,337,692 |
| Past due but not impaired: | | | | | |
| < 30 days | 489,300,321 | 110,577,278 | 7,116,914 | 1,084,092 | 608,078,605 |
| 31-60 days | 216,961,223 | 188,975,214 | 2,753,957 | 214,124 | 408,904,518 |
| 61-90 days | 158,950,073 | 10,067,968 | 751,135 | 4,646,251 | 174,415,427 |
| 91-180 days | 128,379,177 | 46,811,554 | 774,926 | 707 | 175,966,364 |
| 181-365 days | 196,116,965 | 9,242,183 | 3,967,208 | 775,334 | 210,101,690 |
| Over 1 year | 905,632,527 | 182,166,425 | 12,374,006 | 4,477,904 | 1,104,650,862 |
| | 4,046,442,487 | 913,067,704 | 114,652,362 | 23,292,605 | 5,097,455,158 |

| | December 31, 2015 (Audited) | | | | |
|-------------------------------|---------------------------------|--------------------|--------------------|-------------------|----------------------|
| | Trade | | | | |
| | Television and Radio Airtime | Subscriptions | Others | Nontrade | Total |
| Neither past due nor impaired | 1,891,256,559 | 84,061,725 | 84,885,135 | 6,483,312 | 2,066,686,731 |
| Past due but not impaired: | | | | | |
| < 30 days | 474,292,142 | 33,628,253 | 6,950,764 | 581,146 | 515,452,305 |
| 31-60 days | 210,306,429 | 57,470,271 | 2,689,664 | 114,785 | 270,581,149 |
| 61-90 days | 154,074,639 | 3,061,824 | 733,599 | 2,490,707 | 160,360,769 |
| 91-180 days | 124,441,436 | 14,236,114 | 756,835 | 379 | 139,434,764 |
| 181-365 days | 190,101,521 | 2,810,690 | 3,874,590 | 415,632 | 197,202,433 |
| Over one year | 932,349,557 | 82,409,065 | 17,321,367 | 2,400,462 | 1,034,480,451 |
| | 3,976,822,283 | 277,677,942 | 117,211,954 | 12,486,423 | 4,384,198,602 |

Trade and other receivables that were not impaired are assessed by the management of the Group as good and collectible.

The Group's unbilled receivables amounted to P37.85 million and P68.64 million as of September 30, 2016 and December 31, 2015, respectively. These are included in trade receivables as "neither past due nor impaired" but with age of 31–60 days from date of airing.

10. Program and Other Rights

The movements in program rights are as follows:

| | September 30, 2016 (Unaudited) | | |
|--|-----------------------------------|--------------------------|----------------------|
| | Program and Film Rights | Story / Format Rights | Total |
| Cost: | | | |
| Balance at beginning of period | 1,189,128,656 | 6,180,832 | 1,195,309,488 |
| Additions | 579,154,806 | 11,049,992 | 590,204,798 |
| Program and other rights usage (see Note 25) | (629,655,956) | (9,920,402) | (639,576,358) |
| Balance at end of period | 1,138,627,506 | 7,310,422 | 1,145,937,928 |
| Accumulated impairment in value - | | | |
| Balance at beginning and end of period | (2,702,260) | - | (2,702,260) |
| | 1,135,925,246 | 7,310,422 | 1,143,235,668 |

| | December 31, 2015 (Audited) | | |
|--|--------------------------------|--------------------------|----------------------|
| | Program and Film Rights | Story / Format Rights | Total |
| Cost: | | | |
| Balance at beginning of period | 1,185,333,241 | 15,639,728 | 1,200,972,969 |
| Additions | 734,084,599 | 14,890,663 | 748,975,262 |
| Program and other rights usage | (730,289,184) | (24,349,559) | (754,638,743) |
| Balance at end of period | 1,189,128,656 | 6,180,832 | 1,195,309,488 |
| Accumulated impairment in value - | | | |
| Balance at beginning and end of period | (2,702,260) | - | (2,702,260) |
| | 1,186,426,396 | 6,180,832 | 1,192,607,228 |

Management believes that the carrying values of program and other rights approximate its recoverable values.

11. Prepaid Expenses and Other Current Assets

This account consists of:

| | September 30, 2016 (Unaudited) | December 31, 2015 (Audited) |
|--|-----------------------------------|--------------------------------|
| Advances to suppliers | 213,439,662 | 416,487,788 |
| Prepaid expenses | 134,698,825 | 71,717,440 |
| Prepaid production costs | 161,960,470 | 129,352,549 |
| Tax credits | 146,590,919 | 146,590,919 |
| Input VAT | 133,107,008 | 136,952,228 |
| Creditable withholding taxes | 123,829,660 | 140,181,190 |
| Materials and supplies inventory - at cost | 20,607,709 | 26,005,795 |
| Others | 3,155,270 | 1,741,298 |
| | 937,389,523 | 1,069,029,207 |

Advances to suppliers are noninterest-bearing and are generally applied to acquisition of inventories and fixed assets and availment of services within the next financial year.

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.

Prepaid production represents 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.

Creditable withholding taxes represent amounts withheld by the Company's customers and is deducted from the Company's income tax payable.

Prepaid expenses include prepayments for rentals, insurance and other expenses.

In 2015, the Group has written off creditable withholding taxes and prepaid rentals amounting to P1.11 million. No write-off was made for the first nine months of 2016.

12. Available-for-Sale Financial Assets

This account consists of:

| | September 30, 2016 (Unaudited) | December 31, 2015 (Audited) |
|--------------------------------|-----------------------------------|--------------------------------|
| Investment in shares of stock: | | |
| Unquoted | 151,733,081 | 151,283,081 |
| Quoted | 39,833,800 | 39,833,800 |
| | 191,566,881 | 191,116,881 |

The unquoted shares are stated at cost as there are no reliable sources and bases for subsequent fair value determination.

The movements in this account are as follows:

| | September 30, 2016 (Unaudited) | December 31, 2015 (Audited) |
|--|-----------------------------------|--------------------------------|
| Balance at beginning of period | 191,116,881 | 129,024,081 |
| Additions during the period | - | 130,000,000 |
| Redemption during the period | - | (7,467,200) |
| Net change in the fair value of AFS financial assets | 450,000 | (60,440,000) |
| Balance at end of period | 191,566,881 | 191,116,881 |

X-Play

GNMI holds 50% equity in X-Play Online Games Incorporated (X-Play). The other joint venture partner in X-Play is IPE. At the time of incorporation of X-Play, GNMI and IPE each subscribed to 1,000,000,000 common shares of X-Play's authorized capital stock with a par value of P100/share.

As discussed in Note 4, the Group, through GNMI's BOD, announced its decision to dispose of its shareholdings in X-Play on January 1, 2011, and classified its investment in X-Play as asset held for sale. The then carrying value of asset held for sale previously classified as interest in and advances to joint venture amounted to P26.43 million.

In connection with the planned disposal of X-Play, in March 2013, GNMI and IPE extended until June 30, 2013 the exercise period of the option agreement which was entered into by both parties on October 19, 2011. The option agreement states that IPE grants GNMI the option to sell all, but not less than all, of shares in stock of X-Play for a purchase price of P75.00 million in cash. Also, on March 23, 2012, GNMI agreed to subscribe to P130.00 million worth of shares of IPE's authorized but unissued capital stock to be offered on its Initial Public Offering in exchange for GNMI's shares of stock in X-Play at a subscription price per share equivalent to the offering price.

As at December 31, 2013, the sale of investment in X-Play has not materialized. The Group reassessed the classification of investment in X-Play and reclassified it under "Other noncurrent assets" account in the Group's 2013 consolidated statements of financial position.

In 2014, an agreement provides that IPE will provide GNMI and the Parent Company 10,000 million (GNMI - 4,000 million; GNI - 6,000 million) of IPE shares in exchange for GNMI's investment in X-Play and the Parent Company's P30.00 million advances and P50.00 million airtime credits granted to X-Play (collectively, the consideration). Also, as the increase in authorized capital stock of IPE was already approved by the SEC on July 28, 2014, the Group's investment in X-Play was reclassified to "Asset classified as held for sale" account in the 2014 consolidated statement of financial position.

On November 9, 2015, a Deed of Assignment was executed but the terms were amended to be 13,000 million (GNMI - 5,000 million; GNI - 8,000 million) of IPE shares in exchange for the same consideration. At initial recognition, the Group recognized at fair value the IPE shares as AFS financial assets amounting to P130.00 million.

Of the P50.00 million airtime credits, P22.00 million has not been implemented at date of exchange and therefore was recognized by the Group as unearned revenue, included as part of trade payables and other current liabilities. Also, a gain on disposal of asset held for sale amounting to P23.57 million, which represent excess of fair value of IPE shares over the carrying amount of GNMI's investment in X-Play, was recognized in the statements of comprehensive income.

13. Investments and Advances

This account consists of:

| | September 30, 2016 (Unaudited) | December 31, 2015 (Audited) |
|---|-----------------------------------|--------------------------------|
| Investments in an associate and interests in joint ventures | 57,213,613 | 57,213,613 |
| Permanent advances in an associate (see Note 23) | 90,066,965 | 90,438,963 |
| | 147,280,578 | 147,652,576 |

The movements in the said amounts are as follows:

| | September 30, 2016 (Unaudited) | December 31, 2015 (Audited) |
|--|-----------------------------------|--------------------------------|
| Investments in an associate and joint ventures | | |
| Acquisition cost - | | |
| Balance at beginning and end of period | 131,722,056 | 131,722,056 |
| Accumulated equity in net losses: | | |
| Balance at beginning of period | (74,508,443) | (71,394,727) |
| Equity in net earnings during the period | - | (3,113,716) |
| Balance at end of period | (74,508,443) | (74,508,443) |
| | 57,213,613 | 57,213,613 |
| Advances to an associate: | | |
| Balance at beginning of period | 87,860,215 | 87,610,215 |
| Additional (collection) advances during the period | - | 250,000 |
| Balance at end of period | 87,860,215 | 87,860,215 |
| Advances to joint ventures: | | |
| Balance at beginning of period | 2,578,748 | 2,578,748 |
| Collections during the period | (371,998) | - |
| Balance at end of period | 2,206,750 | 2,578,748 |
| Total investments and advances | 147,280,578 | 147,652,576 |

The ownership interests in an associate and joint ventures, which were all incorporated in the Philippines, and are accounted for under the equity method, as at September 30, 2016 and December 31, 2015 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 |

*Indirect investment through GNMI.

The carrying values of investments and the related advances as of September 30, 2016 and December 31, 2015 are as follows:

| | September 30, 2016 | | |
|-----------------------|--------------------|---------------------------|-------------|
| | Investments | Advances (see Note 23) | Total |
| Associate - Mont-Aire | 38,350,619 | 87,860,215 | 126,210,834 |
| Joint ventures: | | | |
| Gamespan | 8,947,966 | 1,959,670 | 10,907,636 |
| PEP | 9,915,028 | 247,080 | 10,162,108 |
| | 18,862,994 | 2,206,750 | 21,069,744 |
| | 57,213,613 | 90,066,965 | 147,280,578 |
| | December 31, 2015 | | |
| | Investments | Advances (see Note 23) | Total |
| Associate - Mont-Aire | 38,350,619 | 87,860,215 | 126,210,834 |
| Joint ventures: | | | |
| Gamespan | 8,947,966 | 1,959,670 | 10,907,636 |
| PEP | 9,915,028 | 619,078 | 10,534,106 |
| | 18,862,994 | 2,578,748 | 21,441,742 |
| | 57,213,613 | 90,438,963 | 147,652,576 |

The associate and joint ventures are not listed in any public stock exchanges.

PEP

As at December 31, 2012, the Group has unrecognized share in net losses of PEP amounting to P3.86 million. On November 15, 2013, the Group, through GNMI, converted its cash advances to PEP amounting to P12.00 million to additional investment in joint venture (see Note 32). As a result, in 2013, the Group recognized share in net losses amounting to P4.17 million which includes the prior year unrecognized losses.

There were no recognized shares in net losses/earnings of PEP for the nine months ended September 30, 2016 and 2015, 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 shall also have the exclusive broadcast rights to all the races and other games operated by MJC which it may distribute to broadcasters to maximize viewership and participation.

Gamespan has not started its commercial operation since its establishment. In 2014, GNMI and MJC agreed to terminate its shareholder's agreement and to close Gamespan. As at September 30, 2016, process of cessation of Gamespan is ongoing.

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, 2015 and 2014. INQ7 ceased operations in 2007. In 2013, INQ7 submitted a request to liquidate its assets to SEC.

Mont-aire

The table below shows the condensed financial information of Mont-Aire as at September 30, 2016 and December 31, 2015, respectively:

| | |
|---------------------------------------|-------------|
| Current assets | ₱53,469,276 |
| Noncurrent assets | 120,275,583 |
| | <hr/> |
| | 173,744,859 |
| Current liabilities | 1,269,154 |
| Noncurrent liabilities | 94,209,136 |
| | <hr/> |
| | 95,478,290 |
| Net assets | 78,266,569 |
| Proportion of the Company's ownership | 49% |
| Carrying amount of investment | ₱38,350,619 |

Mont-Aire ceased commercial operations in 2009. Noncurrent assets include parcels of land with an aggregate fair market value of ₱117.86 million determined by an accredited appraiser as at December 10, 2012, enough to cover for the carrying amount of investment the Group has in Mont-aire. There were no changes in the land account and management expects no significant change in fair value as at September 30, 2016 and December 31, 2015, respectively.

14. Property and Equipment at Cost

Please refer to Exhibit 2 for the rollforward analysis of property and equipment at cost.

The amount of depreciation expense includes amortization of previously capitalized borrowing costs amounting to ₱10.08 million each year. No borrowing costs were capitalized as at September 30, 2016 and December 31, 2015.

The cost of fully depreciated assets still used by the Group amounted to ₱4,799.63 million and ₱4,659.21 million as at September 30, 2016 and December 31, 2015, respectively.

Construction in progress pertains to the costs incurred for installation of equipment, signal strengthening of transmitters nationwide and construction/improvement of studios and stations in the regions.

As at September 30, 2016 and December 31, 2015, no property and equipment have been pledged as collateral or security for any of the Group's liabilities.

15. Land at Revalued Amounts

This account consists of:

| | September 30, 2016 (Unaudited) | December 31, 2015 (Audited) |
|--|-----------------------------------|--------------------------------|
| Cost: | | |
| Balance at beginning of period | 349,312,816 | 346,502,817 |
| Additions | 2,530,982 | 2,809,999 |
| Balance at end of period | 351,843,798 | 349,312,816 |
| Revaluation increment - | | |
| Balance at beginning and end of period | 1,453,210,041 | 1,453,210,041 |
| | <hr/> | |
| | 1,805,053,839 | 1,802,522,857 |

Land used in operations was last appraised on December 17, 2013 by an accredited firm of appraisers and is valued in terms of its highest and best use.

The fair value was arrived at through the use of the "Market Data Approach" as determined by independent professionally qualified appraisers. The fair value represents the amount that would be received to sell an investment property in an orderly transaction between market participants at the date of valuation.

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.

Management expects that there is no significant change on the fair value of land at revalued amount as at September 30, 2016 and December 31, 2015.

As at September 30, 2016 and December 31, 2015, 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.

16. Investment Properties

| | September 30, 2016 (Unaudited) | | |
|---------------------------------|-----------------------------------|-------------------------------|-------------|
| | Land and Improvements | Buildings and Improvements | Total |
| Cost: | | | |
| Balance at beginning of period | 30,501,881 | 76,984,510 | 107,486,391 |
| Additions | - | 40,785 | 40,785 |
| Balance at end of period | 30,501,881 | 77,025,295 | 107,527,176 |
| Accumulated depreciation: | | | |
| Balance at beginning of period | - | 50,134,341 | 50,134,341 |
| Depreciation during the period | - | 1,708,276 | 1,708,276 |
| Balance at end of period | - | 51,842,617 | 51,842,617 |
| Accumulated impairment in value | - | 1,804,049 | 1,804,049 |
| Balance at end of period | 30,501,881 | 23,378,629 | 53,880,510 |

| | December 31, 2015 (Audited) | | |
|---------------------------------|--------------------------------|-------------------------------|-------------|
| | Land and Improvements | Buildings and Improvements | Total |
| Cost: | | | |
| Balance at beginning of period | 30,501,881 | 76,879,099 | 107,380,980 |
| Additions | - | 105,411 | 105,411 |
| Balance at end of period | 30,501,881 | 76,984,510 | 107,486,391 |
| Accumulated depreciation: | | | |
| Balance at beginning of period | - | 46,765,625 | 46,765,625 |
| Depreciation during the period | - | 3,368,716 | 3,368,716 |
| Balance at end of period | - | 50,134,341 | 50,134,341 |
| Accumulated impairment in value | - | 1,804,049 | 1,804,049 |
| Balance at end of period | 30,501,881 | 25,046,120 | 55,548,001 |

Certain properties were provided with allowance for impairment in prior years. Management believes that the carrying values after impairment approximate its recoverable values.

The fair market value of investment properties owned by the Group amounted to ₱133.67 million as at December 31, 2013. Land was last appraised on December 17, 2013 by an accredited appraiser and is valued in terms of its highest and best use. The fair value was arrived at through the use of the "Market Data Approach". Management expects that there is no significant change in the fair market value as at September 30, 2016 and December 31, 2015. The fair value represents the

amount that would be received to sell an investment property in an orderly transaction between market participants at the date of valuation.

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 September 30, 2016 and December 31, 2015, 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.

17. Other Noncurrent Assets

This account consists of:

| | September 30, 2016 (Unaudited) | December 31, 2015 (Audited) |
|---|---|---------------------------------------|
| Software costs | 64,139,797 | 17,406,636 |
| Deferred input VAT | 29,693,060 | 30,876,257 |
| Guarantee deposits | 17,675,322 | 18,046,427 |
| Refundable deposits (see Notes 31 and 32) | 11,987,865 | 20,040,588 |
| Investments in artworks | 10,406,255 | 10,406,255 |
| Deferred production costs | 3,869,407 | 1,952,433 |
| Others | 468,404 | 533,642 |
| | 138,240,110 | 99,262,238 |

The movements in software costs follow:

| | September 30, 2016 (Unaudited) | December 31, 2015 (Audited) |
|---|---|---------------------------------------|
| Cost: | | |
| Balance at beginning of period | 258,281,297 | 256,111,222 |
| Additions | 71,118,439 | 2,170,075 |
| Balance at end of period | 329,399,736 | 258,281,297 |
| Accumulated amortization: | | |
| Balance at beginning of period | 240,874,661 | 220,194,130 |
| Amortization during the period (see Notes 26) | 24,385,278 | 20,680,531 |
| Balance at end of period | 265,259,939 | 240,874,661 |
| | 64,139,797 | 17,406,636 |

18. Short-term Loans

The Parent Company obtained unsecured PhP and USD denominated loans from various local banks for the payment of the dividends declared during the year. Details of the short-term loans are as follows:

| | September 30, 2016 (Unaudited) | December 31, 2015 (Audited) |
|----------------------------------|---|---------------------------------------|
| Balance at beginning of period | 1,152,970,000 | 2,222,960,000 |
| Additions | 500,000,000 | 1,200,000,000 |
| Payments | (1,041,190,000) | (2,325,197,500) |
| Unrealized foreign currency loss | 18,720,000 | 55,207,500 |
| Balance at end of period | 630,500,000 | 1,152,970,000 |

The interest rate of the short-term loan ranges from 1.90% for peso loans and 1.68% to 1.73% for US dollar denominated loans as at September 30, 2016 and December 31, 2015. Interest expense and other financing charges amounted to P14.43 million and P34.85 million for the nine months ended September 30, 2016 and 2015, respectively.

19. Trade Payables and Other Current Liabilities

This account consists of:

| | September 30, 2016 | December 31, 2015 |
|--------------------------------|---------------------------|-------------------|
| | (Unaudited) | (Audited) |
| Trade payables | 563,606,016 | 592,626,117 |
| Payable to government agencies | 688,776,593 | 595,723,879 |
| Customers' deposits | 428,611,443 | 239,932,427 |
| Accrued expenses: | | |
| Payroll and talent fees | 264,963,301 | 222,796,911 |
| Production costs | 195,431,128 | 214,239,585 |
| Utilities and others | 117,693,626 | 80,158,312 |
| Commissions | 23,201,772 | 50,373,301 |
| Advances from customers | 77,590,865 | 156,369,021 |
| Others | 20,805,976 | 38,437,946 |
| | 2,380,680,720 | 2,190,657,499 |

Trade payables to suppliers are noninterest-bearing and are normally settled on terms ranging from 7-60 days.

Payable to government agencies is remitted within 30 days after reporting period.

Customers' deposits include guaranty deposits from advertising agencies to secure payment of bills by advertisers. These deposits are non-interest 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.

Advances from customers include payments received before broadcast from customers. These deposits will be settled and implemented within the next 12 months. As provided in Note 12, this account also includes unearned revenue of P22.00 million resulting from the sale of the Group's interests in X-Play.

Accrued expenses and other payables are noninterest-bearing and are generally settled within the next 12 months.

Others include unpaid subscriptions and customs duties. These are noninterest-bearing and are normally settled within one year.

20. Obligations for Program and Other Rights

This account consists of current obligation for program and other rights amounting to P149.11 million and P220.84 million as of September 30, 2016 and December 31, 2015, respectively.

Obligations for program and other rights represent liabilities to foreign and local film suppliers for program and other rights purchased by the Group. The current portion of the obligations for program rights is noninterest-bearing and is generally payable in equal monthly or quarterly installments. The amounts presented in the consolidated statements of financial position as at September 30, 2016 and December 31, 2015 represent the nominal amounts of the obligations which are expected to be settled within the next 12 months.

21. Material Events

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

As of September 30, 2016, there are 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 2016 Capital Expenditure budget of the parent company amounts to P550.00 million. This will be financed 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 September 30, 2016, 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 September 30, 2016, there are no significant elements of income or loss that did 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 have not been reflected in the financial statements for the interim period.

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

22. Equity

- a. Capital Stock

There were no movements in capital stock as of September 30, 2016 and December 31, 2015 with composition as follows:

| | 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 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 dividend 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 (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.

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 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 |
| PDRs | 945,432,000 | 8.50 |

In prior years, the Parent Company has acquired 945.43 million PDRs issued by GMA Holdings for ₱8.50 per share. 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 September 30, 2016 and December 31, 2015, 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, in September 30, 2016 and December 31, 2015.

Consolidated retained earnings include undeclared retained earnings of subsidiaries amounting to ₱192.13 million as at December 31, 2015. 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 ₱1,689.77 million as at December 31, 2015.

The BOD of the Parent Company approved the declaration of the following cash dividends in 2016, 2015 and 2014:

| Year | Declaration Date | Record Date | Cash Dividend Per Share | Total Cash Dividend Declaration |
|-------------|----------------------|---------------------|-------------------------|---------------------------------|
| 2016 | April 8, 2016 | May 16, 2016 | P0.40 | P1,943,884,375 |
| 2015 | March 30, 2015 | April 24, 2015 | P0.25 | P1,214,854,609 |
| 2014 | April 2, 2014 | April 24, 2014 | P0.27 | P1,312,253,578 |

23. 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 periods ended September 30, 2016 and December 31, 2015, the Company 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 Company transacts with associates, affiliates, jointly controlled entities and other related parties on advances, reimbursement of expenses, and future stock subscriptions.

The transactions and balances of accounts as at and for the periods ended September 30, 2016 and December 31, 2015 with related parties are as follows:

Transactions with related parties are as follows:

| Related Party | Category | Year | Amount/ Volume of Transactions | Receivables (Payables) | Terms | Conditions |
|-----------------------------|---------------------------------------|-------------|--------------------------------------|---------------------------|---------------------|--------------|
| Associate - | | | | | | |
| Mont-Aire | Advances (see Note 13) | 2016 | - | 87,860,215 | Noninterest-bearing | Unsecured; |
| | | 2015 | 250,000 | 87,860,215 | | not impaired |
| Common stockholders: | | | | | | |
| GMA Kapuso Foundation, Inc. | Reimbursable charges | 2016 | 31,523 | 4,043,380 | On demand, | Unsecured; |
| | | 2015 | 132,035 | 4,011,857 | noninterest-bearing | not impaired |
| Belo, Gozon, Elma Law | Legal, consulting and retainers' fees | 2016 | 3,902,071 | - | On demand, | Unsecured; |
| | | 2015 | 12,880,960 | (560,000) | noninterest-bearing | not impaired |
| Joint ventures: | | | | | | |
| Gamespan | Advances (see Note 13) | 2016 | - | 1,959,670 | Noninterest-bearing | Unsecured; |
| | | 2015 | 1,959,670 | 1,959,670 | | not impaired |
| PEP | Advances (see Note 13) | 2016 | - | 247,080 | Noninterest-bearing | Unsecured; |
| | | 2015 | 619,078 | 619,078 | | not impaired |

The advances made by the Parent Company to Mont-Aire, Gamespan and PEP are intended for future capital subscription.

Compensation of Key Management Personnel

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

| | September 30, 2016 | September 30, 2015 |
|----------------------------------|---------------------------|--------------------|
| | (Unaudited) | |
| Salaries and short-term benefits | 285,089,278 | 197,721,257 |
| Pension benefits | 124,576,977 | 94,114,212 |
| | 409,666,254 | 291,835,469 |

Equity Investments of the Retirement Fund

The Group's retirement fund includes equity investments in GMA Network, Inc. and GMA PDRs amounting to ₱43.80 million and ₱305.48 million as at September 30, 2016, respectively and ₱47.78 million and ₱366.63 million as at December 31, 2015, respectively.

24. **Net Revenues**

This account consists of:

| | September 30, 2016 | September 30, 2015 |
|------------------------------|---------------------------|--------------------|
| | (Unaudited) | |
| Television and radio airtime | 11,865,692,449 | 9,373,292,153 |
| Subscription income | 857,101,149 | 747,473,686 |
| Production and others | 274,188,131 | 193,404,464 |
| | 12,996,981,729 | 10,314,170,303 |
| Co-producers' shares | (194,331,475) | (875,941) |
| | 12,802,650,254 | 10,313,294,362 |

There were no income from tax credits earned as at September 30, 2016 and 2015, respectively.

25. **Production Costs**

This account consists of:

| | September 30, 2016 | September 30, 2015 |
|--|---------------------------|--------------------|
| | (Unaudited) | |
| Talent fees and production personnel costs (see Note 27) | 2,111,874,894 | 2,028,747,085 |
| Rental | 616,258,008 | 532,977,114 |
| Program and other rights usage | 639,576,358 | 550,526,605 |
| Tapes sets and production supplies | 395,120,322 | 301,260,432 |
| Facilities and production services | 508,315,716 | 397,186,195 |
| Depreciation (see Note 14) | 207,433,774 | 235,432,070 |
| Transportation and communication | 106,229,614 | 137,870,286 |
| | 4,584,808,686 | 4,183,999,787 |

26. General and Administrative Expenses

This account consists of:

| | September 30, 2016 (Unaudited) | September 30, 2015 |
|--|-----------------------------------|----------------------|
| Personnel costs (see Note 27) | 2,173,295,852 | 1,782,934,287 |
| Depreciation (see Notes 14 and 16) | 342,742,885 | 369,557,376 |
| Communication, light and water | 206,546,181 | 210,597,697 |
| Professional fees | 166,496,609 | 123,923,797 |
| Repairs and maintenance | 159,341,760 | 61,673,044 |
| Taxes and licenses | 122,759,486 | 117,103,411 |
| Advertising | 121,150,960 | 137,519,166 |
| Marketing expenses and sales incentives | 91,985,363 | 270,934,942 |
| Provision for doubtful accounts | 70,500,000 | - |
| Research and surveys | 67,520,078 | 70,394,010 |
| Rental | 58,540,859 | 87,308,289 |
| Security services | 43,335,798 | 41,013,395 |
| Software maintenance | 36,419,168 | 34,736,920 |
| Transportation and travel | 32,533,962 | 41,908,936 |
| Amortization of software costs (see Note 17) | 24,385,278 | 27,820,376 |
| Insurance | 19,580,288 | 20,399,283 |
| Janitorial services | 17,843,880 | 17,225,373 |
| Materials and supplies | 10,463,731 | 13,178,976 |
| Freight and handling | 8,569,294 | 8,439,844 |
| Entertainment, amusement and recreation | 8,465,855 | 8,179,554 |
| Dues and subscription | 5,614,526 | 6,567,696 |
| Others | 53,988,856 | 48,067,596 |
| | 3,842,080,669 | 3,499,483,968 |

Others include expenses incurred for messengerial services, other manpower, donations and other miscellaneous expenses.

Depreciation and Amortization

| | September 30, 2016 (Unaudited) | September 30, 2015 |
|---|-----------------------------------|--------------------|
| Property and equipment: | | |
| Production costs (see Notes 14 and 25) | 207,433,774 | 235,432,070 |
| General and administrative expenses (see Note 14) | 341,034,609 | 366,767,126 |
| Investment properties - | | |
| General and administrative expenses (see Note 16) | 1,708,276 | 2,790,250 |
| | 550,176,659 | 604,989,446 |

27. Personnel Costs

This account consists of:

| | September 30, 2016 (Unaudited) | September 30, 2015 |
|----------------------------------|-----------------------------------|----------------------|
| Talent fees | 2,065,825,408 | 2,000,254,241 |
| Salaries and wages | 1,262,707,353 | 1,382,056,890 |
| Employee benefits and allowances | 608,325,616 | 223,551,113 |
| Sick and vacation leaves expense | 153,670,588 | 91,135,683 |
| Pension expense | 194,641,781 | 114,683,445 |
| | 4,285,170,746 | 3,811,681,372 |

The said amounts were distributed as follows:

| | September 30, 2016 | September 30, 2015 |
|---|---------------------------|--------------------|
| | (Unaudited) | |
| Production costs (see Note 25) | 2,111,874,894 | 2,028,747,085 |
| General and administrative expenses (see Note 26) | 2,173,295,852 | 1,782,934,287 |
| | 4,285,170,746 | 3,811,681,372 |

28. Others - Net

This account consists of the following income (expenses):

| | September 30, 2016 | September 30, 2015 |
|--|---------------------------|--------------------|
| | (Unaudited) | |
| Commissions | 26,951,416 | 10,977,029 |
| Gain on sale of property and equipment | 19,591,730 | 452,606 |
| Merchandising income | 17,393,675 | 3,852,165 |
| Rental | 4,022,411 | 4,868,166 |
| Bank charges | (2,515,659) | (1,594,619) |
| Income from mall shows | 1,571,314 | 4,991,330 |
| Sales of DVDs and integrated receiver-decoders | 149,236 | 4,329,955 |
| Others | 2,585,059 | 1,146,837 |
| | 69,749,182 | 29,023,469 |

29. 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 shall pay ZBN an amount equivalent to total payments from June 2011 to May 2012, subject to yearly escalation of 10.00%.

Total rental expense amounted to ₱674.80 million and ₱620.29 million for the nine months ended September 30, 2016 and 2015, respectively (see Notes 25 and 26).

The future minimum rentals payable under the non-cancellable operating leases follow:

| | September 30, 2016 | September 30, 2015 |
|---|---------------------------|--------------------|
| | (Unaudited) | |
| | (In Millions) | |
| Within one year | 187.61 | 170.56 |
| After one year but not more than five years | 334.53 | 522.14 |
| | 522.14 | 692.70 |

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 portion of land in regional stations. Total rental income amounted to ₱1.51 million and ₱1.37 million for the nine months ended September 30, 2016 and 2015, respectively (see Note 28).

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 P857.10 million and P747.47 million for the nine months ended September 30, 2016 and 2015, respectively (see Note 24).

30. EPS Computation

The computation of basic EPS follows:

| | September 30, 2016 | September 30, 2015 |
|---|----------------------|--------------------|
| | (Unaudited) | |
| Net income attributable to Equity Holders of Parent Company (a) | 3,095,466,353 | 1,792,029,849 |
| Less attributable to preferred shareholders | 955,289,067 | 553,036,708 |
| Net income attributable to common shareholders (b) | 2,140,177,286 | 1,238,993,140 |
| Common shares issued at the beginning of year | 3,364,692,000 | 3,364,692,000 |
| Treasury shares (see Note 22) | (3,645,000) | (3,645,000) |
| Underlying shares on the acquired PDRs (see Note 22) | (750,000) | (750,000) |
| Weighted average number of common shares for basic EPS (c) | 3,360,297,000 | 3,360,297,000 |
| Basic EPS (b/c) | 0.637 | 0.369 |

The computation of diluted EPS follows:

| | September 30, 2016 | September 30, 2015 |
|---|----------------------|--------------------|
| | (Unaudited) | |
| Net income attributable to Equity Holders of Parent Company (a) | 3,095,466,353 | 1,792,029,849 |
| Weighted average number of common shares | 3,360,297,000 | 3,360,297,000 |
| Effect of dilution - assumed conversion of preferred shares | 1,500,000,000 | 1,500,000,000 |
| Reacquired preferred shares | (98,563) | (98,563) |
| Weighted average number of common shares adjusted for the effect of dilution (d) | 4,860,198,437 | 4,860,198,437 |
| Diluted EPS (a/d) | 0.637 | 0.369 |

31. 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 nontrade receivables, refundable deposits, trade payables and other current liabilities (excluding payable to government agencies, customers' deposits and advances from customers), short-term loans, obligations for program and other right, dividends payable and other long-term employee benefits, which arise directly from its operations, and AFS financial assets. 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 used for liquidity risk management purposes and financial liabilities based on contractual undiscounted payments as at September 30, 2016 and December 31, 2015:

| | September 30, 2016 (Unaudited) | | | | |
|---|-----------------------------------|----------------------|--------------------|--------------------|----------------------|
| | On Demand | > 3 Months | 3 to 12 Months | More than 1 year | Total |
| Cash and cash equivalents* | 2,120,181,422 | 1,377,806,309 | - | - | 3,497,987,731 |
| Trade receivables: | | | | | |
| Television and radio airtime | 1,389,078,742 | 2,657,363,745 | 342,478,231 | - | 4,388,920,718 |
| Subscription | 248,288,130 | 664,779,574 | - | - | 913,067,704 |
| Others | 17,867,275 | 96,785,087 | 11,297,900 | - | 125,950,262 |
| Nontrade receivables | | | | | |
| Advances to officers and employees | 1,795,422 | 2,428,742 | - | - | 4,224,164 |
| Others | 8,104,775 | 10,963,666 | - | - | 19,068,441 |
| Refundable deposits** | - | - | - | 11,987,865 | 11,987,865 |
| AFS financial assets | - | - | - | 191,566,881 | 191,566,881 |
| | 3,785,315,766 | 4,810,127,123 | 353,776,131 | 203,554,746 | 9,152,773,766 |
| Trade payables and other current liabilities*** | 463,606,016 | 701,289,827 | 20,805,976 | - | 1,185,701,819 |
| Short-term loans**** | - | - | 630,500,000 | - | 630,500,000 |
| Obligation for program and other rights | - | 45,000,372 | 104,111,446 | - | 149,111,818 |
| Dividends payable | 13,077,603 | - | - | - | 13,077,603 |
| | 476,683,619 | 746,290,199 | 755,417,422 | - | 1,978,391,240 |

*Excluding cash on hand and production fund amounting to P54.60 million.

**Included under "Other current assets" account in the consolidated statements of financial position (see Note 17).

*** Excluding payable to government agencies, customers' deposits and advances from customers amounting to P688.78 million, P428.61 million and P77.59 million, respectively (see Note 19).

****Gross contractual payments.

| | December 31, 2015 (Audited) | | | | |
|---|--------------------------------|----------------------|----------------------|--------------------|----------------------|
| | On Demand | > 3 Months | 3 to 12 Months | More than 1 year | Total |
| Cash and cash equivalents* | 1,379,929,293 | 653,042,597 | - | - | 2,032,971,890 |
| Trade receivables: | | | | | |
| Television and radio airtime | 1,400,967,153 | 2,575,855,130 | 277,478,231 | - | 4,254,300,514 |
| Subscriptions | 102,517,693 | 175,160,249 | - | - | 277,677,942 |
| Others | 22,686,391 | 94,525,563 | 5,797,900 | - | 123,009,854 |
| Nontrade receivables | | | | | |
| Advances to officers and employees | 315,790 | 3,102,192 | - | - | 3,417,982 |
| Others | 4,991,390 | 4,077,051 | - | - | 9,068,441 |
| Refundable deposits** | - | - | - | 20,040,588 | 20,040,588 |
| AFS financial assets | - | - | - | 191,116,881 | 191,116,881 |
| | 2,911,407,710 | 3,505,762,782 | 283,276,131 | 211,157,469 | 6,911,604,092 |
| Trade payables and other current liabilities*** | 592,626,117 | 567,568,109 | 38,437,946 | - | 1,198,632,172 |
| Short-term loans**** | - | - | 1,160,475,629 | - | 1,160,475,629 |
| Obligation for program and other rights | - | 220,843,041 | - | - | 220,843,041 |
| Dividends payable | 10,873,177 | - | - | - | 10,873,177 |
| | 603,499,294 | 788,411,150 | 1,198,913,575 | - | 2,590,824,019 |

*Excluding cash on hand and production fund amounting to P127.33 million.

**Included under "Other current assets" account in the consolidated statements of financial position (see Note 17).

*** Excluding payable to government agencies, customers' deposits and advances from customers amounting to P595.72 million, P239.93 million and P156.37 million, respectively (see Note 19).

****Gross contractual payments.

Foreign Currency Exchange Risk. Foreign currency exchange risk is the risk that the fair value or 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 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 currency exchange risk.

The Group's foreign currency-denominated monetary assets and liabilities are as follows:

| | September 30, 2016 | | December 31, 2015 | |
|--|--------------------|----------------------|-------------------|---------------|
| | (Unaudited) | | (Audited) | |
| Assets | (in USD) | (in PhP) | (in USD) | (in PhP) |
| Cash and cash equivalents | 7,603,655 | 368,777,246 | 11,450,723 | 538,871,024 |
| Trade receivables | 18,826,138 | 913,067,704 | 25,470,989 | 1,198,664,742 |
| | 26,429,793 | 1,281,844,950 | 36,921,712 | 1,737,535,766 |
| Liabilities | | | | |
| Short-term loans | 13,000,000 | 630,500,000 | 24,500,000 | 1,152,970,000 |
| Trade payables | 2,551,607 | 123,752,940 | 2,684,356 | 126,325,793 |
| Obligations for program and other rights | 2,440,915 | 118,384,378 | 3,174,067 | 149,371,593 |
| | 17,992,522 | 872,637,317 | 30,358,423 | 1,428,667,386 |
| | 8,437,271 | 409,207,633 | 6,563,289 | 308,868,380 |

In translating the foreign-currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱48.50 to US\$1.00, the Philippine peso to U.S. dollar exchange rates as at September 30, 2016 and December 31, 2015, 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 reporting 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 other than those already affecting profit or loss.

| | Appreciation (Depreciation) of ₱ | Effect on Income before Income Tax |
|---------------------------|----------------------------------|------------------------------------|
| September 30, 2016 | 0.50 | (₱1.05 million) |
| | (0.50) | 1.05 million |
| December 31, 2015 | 0.50 | (0.82 million) |
| | (0.50) | 0.82 million |

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 following table shows the maximum exposure to credit risk for the components of the consolidated financial position as at September 30, 2016 and December 31, 2015:

| | September 30, 2016 (Unaudited) | December 31, 2015 (Audited) |
|------------------------------------|-----------------------------------|--------------------------------|
| Loans and receivables | | |
| Cash and cash equivalents* | 3,497,987,731 | 2,032,971,890 |
| Trade receivables | | |
| Television and airtime | 4,388,920,718 | 4,254,300,514 |
| Subscriptions | 913,067,704 | 277,677,942 |
| Others | 125,950,262 | 123,009,854 |
| Nontrade receivables | | |
| Advances to officers and employees | 4,224,164 | 3,417,982 |
| Others | 19,068,441 | 9,068,441 |
| Refundable deposits** | 11,987,865 | 20,040,588 |
| | 8,961,206,885 | 6,720,487,211 |
| AFS financial assets | 191,566,881 | 191,116,881 |
| | 9,152,773,766 | 6,911,604,092 |

*Excluding cash on hand and production fund amounting to P54.60 million and P127.33 million as at September 30, 2016 and December 31, 2015, respectively.

** Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 17).

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 September 30, 2016 and December 31, 2015, the credit quality of the Group's financial assets is as follows:

| | September 30, 2016 (Unaudited) | | | | Total |
|------------------------------------|-----------------------------------|----------------------|------------------------------|--------------------------|----------------------|
| | Neither Past Due Nor Impaired | | Past Due but not Impaired | Past Due and Impaired | |
| | High Grade | Standard Grade | | | |
| Cash and cash equivalents * | 3,497,987,731 | - | - | - | 3,497,987,731 |
| Trade receivables: | | | | | |
| Television and radio airtime | 910,005,758 | 1,383,574,674 | 1,752,862,055 | 342,478,231 | 4,388,920,718 |
| Subscription | 133,773,167 | 231,453,915 | 547,840,622 | | 913,067,704 |
| Others | 49,015,640 | 38,196,476 | 27,440,246 | 11,297,900 | 125,950,262 |
| Nontrade receivables: | | | | | |
| Advances to officers and employees | 2,193,308 | 2,030,856 | - | - | 4,224,164 |
| Others | 9,900,885 | 9,167,556 | - | - | 19,068,441 |
| Refundable deposits** | 11,987,865 | - | - | - | 11,987,865 |
| AFS financial assets | 191,566,881 | - | - | - | 191,566,881 |
| | 4,806,431,235 | 1,664,423,477 | 2,328,142,923 | 353,776,131 | 9,152,773,766 |

* Excluding cash on hand and production fund amounting to P54.60 million as of September 30, 2016.

** Included under "Other current assets" account in the consolidated statements of financial position (see Note 17).

| | December 31, 2015 (Audited) | | | | Total |
|------------------------------------|---|--------------------|------------------------------|--------------------------|----------------------|
| | Neither Past Due Nor Impaired High Grade | Standard Grade | Past Due but not Impaired | Past Due and Impaired | |
| Cash and cash equivalents * | 2,032,971,890 | - | - | - | 2,032,971,890 |
| Trade receivables: | | | | | |
| Television and radio airtime | 2,365,548,701 | 210,306,429 | 1,400,967,153 | 277,478,231 | 4,254,300,514 |
| Subscription | 117,689,978 | 57,470,271 | 102,517,693 | - | 277,677,942 |
| Others | 91,835,899 | 2,689,664 | 22,686,391 | 5,797,900 | 123,009,854 |
| Nontrade receivables: | | | | | |
| Advances to officers and employees | 3,102,192 | - | 315,790 | - | 3,417,982 |
| Others | 3,962,266 | 114,785 | 4,991,390 | - | 9,068,441 |
| Refundable deposits** | 20,040,588 | - | - | - | 20,040,588 |
| AFS financial assets | 191,116,881 | - | - | - | 191,116,881 |
| | 4,826,268,395 | 270,581,149 | 1,531,478,417 | 283,276,131 | 6,911,604,092 |

* Excluding cash on hand and production fund amounting to P127.33 million as of December 31, 2015.

**Included under "Other current assets" account in the consolidated statements of financial position (see Note 17).

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, payoff existing debts, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for periods ended September 30, 2016 and December 31, 2015.

The Group monitors its capital gearing by measuring the ratio of interest-bearing loan to total equity. Interest-bearing loan includes all short-term and long-term loans. The Group's interest-bearing loans, which are short-term loans, amounted to P630.50 million and P1,152.97 million as at September 30, 2016 and December 31, 2015, respectively. The Group's total equity attributable to equity holders of the Parent Company as at September 30, 2016 and December 31, 2015 amounted to P10,190.76 million and P9,038.85 million, respectively.

32. 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 September 30, 2016 and December 31, 2015:

| | September 30, 2016 (Unaudited) | | | |
|--|-----------------------------------|--|--|--|
| | Carrying Value | Fair Value | | |
| | | Quoted Prices in Active Market (Level 1) | Significant Observable Input (Level 2) | Significant Unobservable Inputs (Level 3) |
| <i>Assets Measured at Fair Value</i> | | | | |
| Land at revalued amount | 1,805,053,839 | - | - | 1,805,053,839 |
| AFS financial assets | 39,833,800 | 39,833,800 | - | - |
| <i>Assets for which Fair Value are Disclosed</i> | | | | |
| Investment properties | 53,880,510 | - | - | 131,326,203 |
| Loans and receivables - Refundable deposits* | 11,987,865 | - | - | 10,922,966 |
| | 1,910,756,014 | 39,833,800 | - | 1,947,303,008 |

*Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 17).

| | December 31, 2015 (Audited) | | | |
|--|--------------------------------|--|--|--|
| | Carrying Value | Fair Value | | |
| | | Quoted Prices in Active Market (Level 1) | Significant Observable Input (Level 2) | Significant Unobservable Inputs (Level 3) |
| <i>Assets Measured at Fair Value</i> | | | | |
| Land at revalued amount | 1,802,522,857 | - | - | 1,802,522,857 |
| AFS financial assets | 39,833,800 | 39,833,800 | - | - |
| <i>Assets for which Fair Value are Disclosed</i> | | | | |
| Investment properties | 55,548,001 | - | - | 135,390,479 |
| Loans and receivables - Refundable deposits* | 20,040,588 | - | - | 18,260,354 |
| | <u>1,917,945,246</u> | <u>39,833,800</u> | <u>-</u> | <u>1,956,173,690</u> |

*Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 17).

During the periods ended September 30, 2016 and December 31, 2015, there were no transfers between levels of fair value measurement. There are no financial instruments classified under levels 1 and 2.

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 Nontrade Receivables

The carrying values of cash and cash equivalents, short-term investments and trade and nontrade receivables are the approximate 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 3.14% to 4.72% in 2016 and 2015.

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. For unquoted shares, the carrying amounts (cost less allowance for impairment losses) approximate fair values due to unpredictable nature of future cash flows and lack of other suitable methods for arriving at reliable fair value.

Investment Properties

The valuation for investment properties 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 ₱900 to ₱118,945.

Land at Revalued Amount

The valuation for land 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 land at revalued amount includes adjusted price per square meter that ranges from ₱200 to ₱50,000.

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, customer deposits and advances to customers), Short-term Loans, Current Portion of 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 are the approximate fair values due to the relatively short-term maturity of these financial instruments.

33. Causes for Material Changes in the Financial Statements

Statements of Financial Position (September 30, 2016 vs. December 31, 2015)

- Cash and cash equivalents increased by 64% to ₱3,552.59 million as cash provided by operation amounting to ₱4,217.84 million exceeded the ₱2,498.06 million used in financing activities mainly from payment of cash dividends and short-term loans and the ₱294.48 million used in investing activities which primarily resulted from the acquisition of fixed assets.
- Trade and other receivables went up by 16% or ₱713.26 million as sales generated for the nine-month period of 2016 exceeded collections.
- Short-term loans ended the period at ₱630.50 million from ₱1,152.97 million as at end-December 2015 as a result of loan payments of ₱1,041.19 million partially evened out by ₱500.00 million availments.
- Trade payables and other current liabilities climbed by 9% to ₱2,380.68 million as payments of supplier credits were lower than the availments made.
- Income tax payable increased by ₱725.21 million directly attributed to higher income generated for the first three quarters of 2016.
- Retained earnings rose by 61% to ₱3,043.89 million directly attributed to the climb in net income generated for the nine months ended September 30, 2016 partly negated by the cash dividends declared in the 2nd quarter of 2016.

34. Other Notes to 2016 and 2015 Operations and Financials

The key performance indicators that the Company monitors are the following:

| | September 30, 2016 | September 30, 2015 |
|------------------------------|---------------------------|--------------------|
| | (Unaudited) | |
| Revenues | 12,802,650,254 | 10,313,294,362 |
| Airtime revenues | 11,865,692,449 | 9,373,292,153 |
| Cash operating expenses | 7,147,751,059 | 6,500,147,328 |
| EBITDA | 5,669,686,844 | 3,812,012,118 |
| Net income before tax | 4,458,230,186 | 2,601,568,220 |
| Net income | 3,111,238,645 | 1,804,392,472 |
| | September 30, 2016 | September 30, 2015 |
| | (Unaudited) | |
| Current ratio | 2.52 | 1.81 |
| Asset-to-Equity ratio | 1.58 | 1.82 |
| Debt-to-Equity ratio | 0.06 | 0.21 |
| Interest Rate Coverage ratio | 308.83 | 75.43 |
| EBITDA margin | 44% | 37% |
| Net income margin | 24% | 17% |

GMA NETWORK, INC. AND SUBSIDIARIES
 UNAUDITED SEGMENTED RESULTS
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

EXHIBIT 1

Business Segment Data

The following table shows revenue and expense information and certain asset and liability information regarding business segments for each of the period ended September 30:

| | Television and Radio Airtime | | International Subscriptions | | Other Businesses | | Eliminations | | Consolidated | |
|--|------------------------------|-----------------------|-----------------------------|----------------------|----------------------|--------------------|----------------------|----------------------|-----------------------|-----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| NET REVENUES | | | | | | | | | | |
| External sales | 11,672,133,828 | 9,373,292,153 | 857,101,149 | 747,473,686 | 273,415,277 | 192,528,523 | - | - | 12,802,650,254 | 10,313,294,362 |
| Inter-segment sales | - | - | - | - | 359,166,388 | 530,058,459 | (359,166,388) | (530,058,459) | - | - |
| | 11,672,133,828 | 9,373,292,153 | 857,101,149 | 747,473,686 | 632,581,665 | 722,586,982 | (359,166,388) | (530,058,459) | 12,802,650,254 | 10,313,294,362 |
| NET INCOME | | | | | | | | | | |
| Segment results | 3,544,449,148 | 2,019,349,769 | 714,322,668 | 575,499,500 | 116,989,083 | 34,961,338 | - | - | 4,375,760,899 | 2,629,810,607 |
| Interest expense | (14,427,293) | (34,847,860) | - | - | - | - | - | - | (14,427,293) | (34,847,860) |
| Foreign exchange gain (loss) | 8,910,164 | (32,682,602) | - | - | 1,128,304 | 929,598 | - | - | 10,038,468 | (31,753,004) |
| Interest income | 16,533,575 | 7,117,808 | - | - | 575,355 | 622,581 | - | - | 17,108,930 | 7,740,389 |
| Other income | 99,847,470 | 91,588,014 | 527,012 | - | 4,925,502 | 7,958,621 | (35,550,802) | (68,928,547) | 69,749,182 | 30,618,088 |
| Income tax | (1,082,571,491) | (650,945,492) | (228,751,898) | (122,285,855) | (35,668,152) | (23,944,401) | - | - | (1,346,991,541) | (797,175,748) |
| | 2,572,741,573 | 1,399,579,637 | 486,097,782 | 453,213,645 | 87,950,092 | 20,527,737 | (35,550,802) | (68,928,547) | 3,111,238,645 | 1,804,392,472 |
| ASSETS AND LIABILITIES | | | | | | | | | | |
| Assets | | | | | | | | | | |
| Segment assets | 14,136,978,195 | 14,205,949,985 | 1,804,517,475 | 1,819,637,001 | 866,164,832 | 815,671,371 | (959,355,024) | (987,486,433) | 15,848,305,478 | 15,853,771,924 |
| Investment in an associate - at equity | 32,850,619 | 38,350,619 | - | - | 18,862,994 | 21,976,710 | - | - | 51,713,613 | 60,327,329 |
| Deferred income tax assets | 121,729,194 | - | - | - | 150,200,578 | 159,938,068 | - | - | 271,929,772 | 159,938,068 |
| | 14,291,558,008 | 14,244,300,604 | 1,804,517,475 | 1,819,637,001 | 1,035,228,404 | 997,586,149 | (959,355,024) | (987,486,433) | 16,171,948,863 | 16,074,037,321 |
| Liabilities | | | | | | | | | | |
| Segment liabilities | 5,475,708,402 | 6,868,425,420 | 292,609,818 | 189,775,062 | 845,910,381 | 871,042,439 | (695,936,665) | (680,600,575) | 5,918,291,936 | 7,248,642,346 |
| Deferred income tax liabilities | - | 3,538,960 | - | - | - | - | - | - | - | 3,538,960 |
| | 5,475,708,402 | 6,871,964,380 | 292,609,818 | 189,775,062 | 845,910,381 | 871,042,439 | (695,936,665) | (680,600,575) | 5,918,291,936 | 7,252,181,306 |

Geographical Segment Data

The following table shows revenue information regarding geographical segments for each of the period ended September 30:

| | Local | | International Subscriptions | | Eliminations | | Consolidated | | | |
|---------------------|-----------------------|----------------------|-----------------------------|--------------------|--------------------|--------------------|----------------------|----------------------|-----------------------|-----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | | |
| NET REVENUES | | | | | | | | | | |
| External sales | 11,672,133,828 | 9,373,292,153 | 273,415,277 | 192,528,523 | 857,101,149 | 747,473,686 | - | - | 12,802,650,254 | 10,313,294,362 |
| Inter-segment sales | - | - | 359,166,388 | 530,058,459 | - | - | (359,166,388) | (530,058,459) | - | - |
| | 11,672,133,828 | 9,373,292,153 | 632,581,665 | 722,586,982 | 857,101,149 | 747,473,686 | (359,166,388) | (530,058,459) | 12,802,650,254 | 10,313,294,362 |

GMA NETWORK, INC. AND SUBSIDIARIES
 UNAUDITED ROLLFORWARD OF PROPERTY AND EQUIPMENT
 AS OF SEPTEMBER 30, 2016

EXHIBIT 2

| | DECEMBER 31, 2015 | ADDITIONS | DISPOSALS | RECLASSIFICATIONS | SEPTEMBER 30, 2016 |
|--------------------------------------|----------------------|----------------------|--------------------|-------------------|----------------------|
| At cost | | | | | |
| Buidings and leasehold improvements | 2,910,206,400 | 8,899,513 | - | - | 2,919,105,913 |
| Broadcast equipment | 6,286,870,854 | 73,071,624 | - | 258,732 | 6,360,201,210 |
| Communication & mechanical equipment | 1,140,698,007 | 11,080,304 | (4,502,140) | - | 1,147,276,171 |
| Transportation equipment | 497,684,142 | 70,952,439 | (65,348,574) | 47,400 | 503,335,407 |
| Furniture, fixtures and equipment | 149,434,697 | 1,906,788 | - | 89,286 | 151,430,771 |
| | 10,984,894,100 | 165,910,668 | (69,850,714) | 395,418 | 11,081,349,472 |
| Accumulated Depreciation | | | | | |
| Buidings and leasehold improvements | (1,622,570,206) | (106,590,818) | - | - | (1,729,161,024) |
| Broadcast equipment | (5,082,620,082) | (309,569,808) | - | - | (5,392,189,890) |
| Communication & mechanical equipment | (942,894,076) | (66,698,053) | 4,502,140 | - | (1,005,089,989) |
| Transportation equipment | (336,710,843) | (58,225,779) | 63,336,244 | - | (331,600,378) |
| Furniture, fixtures and equipment | (133,329,058) | (7,383,925) | - | - | (140,712,983) |
| | (8,118,124,265) | (548,468,383) | 67,838,384 | - | (8,598,754,264) |
| Equipment for installation | 261,073,466 | 84,556,323 | - | (395,418) | 345,234,371 |
| | 261,073,466 | 84,556,323 | - | (395,418) | 345,234,371 |
| Net book value | 3,127,843,301 | (298,001,392) | (2,012,330) | - | 2,827,829,579 |

GMA Network, Inc. and Subsidiaries
Financial Ratios
As of September 30, 2016 and 2015

Exhibit 3

| Ratios | Formula | In PhP | 2016 | 2015 |
|------------------------------|---|-----------------------------------|-------------|-------------|
| Current Ratio | $\frac{\text{Current Assets}}{\text{Current Liabilities}}$ | 10,730,667,594 4,258,222,933 | 2.52 | 1.81 |
| Net Debt-to-Equity Ratio | $\frac{\text{Interest-bearing loans and borrowings less cash and cash equivalents}}{\text{Total Equity}}$ | (2,922,087,245) 10,249,806,927 | (0.29) | 0.14 |
| Assets-to-Equity Ratio | $\frac{\text{Total Assets}}{\text{Total Equity}}$ | 16,168,098,863 10,249,806,927 | 1.58 | 1.82 |
| Interest Rate Coverage Ratio | $\frac{\text{EBIT}}{\text{Interest expense}}$ | 4,455,548,549 14,427,293 | 308.83 | 75.43 |

Profitability Ratios

| | | | | |
|---------------------|---|---------------------------------|-----|-----|
| Gross Profit Margin | $\frac{\text{Gross Profit}}{\text{Net Revenues}}$ | 8,217,841,568 12,802,650,254 | 64% | 59% |
| Net Income Margin | $\frac{\text{Net Income}}{\text{Net Revenues}}$ | 3,111,238,645 12,802,650,254 | 24% | 17% |

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, EVP & CHIEF FINANCIAL OFFICER



RONALDO R. MASTRILI
SVP – FINANCE & ICT

Date: November 14, 2016