COVER SHEET

| | | | | | | | | | | | | E | 5 2 | 2 1 | 1 | 3 | T | T | Ť | | _ |
|-----|----------------------|----------|---------|--------|---------|-----------|------|----------|----------|--------|-------|---------|--------|---------|------|------------------|--------|-------------|--------|---------------|---|
| | | | | | | | | | | | | | 1 | S.E. | | | ratio | n Nu | mbe | _ | _ |
| | | | | | | | | | | | | | | | | 9.00 | | | | | |
| G | M | A | | N | E | T | W | 0 | R | K | | I | N | C. | | | | | | | _ |
| | 1 | T | T | T | T | T | T | | T | T | T | T | | T | T | _ | Ť | | _ | _ | _ |
| | | | | | | | | <u> </u> | <u> </u> | | | | | | | | | <u> </u> | ᆜ | <u> </u> | _ |
| | | | | | | | | | | | | | | <u></u> | | | | | | | |
| | | | | T | T | T | | | T | 1 | T | T | T | T | T | T | T | 1 | Т | T | |
| | | | | | | | | ((| Comp | any's | Full | Name | 2) | | | | | | | | _ |
| | | | | | | | | (- | Jonip | uny o | i uni | varrie | -) | | | | | | | | |
| G | M | A | | N | E | T | W | 0 | R | K | | C | E | N | T | E | R | | | | |
| E | D | S | A | T | C | 0 | R | N | E | R | T | T | | M | 0 | G | T | A | V | E. | |
| D | | IL | Ti | M | A | N | T | Q | U | E | Z | 0 | N | T | C | Name of the last | IT | ΙΥ | | T | 7 |
| | 11 | | 1'- | INI | | 114 | | 100 | 10 | 1- | 12 | | 114 | | 10 | 1 8 | 1 8 | 1, | | | |
| | | | | | | | | | | | | | | | | | | | | | |
| | | D- | | o Rai | I \ | , I | _:!_ | | | ٦ | | | | | | | 40 | 274 | | | |
| | | Ro | | ontac | | | CIIA | | | _ | | | | <u></u> | | | 16- | 3/1 | 6 | | _ |
| | | | | · | | 0011 | | | | | | | | | | | | | | | |
| | | 7 | | | 7 | | | | | | | | | 7 | | | | | _ | _ | |
| 8.6 | 41- | | | | | | | | 1 | | 7 | A | | | | | | 41- | | _ | _ |
| IVI | o nt h Fis | scal Y | | Day | | | | | | FO | RM T | YPE | | | | | | onth | al Me | Da | |
| | , , , | , ou , | oui | | | | | | | | | | | | | | | | | Junge | |
| | | | | | | | Se | cond | ary Li | icense | е Тур | e, If A | Applic | able | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | |
| | ept. F | Requ | iring 1 | this D | OC. | | | | | | | | | An | nend | ed Ar | ticles | Nun | nber/S | Sectio | n |
| | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | _ |
| Т | otal N | lo. of | Stoc | khold | ers | | | | | | | D | omes | tic | | | | F | oreig | n | |
| | | | | | | | | | | | | | | | | | | | | | |
| | | | | | _ | _ | | | | | | | | | | | | | | | |
| | | | | | | o be | acco | mplis | shed | by SE | C Pe | rsonr | nel co | ncerr | ned | | | | | | |
| | T | | T | Τ | | | | | | | | | 2 10 | | | | | | | | |
| | | | | File N | lumbe | er | | | | | | | | LC | CU | b | | | _ | | |
| | T | T | T | T | T | | | | 1 | 7 | | | | | | | | | | | |
| | | <u> </u> | | ocum | nent I. | D. | | <u> </u> | | 1 | | | | Cas | hier | | | | - | | |
| | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | 10 H 100M | | | | 1 | | | | | | | | | | | |
| | | | c | ΔΤΞ | MP | S | | | | | | | | | | | | | | | |

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

OF

GMA NETWORK, INC.

| 2. 4. | For the fiscal year ended: December 31, 2 SEC Identification Number: 5213 Exact name of issuer as specified in its chaphilippines Province, Country or other jurisdiction of Incorporation or organization | 3. BIR Tax Identification No. 000-917-916-000 |
|----------|---|--|
| 7. | GMA NETWORK CENTER, EDSA CORN Address of principal office | ER TIMOG AVENUE, DILIMAN, QUEZON CITY Postal Code |
| 8. | (632) 982 7777 Issuer's telephone number, including area | code |
| 9. | NOT APPLICABLE Former name, former address, and former | fiscal year, if changed since last report. |
| 10. | . Securities registered pursuant to Sections RSA | 8 and 12 of the SRC, or Sec. 4 and 8 of the |
| | Title of Each Class | Number of Shares of Common Stock Outstanding |
| | Common Stock Preferred Stock | 3,361,047,000 7,499,507,184 |
| 11. | . Are any or all of these securities listed on a | a Stock Exchange. |
| | Yes [√] No [] | |
| | If yes, state the name of such stock excha- | nge and the classes of securities listed herein: |

PHILIPPINE STOCK EXCHANGE / COMMON STOCK

- 12. Check whether the issuer:
- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 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 that 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 []

13. Aggregate market value of the voting stock held by non-affiliates of the registrant

State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

Total Market Value = P30.6 billion (as of March 31, 2018)

Aggregate Market Value of Publicly-Owned Voting Stock = P5.1 billion (as of March 31, 2018)

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

NOT APPLICABLE

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

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

GMA Network has 47 VHF and 41 UHF TV stations throughout the Philippines with its signal reaching approximately 95% of the country's total TV households (Source: 2017 Nielsen Television Establishment Survey; Claimed reception among TV homes).

In 2017, GMA Network, Inc. maintained leadership in National Urban TV ratings and in the viewer-rich areas of Urban Luzon and Mega Manila. The Company posted decreases in its gross revenues and net income for 2017 versus 2016.

GMA Network's international operations continued to expand during the year. The Company's international syndication and distribution business likewise grew in 2017.

GMA SUBSIDIARIES, JOINT VENTURE AND AFFILIATES

The Company's subsidiaries and affiliates are involved in media-related services such as movie making, sets and props construction, film syndication, music and video recording, new media, online gaming, post production services, and marketing, which complement the Company's core television and radio broadcasting business.

The following table shows the Company's holdings in its principal subsidiaries, joint ventures and affiliates as of December 31, 2017:

| COMPANY | OWNERSHIP | PRINCIPAL ACTIVITIES | |
|---|-----------|---|--|
| Subsidiaries | | | |
| GMA New Media, Inc. (NMI) | 100% | Converging Technology | |
| Citynet Network Marketing and Productions, Inc. | 100% | Television entertainment production | |
| GMA Network Films, Inc. | 100% | Film production | |
| GMA Worldwide (Philippines), Inc. | 100% | International marketing, handling foreign program acquisitions and international syndication of the Parent Company's programs | |
| RGMA Marketing and Productions, Inc. | 100% | Music recording, publishing and video distribution | |

| (GMA Records) | | |
|---|------|--|
| Scenarios, Inc.**** | 100% | Design, construction, maintenance and storage of sets for TV, stage plays and concerts; transportation services |
| Script2010, Inc. (Script2010)* | 100% | Design, construction and maintenance of sets for TV, stage plays and concerts; transportation and manpower services |
| Alta Productions Group, Inc. | 100% | Pre- and post-production services |
| GMA Marketing & Productions, Inc.**** (GMPI) | 100% | Exclusive marketing and sales arm of GMA's airtime; events management; sales implementation; traffic services and monitoring |
| Mediamerge Corporation** | 100% | Business development and operations for the Company's online publishing/advertising initiatives |
| Digify, Inc. (Digify)** | 100% | Crafting, planning and handling advertising and other forms of promotion including multi-media productions |
| Joint Ventures | | |
| INQ7 Interactive, Inc.**** | 50% | Internet publishing |
| Philippine Entertainment Portal, Inc. (PEP)** | 50% | Internet publishing |
| Affiliates | | |
| Mont-Aire Realty and Development Corp.*** | 49% | Real estate |
| RGMA Network, Inc. | 49% | Radio broadcasting and management |

Notes:

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

PUBLICLY ANNOUNCED NEW PRODUCT OR SERVICE

The Company had no new publicly-announced product or service during the fiscal year covered by this report.

COMPETITION

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

The Following table presents major broadcasting networks in the country:

| | | | 2017 Ra | atings & Audie | nce Share |
|---------|---|-----------------------|----------------|-----------------|-------------------|
| Network | Description | | (To | otal day; 6AM-1 | 2MN) |
| | | | Mega Manila | Urban Luzon | Urban National |
| | | | IVIAIIIIA | Luzon | National |
| GMA | | Househol d Ratings | 15.2 | 14.3 | 12.7 |
| | | Audience Share | 49.0 | 46.0 | 40.3 |
| | Radio and TV | Househol d Ratings | 8.6 | 9.8 | 11.7 |
| ABS-CBN | broadcasting network and multimedia company. Founded in 1953, and is the first television station in the Philippines. | Audience Share | 27.7 | 31.5 | 37.0 |
| GNTV | GMA Network's sister channel. It is programmed by GMA. | Househol d Ratings | 1.6 | 1.3 | 1.2 |
| | GMANEWS TV (GNTV) was | Audience | 5.1 | 4.3 | 3.7 |

| | launched on February 28, 2011. | Share | | | |
|--|---|-----------------------|-----|-----|-----|
| | Third-oldest TV | Househol d Ratings | 1.8 | 1.7 | 2.0 |
| TV5 | network in the country, with main broadcast facilities in Novaliches, Quezon City. On March 2, 2010, Mediaquest acquired 100 percent ownership of the Associated Broadcasting Company and Primedia Inc., the broadcasting firm's major block airtimer | Audience Share | 5.7 | 5.6 | 6.5 |
| SOLAR TV / ETC (RPN) / Solar News (RPN) / CNN Philippines * | Radio Philippines Network (RPN 9) is a Philippine VHF television network of the Government Communication s Group. On November 29, 2009, the network re- branded again | Househol d Ratings | 0.1 | 0.1 | 0.1 |

| | under the new name Solar TV on RPN. | | | | |
|---|--|-----------------------|-----|-----|-----|
| | *Solar TV went off air on February 26, 2011 and was re-launched as ETC (RPN) on March 2, 2011. It was re-launched anew as Solar News (RPN) on November 30, 2013, then was replaced by 9TV (RPN) starting Aug. 23, 2014. On March 16, 2015, 9TV (RPN) was relaunched as CNN PHILIPPINES. | Audience Share | 0.4 | 0.4 | 0.5 |
| Studio 23 / ABS-CBN Sports + Action ** | Sister network to the main ABS-CBN Broadcasting Corporation, airing programming aimed towards young adults, such as North American | Househol d Ratings | 0.6 | 0.7 | 0.8 |

| | imports and other English language programming. | | | | |
|--|---|-----------------------|-----|-----|-----|
| | **Studio 23 was re-launched as ABS-CBN Sports + Action on January 18, 2014. | Audience Share | 1.9 | 2.1 | 2.4 |
| | Official | Househol d Ratings | 0.1 | 0.1 | 0.1 |
| National Broadcasting Network / PTV | government TV, formerly called Maharlika Broadcasting System, Inc. and later the People's Television Network, Inc. (PTV). | Audience Share | 0.4 | 0.4 | 0.4 |
| | IBC-13 is a | Househol d Ratings | 0.0 | 0.0 | 0.0 |
| Intercontinenta I Broadcasting Corporation (IBC 13) | VHF TV station of the Government Communication s Group launched in 1975 by Roberto Benedicto. | Audience Share | 0.2 | 0.1 | 0.1 |
| Southern Broadcasting Network Solar News Channel / TALK TV | On January 1, 2008, Solar Entertainment Corporation's | Househol d Ratings | 0.1 | 0.0 | 0.1 |

| (SBN) / ETC (SBN) *** | entertainment channel ETC aired on this station. | | | | |
|-----------------------------|---|-----------------------|-----|-----|-----|
| | ***SBN was launched as Talk TV (SBN) on March 3, 2011 and was later replaced by Solar News Channel on October 30, 2012. This channel was relaunched anew as ETC (SBN) on November 30, 2013. | Audience Share | 0.2 | 0.1 | 0.2 |
| | RJTV is a UHF | Househol d Ratings | 0.0 | 0.0 | 0.0 |
| 2 nd Ave. (RJTV) | free to air television channel owned and operated by Rajah Broadcasting Network, Inc. owned by Ramon "RJ" Jacinto. Solar is also programming 2 nd Ave. | Audience Share | 0.1 | 0.1 | 0.1 |

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

RELATIVE SIZE AND FINANCIAL AND MARKET STRENGTH OF COMPETITORS

The Company considers ABS-CBN as its longest and prime competitor, followed by TV5. ABS-CBN is the largest broadcasting company in the Philippines in terms of product and service range and financial asset base. Its broadcasting operations contribute close to 47% of its total revenue generated, followed by its cable and satellite businesses with a share of about 23%. Its other businesses, which comprise movie production, new media ventures, publishing and other consumer products and services, make up about 30% of total sales. In comparison, GMA is the second largest and is the oldest broadcasting company in the region and derives more than 90% of its business from broadcasting. The Company's international operations provides about 8% of revenues while other businesses which include film production, new media services, and other services contribute less than 2% of total sales.

A third major player came into the picture in TV5 which was formerly known as ABC 5. It was re-launched in 2008 as TV5 after reaching a partnership with MPB Primedia, Inc. (MPB), a local company backed by Media Prima Berhad of Malaysia – with MPB producing and sourcing most of the entertainments programs of the channel. On October 20, 2009, Media Prima divested its share in TV5, selling it to Mediaguest Holdings Inc., the broadcasting division owned by the Beneficial Trust Fund of the Philippine Long Distance Telephone Company (PLDT). In the first half of 2010, along with dramatic changes in programming, TV 5 branded itself as the "Kapatid" network parallel to ABS-CBN's "Kapamilya" and GMA's "Kapuso" brands. In the same year, TV5 took management of MediaQuest's Nation Broadcasting over the Corporation stations; DWFM was re-launched as a TV5-branded news radio station on November 8, 2010, Radyo5 92.3 News FM, and DWNB-TV was re-launched as AksyonTV on February 21, 2011, a news channel based on TV5's newscast Aksyon. By December 23, 2013, the network began broadcasting from its new headquarters, the 6,000-square meter TV5 Media Center located in Reliance, Mandaluyong.

GMA effectively competes with these two main competitors and the rest of the industry players by enriching the lives of the Filipinos everywhere with superior Entertainment and the responsible, unbiased, and timely delivery of News and Information. The Company prides itself in launching the first ever free-to-air news channel GMA News TV under Channel 11 in the first quarter of 2011. The Company has likewise proven its competitiveness by grabbing the number one spot in nationwide TV ratings since early 2010, posting its biggest lead over competition in 2011 and maintaining the lead in 2012. Since then, GMA has been very competitive and in 2017, the Company widened its lead in nationwide viewership, thus, providing the much needed leverage to generate advertising revenues. Financial-wise, the Company leads both competitors in most key financial indicators, from gross profit margins, net income margins, to debt-equity ratios.

INTERNATIONAL DISTRIBUTION

The Company's television programs are distributed outside the Philippines in two ways. One is through its subscription-based international linear channels – GMA Pinoy TV, GMA Life TV, and GMA News TV International, as well as non-linear content distribution through Video On Demand (VOD) service - which are all distributed both through the traditional (DTH, cable,

IPTV) and digital (OTT/mobile) platforms across various territories in North America, APAC, MENA and Europe. The other is through GMA Worldwide (Philippines), Inc. (GWI), a whollyowned subsidiary of the Company. GWI distributes GMA's locally produced programs on all platforms through worldwide syndication sales to broadcasters/companies in China, Southeast Asia, Africa, and Europe.

Aside from license fees received from channel subscriptions, GMA International's revenue stream also includes sponsorships from events and ticket sales.

GMA PINOY TV

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

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

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

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

As of December 2017, GMA Pinoy TV's viewership increased by 4% from 2016. GMA's viewership base continues its steady growth despite the business challenges brought by overall industry and marketplace factors.

GMA LIFE TV

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

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

Guinea, Madagascar, Palau, Guam and Saipan. As of December 2017, GMA Life TV's viewership increased by 3% from 2016.

GMA NEWS TV INTERNATIONAL

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

GMA News TV International is now available in the United States, Canada, Middle East, North Africa, Europe, and Asia Pacific, particularly in Australia, New Zealand, Hong Kong, Singapore, Japan, Malaysia, Madagascar, Palau, Guam and Saipan. As of December 2017, GMA News TV International's viewership increased by 3% from 2016.

CONVERGING TECHNOLOGY

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

GMA NMI AS GAMECHANGER

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

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

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

WEB

Online Publishing

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

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

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

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

MOBILE

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

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

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

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

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

CONVERGENT MEDIA

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

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

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

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

BROADCAST

Election Coverage

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

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

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

NMI launched the Eleksyon 2016 microsite in February. On top of the usual news content, the microsite also has a special section where visitors can get to know the candidates running for

the top positions this year. The **Candidates Section**¹ contains the presidential and vice presidential aspirants' profiles, including their political history, controversies they are linked to, their respective Statements of Assets, Liabilities and Net Worth, and much more.

The microsite also features the **Campaign Tracker** section² where the candidates' daily schedules are plotted on a map with a short description of their itinerary. A link can also be included in the description window if GNO has a supporting story of the campaign. Another recent improvement of this section is the field for voting population and 2013 elections voter turnout.

NMI also added a special information section to the microsite that summarizes the **demographics of the country's registered voters.**³ Information is presented based on gender, age, civil status and can be drilled down to the city level.

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

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

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

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

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

Digital TV

_

¹ Click here to see page: http://www.gmanetwork.com/news/eleksyon2016/candidates

² Click here to see page: http://www.gmanetwork.com/news/eleksyon2016/campaign_tracker

³ Click here to see page: http://www.gmanetwork.com/news/eleksyon2016/voters_profile

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

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

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

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

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

NMI AS BUSINESS CENTER

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

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

MediaMerge capped off 2016 by posting a 74% growth in total online advertising sales, or PHP 137.8M compared to PHP 79.3M gained in the previous year. The sustained improvements in both online sales and web metrics manifested throughout the year were due in large part to the skillful execution of initiatives anchored on sound growth strategies that NMI set out for the year. These include optimizing the websites to make them more suitable for "programmatic buying" constant website enhancements paired with the effective use of social media; and efforts from the websites' respective editorial teams to make the browsing experience more intuitive, engaging, and convenient.

Designed to specialize in digital marketing, GMA NMI established **Digify**, **Incorporated**. Digify is a technocreative lab that specializes in sensor technologies such as augmented reality and

⁴ Programmatic buying is a booking mechanism that more efficiently facilitates the selling of online ad inventory between publishers and advertisers. It also provides advertisers and their agencies better control of campaign outcomes by enabling them to set parameters through Real Time Bidding. For more information on programmatic buying, refer to http://www.iab.net/programmatic

beacon/proximity marketing, multimedia content production, and end-to-end software solutions for standalone digital and integrated marketing campaigns. Digify has launched a number of trailblazing projects that include award-winning apps for major clients and breakthrough solutions for clients in the technology industry.

NMI AS GMA'S CONDUIT TO INDUSTRY PARTNERS

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

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

GMA NMI sealed partnerships with two of Southeast Asia's leading Internet TV service providers, iFlix and Hooq in Q2 2015 for a new video content distribution platform. The platform, called *Over-the-Top* (OTT), is an IP-based⁵ format for content delivery. This new type of video-on-demand service enables users to enjoy online streaming access and an offline viewing option of TV shows and movies. This service optimizes GMA's existing library of content and allows Filipinos here and in the region to watch their well-loved GMA shows whenever they want, wherever they may be. With a growing subscriber base in the country from both Hooq and iFlix, the leverage on these digital platforms creates an opportunity to expand the base of GMA consumers online and create GMA brand loyalty both here and abroad.

Talks have been ongoing for more tie-ups with other OTT providers, set for launch in 2017.

MOVIE PRODUCTION

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

MUSIC AND VIDEO RECORDING

RGMA Marketing and Productions, Inc. (GMA Records) was incorporated in September 1997 and became operational in 2004 after the Company decided to reactivate its musical

⁵ IP (or Internet Protocol) -based distribution of television content uses the internet rather than traditional terrestrial, satellite signal or cable television as a format for content delivery.

recording business through the "GMA Records" label. Since resuming operations, GMA Records has leveraged the Company's talent and media resources, releasing music albums of various artists.

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

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

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

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

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

STAGE DESIGN

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

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

POST PRODUCTION

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

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

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

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

DEPENDENCE UPON CUSTOMERS

The broadcasting business of the Company generates revenues mainly from the sale of regional and national advertising time to agencies/advertisers and other blocktime producers. No single customer accounts for twenty (20%) percent or more of the Company's total consolidated revenues. The top 30 agencies/advertisers comprise more than 70% of the Company's business. The Company is not critically dependent upon a single or few customers to provide and ensure sustainability of its operations and financial viability. Major existing contracts include airtime sales with regular agencies and advertisers such as Unilever Philippines, Inc., Nestle Philippines, Inc., P&G Distributing (Phils.) Inc., Alliance Global, Monde Group, Universal Robina Corporation/Robinsons Group, Colgate-Palmolive Philippines, Jollibee Foods Corporation, San Miguel Corporation, and Mondelez Philippines, Inc.

TRANSACTIONS WITH AND/OR DEPENDENCE ON RELATED PARTIES

Please refer to **Item 12** of the report (p.66-67).

FRANCHISE, LICENSES AND GOVERNMENT APPROVALS

The Company is a grantee of a congressional franchise to construct, install, operate and maintain for commercial purposes and in the public interest radio and television broadcasting stations in the Philippines. Its franchise was granted through Republic Act No. 7252 and has a term of twenty-five (25) years from the date of its approval or from March 20, 1992. House Bill No. 4631 (An Act Renewing for Another Twenty-Five (25) Years the Franchise Granted to Republic Broadcasting System, Inc., Presently Known As GMA Network, Inc., Amending For the Purpose Republic Act No, 7252 Entitled An Act Granting the Republic

Broadcasting System Inc. A Franchise to Construct, Install, Operate and Maintain Radio and Television Broadcasting Stations in the Philippines) has been approved by both chambers of Congress and was subsequently signed into law on April 21, 2017 by President Rodrigo R. Duterte. The Company also operates and maintains various radio/TV stations nationwide under licenses/permits issued by the National Telecommunications Commission.

The Company has also applied for registration of its service marks (visible signs capable of distinguishing its services) with the Intellectual Property Office (IPO) and has complied with the provisions of Republic Act No. 8293 on the law on service marks for this purpose. A Certificate of Registration of Service Marks granted in favour of the Company remains in force for 20 years.

Similarly, the Company has applied for copyright registration with the IPO of its (a) published (b) unpublished works under Republic Act No. 8294 and Presidential Decree No. 49. A Certificate of Copyright Registration has a term of protection of Fifty (50) years from publication of the work.

The Company has also entered into several license agreements for its business of producing television programs aired over its local and international channels and producing television series based on a licensed property. The said license agreements are for periods between three to five years.

EFFECT OF GOVERNMENT REGULATIONS ON BUSINESS

The foregoing franchise, licenses or permits, service marks, copyright registration and government approvals were obtained by the Company in accordance with the requirements of applicable laws and rules of regulatory agencies.

The Company's compliance with the above-mentioned government regulations are indispensable to its businesses, which are primarily, radio and television broadcasting, recording, film production and other information and entertainment business.

AMOUNT SPENT ON DEVELOPMENT ACTIVITIES

In September 6, 2017, the company approved a supplemental budget in the amount of P21.89 million in addition to the reallocated P184.5 million savings from the actual Mega Manila Approved DTT Budget of P428.12 million with reallocation of transmission assets to fast track greater NUTAM coverage of the network's digital transmission by implementing the following regional DTT facilities:

- Mt. Sto. Tomas, Benguet (15KW)
- Bonbon, Cebu City (15KW)
- Matina, Davao City (5KW)

Tagaytay City, Cavite (5KW)*

* with a supplemental budget of P19.54 million for the proposed 80ft. tower on top of 2-storey building approved on December 2017

The company also approved on November 2017, a P20.7 million budget to upgrade TV-6 Guimaras to achieve signal superiority in Iloilo.

COSTS AND EFFECTS OF COMPLIANCE WITH ENVIRONMENTAL LAWS

The Company complies with various environmental laws such as R.A 8749 (Philippine Clean Air Act of 1999), R.A 6969 (Toxic Substance and Hazardous Wastes) under DENR, R.A. 9275 (Philippine Clean Water Act) under the Laguna Lake Development Authority and R.A. 9003 (Ecological Solid Waste Management Act) as follows:

- 1. R.A. 8749 The Company has a DENR Permit to Operate for the generator sets installed in the GMA Network Center. The permit was renewed last March 29, 2017 and received dated May 9, 2017 and costs around P 15,125.00 and is valid for five (5) years or until April 28, 2022. As a requirement in the permit, the Company submits quarterly self-monitoring reports on the consumed fuel of the generator sets. In addition, all generator sets undergo annual emission tests conducted by DENR's accredited 3rd party group. The 2017 emission tests cost P98,000.00 for the 5 units.
- 2. R.A. 6969 All generated hazardous wastes such as tapes, used engine oils, busted fluorescent lamp (BFL), empty paint cans, contaminated rags and others are treated, recycled and appropriately disposed of with the DENR's accredited 3rd party hazardous waste treatment group. The 2017 budget for the disposal of hazardous waste is P50,000.00. HazWaste ID was amended last 2017 as a requirement for the new rules and transferring to online request for disposal of Hazardous Waste. New Hazardous Waste like grease, defective LED, used vegetable oil and expired pharmaceutical drugs were also included in the revision of the updated HazWaste ID.
- 3. R.A. 9275 GMA has a Discharge Permit from the Laguna Lake Development Authority (LLDA) to operate its Sewage Treatment Facility (STP) in the GMA Network Center. The permit, which costs around P22,022.00, is set for renewal in August 2018. Laboratory testing of waste water were also performed as a requirement for SMR and CMR submission. It cost us around 58,195.20 per year. With the issuance of the new DENR Department Order DAO 2016-08, we submitted a Compliance Action Plan to LLDA office for the improvement of our STP. The additional parameters in the new DAO 2016-08 resulted to the increase in our laboratory testing which is around P114,200.00 per year.
- 4. R.A. 9003 GMA applied for an Environmental Permit to Operate (Environmental Clearance) to the Quezon City Environmental Protection and Waste Management Department pursuant to City Ordinance No. 1729 Series of 2006. The budget for the annual permit for 2017 is P2,500.00.

In addition, the Company incurred approximately P 110,000.00 in costs for other permits and licenses required by governmental regulations such as, but not limited to, special land use permits, DENR-EMB permits, etc

EMPLOYEES

As of December 31, 2017, the Company has 2,509 regular and probationary employees. The Company also engaged 1,077 talents in 2017. GMA Network, Inc. recognizes one labor union, the GMA Network, Inc. Employees Union. The Collective Bargaining Agreement (CBA) for the cycle 2014-2019 took effect in July 2014.

The classification of the Company's employees, including the number of employees it anticipates to have in the ensuing twelve (12) months, are presented below:

| | AS OF DEC. 31, 2017 | **2018 ESTIMATED ADDITIONAL | TOTAL | | | | |
|---|------------------------|-----------------------------------|-------|--|--|--|--|
| Rank & File * | 1,109 | 23 | 1,132 | | | | |
| Non-Rank and File & Managers | 1,326 | 49 | 1,375 | | | | |
| Officers | 74 | 1 | 75 | | | | |
| Total | 2,509 | 73 | 2,582 | | | | |
| * Covered by Collective Bargaining Agreement (CBA) | | | | | | | |
| ** Based on approved MRF and hired EEs as of March 2018 | | | | | | | |

LABOR DISPUTES

There were no strikes nor observed strikes and disputes between the labor and management in the past three (3) years.

MAJOR RISKS INVOLVED IN THE BUSINESSES OF THE COMPANY AND ITS SUBSIDIARIES

Both radio and television broadcasting are highly competitive businesses. GMA stations compete for listeners/viewers and advertising revenues within their respective markets directly with other radio and /or television stations, as well as with other media such as cable television and/ or cable radio, newspapers, magazines, the internet, billboard advertising, among others.

Audience ratings and market shares are subject to change, and any change in a particular market could have a material adverse effect on the revenue of our stations located in that market.

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

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

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

The Audit and Risk Management Committee assists the Board in the oversight of the Company's risk management. It ensures that proper controls are in place including the identification and evaluation of significant risk exposures.

Item 2. Properties

As of December 31, 2017, the Company's total property and equipment and real property amounted to P4,470.9 million. The property and equipment had a book value of P2,664.3 million, while its real property had a fair market value of P1,806.5 million (based on an Independent appraisal report as of December 17, 2013).

The following are the principal properties of the Company:

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

- The GMA Fleet Center located on the east corner of Mother Ignacia Avenue and Sergeant Esguerra Avenue, Barangay South Triangle, Diliman Quezon City; and
- Properties in the key areas across different regions:

Luzon

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

Visayas

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

Mindanao

- Land in Bo. Matina Hills, Davao City where an FM and television transmitter building and studio complex are located;
- Land in Barangay San Isidro, General Santos City where a television relay transmitter site and a building are located;
- Land in Barangay Cabatangan, Zamboanga City where a television relay transmitter site and a building are located.

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

The Company also leases land, building and studio/office space in various locations around the Philippines under lease agreements for periods of between three and 25 years. The lease agreements may be cancelled at the Company's option. Rental expense of the Company related to this amounted to P18.0 million for the year ended December 31, 2017.

Regional Broadcast Stations

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

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

LIST OF GMA's OPERATING TV STATIONS

| NO | STATION | ADDRESS | CONTACT NUMBER |
|----|------------------------------------|---|----------------|
| | | | |
| | LUZON | | |
| 1 | TV-7 Metro Manila (GMA) | Brgy. Culiat, Tandang Sora, Quezon City | (02) 931-9183 |
| | TV-27 Metro Manila (DTTB GMA/GNTV) | Brgy. Culiat, Tandang Sora, Quezon City | (02) 931-9183 |
| 2 | TV-5 Ilocos Norte (GMA) | Brgy. San Lorenzo, San Nicolas, Ilocos Norte | 0916-6715439 |
| | TV-27 Ilocos Norte (GNTV) | Brgy. San Lorenzo, San Nicolas, Ilocos Norte | 0916-6715439 |

| | TV-48 Ilocos Sur (GMA) | Mt. Caniao, Bantay, Ilocos Sur | 0915-8632841 |
|----|-------------------------------------|---|--------------|
| 3 | RGMA TV-40 Ilocos Sur (GNTV) | Mt. Caniao, Bantay, Ilocos Sur | 0915-8632841 |
| 4 | TV-7 Batanes (GMA) | Brgy. Kayvaluganan, Basco, Batanes | 0915-6127197 |
| 5 | TV-13 Aparri, Cagayan (GMA) | Hi-Class Bldg., De Rivera St., Aparri, Cagayan | 0915-6130530 |
| | TV-26 Aparri, Cagayan (GNTV) | Hi-Class Bldg., De Rivera St., Aparri, Cagayan | 0915-6130530 |
| 6 | TV-7 Tuguegarao, Cagayan (GMA) | No. 91 Mabini St., Tuguegarao City, Cagayan | 0915-6127263 |
| | TV-27 Tuguegarao, Cagayan (GNTV) | No. 91 Mabini St., Tuguegarao City, Cagayan | 0915-6127263 |
| 7 | TV-7 Isabela (GMA) | Heritage Commercial Complex, Maharlika Hi-way, Brgy. Malvar, Santiago City, Isabela | 0915-2700063 |
| 8 | TV-5 Baler (GMA) | Purok 3, Brgy. Buhangin, Baler, Aurora | 0915-6127194 |
| 9 | TV-10 Olongapo (GMA) | Upper Mabayuhan, Olongapo City | 0915-6127265 |
| | TV-26 Olongapo (GNTV) | Upper Mabayuhan, Olongapo City | 0915-6127265 |
| 10 | RGMA TV-28 Tarlac City (GNTV) | Exclusively His Bldg., F. Tanedo St. corner Espinosa St., Tarlac City | 0915-2700185 |
| 11 | TV-12 Batangas (GMA) | Mt. Banoy, Bo. Talumpok East, Batangas City | 0915-8632860 |
| | TV-26 Batangas (GNTV) | Mt. Banoy, Bo. Talumpok East, Batangas City | 0915-8632860 |
| 12 | TV-44 Jalajala, Rizal (GMA) | Mt. Landing, Jalajala, Rizal | 0915-8632874 |
| 13 | TV-13 Occidental Mindoro (GMA) | Bonifacio St., San Jose, Occidental Mindoro | 0915-6127199 |
| | TV-26 Occidental Mindoro | Bonifacio St., San Jose, Occidental | 0915-6127199 |

| | (GNTV) | Mindoro | |
|----|--|---|--------------|
| 14 | TV-6 Brooke's Point, Palawan (GMA) | Poblacion, Brooke's Point, Palawan | 0915-6127181 |
| 15 | TV-8 Coron, Palawan (GMA) | Tapias Hill, Coron, Palawan | 0915-6127178 |
| 16 | TV-12 Puerto Princesa, Palawan (GMA) | Mitra Rd., Brgy. Sta. Monica, Puerto Princesa, Palawan | 0915-6127185 |
| | TV-27 Puerto Princesa, Palawan (GNTV) | Mitra Rd., Brgy. Sta. Monica, Puerto Princesa, Palawan | 0915-6127185 |
| 17 | TV-7 Romblon (GMA) | Triple Peak, Sta. Maria, Tablas, Romblon | 0915-6127225 |
| | TV-12 Legaspi (GMA) | Mt. Bariw, Estanza, Legaspi City | 0915-8632867 |
| 18 | TV-27 Legaspi (GNTV) | Mt. Bariw, Estanza, Legaspi City | 0915-8632867 |
| | RGMA TV-33 Legaspi (GMA) | Mt. Bariw, Estanza, Legaspi City | 0915-8632867 |
| 19 | TV-8 Daet (GMA) | Purok 2, Brgy. Mancruz, Daet, Camarines Norte | 0915-2700056 |
| | TV-7 Naga (GMA) | Brgy. Concepcion Pequeña, Naga City | 0915-4417071 |
| 20 | TV-28 Naga (GNTV) | Brgy. Concepcion Pequeña, Naga City | 0915-4417071 |
| | RGMA TV-44 Naga (GMA) | Brgy. Concepcion Pequeña, Naga City | 0915-4417071 |
| 21 | TV-13 Catanduanes (GMA) | Brgy. Sto. Niño, Virac, Catanduanes | 0915-6127174 |
| 22 | TV-7 Masbate (GMA) | Brgy. Pinamurbuhan, Mobo, Masbate | 0915-6127175 |
| | TV-27 Masbate (GNTV) | Brgy. Pinamurbuhan, Mobo, Masbate | 0915-6127175 |
| 23 | TV-2 Sorsogon (GMA) | Mt. Bintacan, Brgy. Maalo, Juban, | 0915-2700192 |

| | | Sorsogon | |
|----|--|---|--------------|
| 24 | TV-7 Abra (GMA) | Brgy. Lusuac, Peñarrubia, Abra | 0915-6130512 |
| 25 | TV-10 Benguet (GMA) | Mt. Sto. Tomas, Tuba, Benguet | 0915-4417080 |
| | TV-22 Benguet (GNTV)) | Mt. Sto. Tomas, Tuba, Benguet | 0915-4417080 |
| 26 | TV-5 Mountain Province (GMA) | 0915-2700124 | |
| | VISAYAS | | |
| 27 | TV-2 Kalibo (GMA) | New Busuanga, Numancia, Aklan | 0915-6127216 |
| | TV-27 Kalibo (GNTV) | New Busuanga, Numancia, Aklan | 0915-6127216 |
| 28 | TV-5 Roxas (GMA) | Brgy. Milibili, Roxas City, Capiz | 0915-6127217 |
| | TV-27 Roxas (GNTV) | Brgy. Milibili, Roxas City, Capiz | 0915-6127217 |
| 29 | TV-6 Guimaras (GMA) | Bo. Tamburong, Jordan, Guimaras | 0915-4417084 |
| | TV-28 Iloilo (GNTV) | Alta Tierra Subdivision, Jaro, Iloilo | 0915-4417084 |
| 30 | TV-13 Bacolod (GMA) | Security Bank Bldg., Rizal St. cor. Locsin St., Bacolod City | 0915-8632864 |
| | TV-48 Bacolod (GNTV) | Security Bank Bldg., Rizal St. cor. Locsin St., Bacolod City | 0915-8632864 |
| 31 | TV-30 Murcia, Negros Occidental (GMA) | Mt. Kanlandog, Brgy. Canlandog, Murcia, Negros Occidental | 0915-2700132 |
| 32 | TV-10 Sipalay (GMA) | Sipalay Municipal Building, Sipalay, Negros Occidental | 0915-6127219 |
| 33 | TV-11 Bohol (GMA) | Banat-I Hills, Brgy. Bool, Tagbilaran City | 0915-6127214 |
| | TV-7 Cebu (GMA) | Bonbon, Cebu City | 0915-4417075 |
| 34 | TV-27 Cebu (GNTV) | Bonbon, Cebu City | 0915-4417075 |
| | RGMA TV-51 Cebu (GMA) | Bonbon, Cebu City | 0915-4417075 |

| 35 | TV-5 Dumaguete (GMA) | Barrio Looc, Sibulan, Negros Oriental | 0915-6131185 |
|----|--|--|--------------|
| | TV-28 Dumaguete (GNTV) | Barrio Looc, Sibulan, Negros Oriental | 0915-6131185 |
| 36 | TV-8 Borongan (GMA) | Poblacion, Borongan, Eastern Samar | 0915-6127177 |
| 37 | TV-12 Ormoc (GMA) | Brgy. Alta Vista, Ormoc City | 0915-6127213 |
| 38 | TV-10 Tacloban (GMA) | Basper, Tigbao, Tacloban City | 0915-6127208 |
| | TV-26 Tacloban (GNTV) | Basper, Tigbao, Tacloban City | 0915-6127208 |
| 39 | TV-5 Calbayog (GMA) | Purok 2 San Mateo St. Brgy. Matobato, Calbayog City, Western Samar | 0915-6127176 |
| | MINDANAO | | |
| 40 | TV-4 Dipolog (GMA) | Linabo Peak, Dipolog City, Zamboanga Del Norte | 0915-6127247 |
| | TV-26 Dipolog (GNTV) | Linabo Peak, Dipolog City, Zamboanga Del Norte | 0915-6127247 |
| 41 | TV-3 Pagadian (GMA) | Mt. Palpalan, Pagadian City, Zamboanga del Sur | 0915-6127245 |
| | TV-26 Pagadian (GNTV) | Mt. Palpalan, Pagadian City, Zamboanga del Sur | 0915-6127245 |
| | TV-9 Zamboanga (GMA) | Brgy. Cabatangan, Zamboanga City | 0915-8632870 |
| 42 | TV-21 Zamboanga (GNTV) | Brgy. Cabatangan, Zamboanga City | 0915-8632870 |
| | RGMA TV-45 Zamboanga (GMA) | Brgy. Cabatangan, Zamboanga City | 0915-8632870 |
| 43 | TV-12 Mt. Kitanglad, Bukidnon (GMA) | Mt. Kitanglad, Bukidnon | 0915-8632863 |
| 44 | TV-5 Ozamis, Misamis Occidental (GMA) | Bo. Malaubang, Ozamis City, Misamis Occidental | 0915-6127220 |

| | TV-22 Ozamis, Misamis Occidental (GNTV) | Bo. Malaubang, Ozamis City, Misamis Occidental | 0915-6127220 |
|----|--|---|--------------|
| 45 | TV-11 Iligan City (GMA) | Brgy. Del Carmen, Iligan City, Lanao del Norte | 0915-6131202 |
| 46 | TV-35 Cagayan de Oro (GMA) | Malasag Heights, Brgy. Cugman, Cagayan de Oro City | 0915-8632875 |
| | TV-43 Cagayan de Oro (GNTV) | Malasag Heights, Brgy. Cugman, Cagayan de Oro City | 0915-8632875 |
| 47 | TV-26 Butuan (GMA) | Brgy. Bonbon, Butuan City, Agusan del Norte | 09163178470 |
| 48 | TV-5 Davao (GMA) | Shrine Hills, Matina, Davao City | 0915-4417082 |
| 10 | TV-27 Davao (GNTV) | Shrine Hills, Matina, Davao City | 0915-4417082 |
| 49 | TV-12 Cotabato (GMA) | Regional Government Center, Cotabato City | 0915-6131170 |
| | TV-27 Cotabato (GNTV) | Regional Government Center, Cotabato City | 0915-6131170 |
| | TV-8 General Santos (GMA) | Nuñez St., Brgy. San Isidro, General Santos City | 0915-8632871 |
| 50 | TV-26 General Santos (GNTV) | Nuñez St., Brgy. San Isidro, General Santos City | 0915-8632871 |
| | RGMA TV-32 General Santos (GMA) | Nuñez St., Brgy. San Isidro, General Santos City | 0915-8632871 |
| 51 | TV-10 Surigao (GMA) | Lipata Hills, Surigao City, Surigao del Norte | 0915-6131227 |
| | TV-27 Surigao (GNTV) | Lipata Hills, Surigao City, Surigao del Norte | 0915-6131227 |
| 52 | TV-2 Tandag (GMA) | Capitol Hill, Brgy. Telaje, Tandag, | 0915-6127248 |

| | | | Surigao del Sur | |
|----|-------------------------|---|---|--------------|
| 53 | 3 | TV-12 Jolo, Sulu (GMA) | Ynawat Bldg., Hadji Butu St., Jolo, Sulu | 0915-6131182 |
| | TV-26 Jolo, Sulu (GNTV) | Ynawat Bldg., Hadji Butu St., Jolo, Sulu | 0915-6131182 | |

GMA's RADIO STATIONS

| AREA | FREQ. | CALL SIGN | AM / FM | POWER | ADDRESS |
|-------|-------|-----------|------------|-------|---------|
| LUZON | | | | | |

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

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

VISAYAS

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

MINDANAO

| CAGAYAN DE ORO | 100.7 MHz | DXLX | FM | 5kW | 2/F Centro Mariano Bldg., Osmena St., Cagayan De Oro City |
|-------------------|-------------|------|-------|------|---|
| DAVAO | 1125 kHz | DXGM | AM | 10kW | GMA Network Complex, Shrine Hills, |
| BAVAG | 103.5 MHz | DXRV | FM | 10kW | Matina, Davao City |
| GENERAL | 102.3 MHz | DXCJ | FM | 10kW | 3/F PBC Bldg., Cagampang St., |
| SANTOS | 1107 kHz | DXBB | AM | 5KW | General Santos City |
| ILIGAN (RGMA) | 90.1 MHz | DXND | FM | 1kW | Infinity Suites, |
| ILIOAN (NOWA) | 30.1 101112 | DAND | 1 101 | INVV | Consunji St., Iligan City |
| ZAMBOANGA | 1287 kHz | DXRC | AM | 5KW | Logoy Duitay, Talon-Talon, |
| ZAIVIBOANGA | 120/ KHZ | DANC | Alvi | JKVV | Zamboanga City |

PROPERTIES INTENDED FOR ACQUISITION

As of the present, the Company does not intend to acquire any predetermined property within the next twelve (12) months.

Item 3. Legal Proceedings

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

None of the Company's affiliates, or their property, namely, RGMA Network, Inc., Philippine Entertainment Portal, Inc. and Mont-Aire Realty and Development Corporation, are involved in any material pending litigation as of December 31, 2017.

Labor Cases

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

There is a case (NLRC LAC No. 02-000863-13[8]) for regularization filed by pinch-hitters or relievers of GMA, namely, Ricky F. Villarin, Danilo Dela Cruz, Rolin Pilante and Johnny Anito, Jr. against GMA Network, Inc. The Labor Arbiter rendered a decision declaring the relievers as regular employees of GMA. GMA appealed to the NLRC which denied the same. GMA's motion for reconsideration was likewise denied. Hence, GMA filed with the Court of Appeals a Petition for Certiorari docketed as CA.G.R. No.132455, The Court of Appeals rendered a Decision denying GMA's petition. GMA's motion for reconsideration was likewise denied. The case is now CLOSED and TERMINATED.

There is a case (NLRC NCR Case No. 12-18557-12) for illegal dismissal, back wages, damages and attorney's fees filed by James Aaron Castillo Manalili against GMA, et al. Complainant Manalili was a segment producer whose Talent Agreement was terminated for cause. The Labor Arbiter rendered a decision dismissing the complaint on the finding that there was no

employer-employee relationship. Hence, there is no illegal dismissal. The Labor Arbiter also affirmed the validity of the termination of the Talent Agreement. However, the Labor Arbiter awarded 13th month pay in favor of Manalili. Hence, we filed a partial appeal for GMA. On appeal, the NLRC, affirmed the labor arbiter's decision but deleted the award of 13th month pay to complainant. Complainant's motion for reconsideration was likewise denied by the NLRC. Complainant filed with the Court of Appeals a Petition questioning the decision and resolution of the NLRC. The parties have filed their respective Memoranda. The Court of Appeals partially granted the Petition by granting Manalili 13th month pay. Manalili's motion for reconsideration was denied. Manalili filed a Petition for Review with the Supreme Court, where the case now pends.

There is a case (NLRC NCR Case No. 01-00024-13) for illegal dismissal and money claims filed by Christopher Cruz Legaspi against GMA and its executives. Complainant Legaspi is an employee of GMA who was dismissed for cause. The Labor Arbiter rendered a decision finding illegal dismissal. However, the decision was reversed on appeal by the NLRC. Complainant filed a motion for reconsideration which was also denied by the NLRC. Complainant did not file a Petition for Certiorari. The case is now CLOSED and TERMINATED.

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

There is another case for illegal dismissal and money claims (NLRC CASE No. NCR-07-09875-13; NCR-07-10010-13; NCR-07-10135-13) filed by the drivers of GMA, namely, Marcelo S. Santiago and Serafin R. Palopalo, Jr., assigned to various programs and covered by Talent Agreements which expired and were no longer renewed. The Labor Arbiter rendered a decision dismissing the complaint on the ground that the Talent Agreements are fixed term employment contracts. Complainants appealed to the NLRC which reversed the Labor Arbiter's decision by declaring complainants as regular employees of GMA. We filed a motion for reconsideration which was also denied by the NLRC. We filed a Petition with the Court of Appeals which was denied. This case is now awaiting execution of judgment. During the pre-execution conference, the parties executed a Compromise Agreement and Waiver, Release and Quitclaim. The case is now CLOSED and TERMINATED.

There is a case for illegal dismissal, back wages and other money claims (NLRC-NCR-07-09474-13) filed by former segment producer De Chaves against GMA. Complainant was terminated for cause by GMA. The Labor Arbiter rendered a decision dismissing the complaint.

De Chavez appealed to the NLRC which denied her appeal and affirmed the Labor Arbiter's decision. De Chavez filed a petition with the Court of Appeals which denied the same. Similarly, De Chavez's Petition filed with the Supreme Court was denied for lack of merit. The case is now CLOSED and TERMINATED.

Another pending case for illegal dismissal and regularization (NLRC NCR 01-00164-14) was filed by former utility personnel Reynaldo Delos Santos Aranas, et.al against GMA/Atty. Felipe L. Gozon. Complainants' talent agreements were not renewed by GMA. The Labor Arbiter rendered a decision in favor of complainant. We filed an appeal with the NLRC which affirmed the Labor Arbiter's decision. A petition for certiorari was filed with the Court of Appeals which affirmed the rulings of the NLRC. During the pre-execution conference, complainants executed a Waiver, Release and Quitclaim. The judgment has been satisfied and the parties executed Waiver Release and Quitclaim. The case is now CLOSED and TERMINATED.

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

There is a case for illegal dismissal with money claims filed by Cynthia Malabunga against GMA. She was first engaged by GMA for various programs until her last talent contract as Associate producer was terminated on 30 April 2014. The Labor Arbiter rendered a decision dismissing the complaint. Complainant filed an appeal which was dismissed by the NLRC. The NLRC also denied her motion for reconsideration. Complainant filed a petition for certiorari with the Court of Appeals and respondent filed its comment/opposition thereto. The petition was referred for mediation/conciliation. In the process Ms. Malabunga agreed to settle. The CA issued the Resolution dated May 12, 2017, declaring the case as CLOSED and TERMINATED.

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

There is a case for illegal suspension, moral and exemplary damages and attorneys fee filed by Edmalynne Remillano et al. The parties have already filed their respective position paper and reply, and the case is now submitted for decision.

There is a case involving a complaint filed against GMA by Alfredo Lubrica Enoce for alleged illegal dismissal with a prayer for separation pay, back wages, moral and exemplary damages and attorney's fees. The parties filed their respective position papers on November 15, 2016 as well as their respective replies. The Labor Arbiter rendered a decision finding illegal dismissal.

However, the decision was reversed on appeal by NLRC. Enoce's motion for reconsideration was likewise denied. Enoce filed a petition with the Court of Appeals. GMA is still awaiting resolution from the Court of Appeals as to what action it will take on the Petition.

Infringement Cases

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

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

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

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

On June 29, 2010, the DOJ issued a Resolution granting both the Company's and ABS-CBN's Motion for Reconsideration, and directing the filing of Information against ABS-CBN's officers and employees for libel. ABS-CBN moved for reconsideration which was denied by the DOJ. ABS-CBN filed a Petition with the Court of Appeals. In the meantime, an Information for libel was filed by the Quezon City Prosecutor with the Regional Trial Court of Quezon City, Branch 88. The prosecution will continue their presentation of evidence on May 14, 2018.

The Company elevated the DOJ's June 29, 2010 Resolution directly to the Court of Appeals via a petition for certiorari docketed as CA-G.R. SP No. 115751. On November 9, 2010, the Court of Appeals issued a decision granting the Company's petition for certiorari and reversing the DOJ Resolution dated June 29, 2010 and reinstating the DOJ Resolution dated August 1, 2005 which ordered the withdrawal of Information for copyright infringement. ABS-CBN filed a petition with the Supreme Court which partially granted the petition by reversing the DOJ Resolution ordering the withdrawal of the Information and sustaining the finding of probable cause for copyright infringement only as against Ms. Dela Peña-Reyes and Mr. Manalastas. The proceedings before the RTC QC Branch 93 will resume with the presentation of the prosecution's evidence on April 19, 2018.

Civil Cases

A case for damages was filed by Ronaldo Virola against Miguel Enriquez and the Company. Virola filed a case for damages arising from the airing of Imbestigador episodes showing the interviews of "Myra" and "Chona" who accused Virola of placing drugs in their drinks before molesting them. The said Imbestigador episodes also showed the raid conducted by operatives of Task Force Jericho of the Department of Interior and Local Government who applied for a warrant to search the residence of Virola. The complaint sought P800,000 in moral damages, P300.000 in exemplary damages, attorney's fees in the amount of P100.000 and the cost of suit. The Regional Trial Court of Caloocan dismissed the complaint after trial. Plaintiff appealed to the Court of Appeals which dismissed his appeal and affirmed the trial court's decision dismissing his complaint for damages. On November 25, 2015, the CA issued an Entry of Judgment attesting that the Decision dated March 2015 became final and executory on April 23, 2015. We now consider this case close and terminated.

On June 25, 2008, Mary the Queen Hospital filed a case for damages against the Company, Mike Enriquez as well as certain other members of the show, Imbestigador. The hospital alleged that the show damaged its reputation by falsely accusing them of illegally detaining a patient for failure to settle hospital bills. The hospital claimed a total of $\stackrel{\square}{=} 5.5$ million in moral, exemplary and temperate damages, as well as costs of the suit. Plaintiff has rested its case and we are set to present defense evidence on April 21, 2016. The hearing for reception of defendant's evidence is set on April 2, 2018.

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

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Market Information

Stock Prices GMA7

| Period in 2017 | Highest Closing | Lowest Closing |
|----------------|------------------------|-----------------------|
| 1Q | 6.56 | 6.08 |
| 2Q | 7.05 | 6.05 |
| 3Q | 6.27 | 6.01 |
| 4Q | 6.07 | 5.70 |

Stock Prices GMAP

| Period in 2017 | Highest Closing | Lowest Closing |
|----------------|-----------------|----------------|
| 1Q | 6.10 | 5.83 |
| 2Q | 6.34 | 5.69 |
| 3Q | 6.05 | 5.74 |
| 4Q | 5.78 | 5.39 |

The Company's common shares and Philippine Deposit Receipts have been listed with the Philippine Stock Exchange since 2007. The price information as of the close of the latest practicable trading date April 12, 2018; GMA7's closing price is P6.39 for GMA7 and P6.23 for GMAP (PDRs).

Holders

There are 1,678 holders of common equity as of March 31, 2018. The following are the top 20 holders of the common equity of the Company:

| Name of Shareholders | No. of Common Shares | Percentage of Ownership of Total Common Shares |
|-----------------------------------|----------------------|--|
| Group Management Development Inc. | 789,813,389 | 23.47% |

| Name of Shareholders | No. of Common Share | Percentage of Ownership of Total Common Shares |
|---|---------------------|--|
| GMA Holdings, Inc. | 750,688,000 | 22.31% |
| FLG Management & Development Corp. | 663,929,027 | 20.48% |
| M.A. Jimenez Enterprises, Inc. | 453,882,095 | 13.49% |
| Television International Corp. | 334,378,037 | 9.94% |
| PCD Nominee Corp. | 241,367,096 | 8.77% |
| Gozon Development Corp. | 14,033,954 | 0.42% |
| Gozon Foundation, Inc. | 5,144,361 | 0.15% |
| Gilberto R. Duavit, Jr. | 4,007,005 | 0.12% |
| Ismael Gozon | 2,814,900 | 0.08% |
| Miguel Enrique Singson Roa | 2,566,400 | 0.08% |
| Luisito C. Cirineo | 1,750,500 | 0.05% |
| Jose Mari L. Chan | 1,315,900 | 0.04% |
| Felipe S. Yalong | 1,025,000 | 0.03% |
| Alberto Tio Ong | 1,000,000 | 0.03% |
| Judith Duavit Vazquez | 588,000 | 0.02% |
| Jose P. Marcelo | 501,498 | 0.01% |
| Jaime Javier Gana and/or Ma. Erlinda G. Gana | 444,900 | 0.01% |
| Kong Yu Uychoi | 350,000 | 0.01% |

The following are the top 20 holders of the Company's preferred shares as of March 31, 2018:

| Name of Shareholders | No. of Preferred Shares | Percentage of Ownership of Total Preferred Shares |
|-------------------------------------|-------------------------|--|
| Group Management & Development Inc. | 2,625,805,308 | 35.0130% |
| FLG Management & Development Corp. | 2,181,898,644 | 29.0939% |
| M.A. Jimenez Enterprises | 1,508,978,826 | 20.1210% |
| Television International Corp. | 1,111,661,610 | 14.8231% |

| Name of Shareholders | No. of Preferred Shares | Percentage of Ownership of Total Preferred Shares |
|-----------------------------|-------------------------|---|
| Gozon Development Corp. | 46,245,306 | 0.6166% |
| Gozon Foundation Inc. | 15,020,670 | 0.2003% |
| Alegria F. Sibal | 2,623,806 | 0.0350% |
| Jose P. Marcelo | 1,203,594 | 0.0160% |
| Sotero H. Laurel | 830,706 | 0.0111% |
| Nita Laurel Yupangco | 830,706 | 0.0111% |
| Jose C. Laurel V | 830,706 | 0.0111% |
| Juan Miguel Laurel | 830,706 | 0.0111% |
| Susana Laurel-Delgado | 830,706 | 0.0111% |
| Ma. Asuncion Laurel-Uichico | 830,706 | 0.0111% |
| Horacio P. Borromeo | 784,164 | 0.0105% |
| Francis F. Obana | 105,120 | 0.0014% |
| Eduardo Morato | 38,028 | 0.0005% |
| Antonio Gomez | 30,420 | 0.0004% |
| Jose N. Morales | 30,420 | 0.0004% |
| Paul Sim | 30,420 | 0.0004% |

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

Dividend Information

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

Dividend History of the Company

| <u>Year</u> | <u>Amount</u> | Date Declared | Type of Dividend |
|-------------|------------------------------|-------------------|-------------------|
| 2005 | P 218,521,203.5 | February 17, 2005 | Cash and Property |
| 2005 | P 3,000,000,000.0 | October 11, 2005 | Stock |
| 2006 | ₽ 1,150,000,000.0 | June 13, 2006 | Cash and Property |
| 2007 | ₽ 1,500,000,000.0 | March 19, 2007 | Cash |
| 2007 | ₽ 375,000,000.0 | April 26, 2007 | Stock |
| 2007 | P 1,000,000,000.0 | July 2, 2007 | Cash |
| 2008 | ₽ 1,214,163,001.0 | May 21, 2008 | Cash |

| 2009 | P 1,701,069,453.0 | April 2, 2009 | Cash |
|------|-------------------------------|------------------|------|
| 2010 | P 2,187,089,296.56 | March 25, 2010 | Cash |
| 2010 | P 1,215,049,069.20 | October 28, 2010 | Cash |
| 2011 | P 2,187,089,296.56 | March 11, 2011 | Cash |
| 2012 | P 1,944,079,375 | April 16, 2012 | Cash |
| 2012 | ₽ 1,264,794,293 | August 22, 2012 | Cash |
| 2013 | P 1,215,049,609 | March 21, 2013 | Cash |
| 2014 | ₽ 1,312,253,577 | April 2, 2014 | Cash |
| 2015 | P 1,215,049,609.20 | March 30, 2015 | Cash |
| 2016 | P- 1,944,079,375 | April 8, 2016 | Cash |
| 2017 | P 3 ,547,944,859 | March 27, 2017 | Cash |
| 2018 | P 2,430,099,218.40 | April 5, 2018 | Cash |

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

Recent Sales of Unregistered or Exempt Securities

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

Item 6. Management Discussion and Analysis of Financial Condition and Results of Operations for the Years Ended December 31, 2017 and 2016

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

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

KEY PERFORMANCE INDICATORS

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

Ratings

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

Load Factor

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

Signal reach/coverage

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

Subscriber count

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

Cost control

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

FINANCIAL AND OPERATIONAL RESULTS

For the Year Ended December 31, 2017

Following a banner year in 2016 with the windfall of nearly ₱1.5-billion from the last national elections and compounded by contraction in the adspend of major industry players this year, GMA Network and Subsidiaries (GMA/the Company) nevertheless managed to exceed prior year's top line in terms of recurring sales. For the twelve-month period ended December 31, 2017 the Company pegged recurring revenues at ₱15,345 million, inching up versus last year's regular sales by a notch or ₱159 million. In absolute terms, in the absence of the significant

boost from political advocacies and advertisements this year, the Company sealed full year 2017 with a shortfall in consolidated revenues of ₱1,329 million. This translated into an 8% decline from last year's top line of ₱16,673 million.

Airtime sales went down by \$\mathbb{P}\$1,523 million or 10%, ending at \$\mathbb{P}\$13,609 million versus \$\mathbb{P}\$15,131 million a year ago. Minus the extra-ordinary election-related load last year, airtime revenues from regular advertisers ended at about the same level as last year. All airtime-generating platforms registered setbacks in their absolute sales in between periods with the exception of Regional TV's revenues from local sources which bucked the trend and recorded top-line growth. The aforementioned contraction in airtime sales was partly cushioned by the improvement in revenues coming from international, subsidiaries' and other sources by a combined \$\mathbb{P}\$194 million or 13% higher against last year. This segment contributed \$\mathbb{P}\$1,736 million or 11% of the Company's total revenue pie.

Meanwhile, the Company continued to maintain cost control with total consolidated operating expenses (OPEX) for 2017 accumulating to ₱11,809 million. This year's OPEX edged prior year's ₱11,597 million by a low single-digit increase of 2% or ₱212 million. Production cost finished off at ₱6,425 million and inched up versus last year by only ₱64 million or 1%. Meanwhile, general and administrative expenses (GAEX) stood at ₱5,384 million, slightly ahead versus last year by 3% or ₱148 million.

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

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

| | 2017 | 2016 | Inc/(Dec) | % |
|--|-------------------|-------------------|-------------------|------|
| Income Data | (in millions PhP) | (in millions PhP) | (in millions PhP) | |
| | | | | |
| Revenues | | | | |
| Television and radio airtime | 13,608.8 | 15,131.5 | (1,522.7) | -10% |
| Production and others | 1,736.1 | 1,541.9 | 194.2 | 13% |
| | 15,344.9 | 16,673.4 | (1,328.5) | -8% |
| Total operating expenses | 11,809.3 | 11,597.0 | 212.3 | 2% |
| EBITDA | 5,217.4 | 6,778.0 | (1,560.7) | -23% |
| Net income | 2,559.7 | 3,646.6 | (1,086.9) | -30% |
| Attributable to Equity Holders of Parent Company | 2,543.9 | 3,626.3 | (1,082.4) | -30% |
| Noncontrolling Interest | 15.8 | 20.3 | (4.4) | -22% |

Revenues

For the year 2017, consolidated revenues hiked to \$\mathbb{P}\$15,345 million, lower than prior year's top line by \$\mathbb{P}\$1,329 million, resulting from the absence of nearly \$\mathbb{P}\$1.5-billion worth of election-related load. The shortfall in airtime revenues from both television and radio operations was partly cushioned by the improvement in other revenue streams of the Company which grew by 13% or \$\mathbb{P}\$194 million in between periods.

| | 2017 | 2016 | Inc/(Dec) | % |
|---|-------------------|-------------------|-------------------|-------|
| Revenues | (in millions PhP) | (in millions PhP) | (in millions PhP) | |
| | | | | |
| Television and radio airtime | 13,608.8 | 13,643.9 | (35.1) | -0.3% |
| Production and others | 1,736.1 | 1,541.9 | 194.2 | 13% |
| | 15,344.9 | 15,185.8 | 159.1 | 1% |
| Add: Non-recurring political advertisements | - | 1,487.6 | (1,487.6) | -100% |
| | 15,344.9 | 16,673.4 | (1,328.5) | -8% |

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

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

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

advertisements, RTV's revenues registered a 19% increase propelled mainly by the surge in local advertisements from the various regions.

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

In other revenue sources, international operations and other businesses (which were not affected by the extraordinary influx from election placements last year) wrapped up with a combined top line of \$\mathbb{P}\$1,736 million, growing by \$\mathbb{P}\$194 million or 13% versus a year ago. International operations comprised mainly of GMA Pinoy TV, Life TV and News TV raked in total revenues of more than a billion and registered a 9% climb from same period last year. Subscriptions revenues propelled the growth, ending higher by 8% from a year ago. The increase in revenues from subscribers was influenced by the depreciation of the PhP against the USD by an average of 6%. Augmenting the above forex difference was the increase in subscriber count — of up to 8% for the different channels. Advertising income and on-ground sponsorships abroad meanwhile pitched in an 18% hike in the platform's total revenue improvement. Shows held abroad this year included Sikat Ka Kapuso in the US, Wowowin in the Middle East, Fiesta Ko sa Texas featuring Alden Richards, among others. In USD-terms the growth in Pinoy TV stood at 3.5% y-o-y.

On the other hand, revenues from subsidiaries' operations and other businesses likewise provided significant sources of top-line growth with a 23% upswing from last year. Among subsidiaries, GMA New Media (GNMI) led the pack topping the sales chart with an increase by 34% — mainly from sponsorship plus content provisioning (i.e. HOOQ, iFlix). There were also top-line growths seen in Script2010 and Digify. Syndication revenues spearheaded by subsidiary GWI also recorded an 18% improvement in sales in between years. Finally, inflows from on-line advertising in GMA's various websites started to pick up, thus further amplifying this period's growth. These however were partly trimmed down by absence of theatrical revenues as last year's results included the showing of *Imagine You and Me* starring Alden Richards and Maine Mendoza, with nearly \$\mathbb{P}\$200.0 million in gross theatrical receipts (a portion of which represented GMA Film's share).

Expenses

Total consolidated operating expenses for the year amounted to ₱11,809 million, edging last year by only a single-digit percentage of 2% or ₱212 million versus 2016's ₱11,597 million. Total cash OPEX inched up by ₱246 million or 2% and was even partly trimmed down by the reduction in non-cash OPEX by ₱34 million, also 2%.

| | 2017 | 2016 | Inc/(Dec) | % |
|---------------------------------------|-------------------|-------------------|-------------------|------|
| Production Costs | (in millions PhP) | (in millions PhP) | (in millions PhP) | |
| | | | | |
| Talent fees | 3,113.6 | 2,873.2 | 240.4 | 8% |
| Rentals and outside services | 845.0 | 820.6 | 24.4 | 3% |
| Other program expenses | 1,320.1 | 1,558.8 | (238.7) | -15% |
| Sub-total - Cash Production Costs | 5,278.7 | 5,252.5 | 26.2 | 0.5% |
| Program rights amortization | 905.3 | 836.2 | 69.1 | 8% |
| Depreciation and amortization | 240.9 | 272.2 | (31.3) | -12% |
| Sub-total - Non-cash Production Costs | 1,146.2 | 1,108.4 | 37.8 | 3% |
| Total production costs | 6,424.9 | 6,360.9 | 64.0 | 1% |

Production cost and talent fees which comprised 55% of total consolidated OPEX sealed the year at \$\mathbb{P}6,425\$ million, only 1% higher than a year ago. Cash production cost ended at \$\mathbb{P}5,279\$ million ending at about the same level as last year's \$\mathbb{P}5,253\$ million. Talent fees drove the growth at \$\mathbb{P}3,114\$ million, higher by \$\mathbb{P}240\$ million or 8% versus 2016. There were also increases in rental and outside services by 3%. These were partly offset by the reduction in other production accounts. The general growth was attuned to this year's mix of \$Telebabad\$ offerings featuring the high-rating fantaserye "Encantadia" and the remake of "Mulawin vs. Ravena" which entailed higher production spending compared to counterpart programs last year. Towards the last quarter of the year, \$Alyas Robinhood Book 2\$ was also launched which likewise required relatively higher budget. Non-cash production cost mainly program rights usage also finished off higher by \$\mathbb{P}69\$ million or 8% more versus last year owing to more slots being occupied by rented movies (under the \$Kapuso Movie Festival series) and higher cost of foreign titles featured during the period. On the other hand, partly trimming down the escalation from the above was the reduction in depreciation charges related to production equipment and facilities which dipped by \$\mathbb{P}31\$ million or 12% from a year ago.

Meanwhile, consolidated general and administrative expenses (GAEX) accumulated to ₱5,384 million during the year, slightly ahead of last year by 3% or ₱148 million. Propelling the increase was the growth in personnel cost by ₱208 million or 7% owing to the one-time payout of the CBA signing bonus to rank and file employees and the appreciation bonus to confidential employees totaling about ₱216 million during the third quarter of this year. This was partly offset by the higher mid-year and year-end bonuses distributed in 2016 compared to 2017 bonus payouts. Other GAEX accounts which also ended lower this year compared to previous period included Outside services, in particular Management and Professional fees and Advertising and Promotions. Depreciation and amortization, as well as lower Provision for doubtful accounts, also saw reduction year-on-year.

| | 2017 | 2016 | Inc/(Dec) | % |
|-------------------------------------|-------------------|-------------------|-------------------|------|
| General and Administrative Expenses | (in millions PhP) | (in millions PhP) | (in millions PhP) | |
| | | | | |
| Personnel costs | 3,200.8 | 2,992.8 | 208.0 | 7% |
| Outside services | 376.5 | 406.5 | (30.1) | -7% |
| Facilities costs | 449.6 | 446.3 | 3.3 | 1% |
| Taxes and licenses | 182.7 | 178.4 | 4.3 | 2% |
| Others | 752.5 | 718.3 | 34.2 | 5% |
| Subtotal - Cash GAEX | 4,962.2 | 4,742.4 | 219.8 | 5% |
| Depreciation and amortization | 390.6 | 451.4 | (60.8) | -13% |
| Provision for doubtful accounts | 8.3 | 25.2 | (16.9) | -67% |
| Amortization of software costs | 23.4 | 17.2 | 6.2 | 36% |
| Subtotal - Non-cash GAEX | 422.2 | 493.7 | (71.5) | -14% |
| Total GAEX | 5,384.4 | 5,236.1 | 148.3 | 3% |

EBITDA

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

Net Income

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

Balance Sheet Accounts

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

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

Total liabilities also declined by 5% or ₱259 million as at end-December this year to ₱5,343 million from ₱5,603 million in 2016 primarily due from the reduction of Notes payable by of over a hundred million or ₱146 million, coupled by the drop in Trade payables and other current liabilities and Income tax payable by ₱55 million and ₱149 million, respectively. This was partially offset by the rise in Obligation for program and other rights by ₱63 million and ₱ension liability by ₱26 million.

Equity attributable to Parent Company stockholders of ₱9,403 million as at December 31, 2017 decreased by 10% or ₱1,004 million in between years, as a result of dividends declared during

the first half of 2017 amounting to ₱3,548 million, subsequently counterbalanced by ₱2,544 million net income attributable to Parent Company earned in 2017.

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

Operating Activities

Net cash from operations registered at \$\mathbb{P}3,072\$ million in 2017. This stemmed from income before income tax of \$\mathbb{P}3,658\$ million, adjusted mainly by Depreciation expense of \$\mathbb{P}632\$ million, Program and other rights usage of \$\mathbb{P}905\$ million, Pension expense of \$\mathbb{P}290\$ million, Interest expense and financing charges of \$\mathbb{P}23\$ million, Net unrealized foreign currency exchange gain of \$\mathbb{P}59\$ million, Gain on sale of property and equipment of \$\mathbb{P}27\$ million and Amortization of software costs of \$\mathbb{P}23\$ million apart from the changes in working capital. The primary components of the changes in working capital included the \$\mathbb{P}347\$ million reduction in Trade and other receivables partly offset by the \$\mathbb{P}24\$ million upturn in Trade payables and other current liabilities.

Investing Activities

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

Financing Activities

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

FINANCIAL AND OPERATIONAL RESULTS

For the Year Ended December 31, 2016

GMA Network and its subsidiaries (GMA/the Company) capped the year 2016 by chronicling milestones in almost all financial metrics, starting off with unprecedented revenues which eventually trickled down to an all-time high bottom line result.

The boost from the national elections held during the first half of the year coupled by the upbeat turnout from regular advertising placements buoyed the Company's top line for the twelve month-period ended December 31 this year. Thus, consolidated revenues wrapped up at ₱ 16,673 million posting an improvement of nearly ₱3.0 billion or 21% from comparable period last year. Election-related placements for the year amounted to about ₱1.5 billion, significantly higher than the increment in political advocacies towards the latter part of 2015. Nonetheless, carving the impact of these non-recurring inflows in both years, the upswing in regular sales amounting to close to ₱2.0 billion accounted for the major part of the year-on-year improvement in the Company's top line. The resurgence of the Network as the leader in terms of nationwide TV ratings buoyed revenues from regular advertising placements.

Airtime revenues continued to be the Company's bread and butter with combined sales from all platforms surging to \$\mathbb{P}\$15,131 million, overtaking last year by \$\mathbb{P}\$2,751 million or by 22%. Discounting the impact of additional load from political advocacies and advertisements, airtime revenues significantly grew by \$\mathbb{P}\$1,739 million or 15% in between periods. Meanwhile, revenues from other sources totaling \$\mathbb{P}\$1,542 million also ended on a positive note with a \$\mathbb{P}\$196 million improvement equivalent to 15% more than a year ago.

While consolidated revenues climbed by a double-digit growth of 21%, the Company's total operating expenses for full year of 2016 was kept at bay with an increase of only 8% year-on-year. Combined cash and non-cash operating expenses registered at P11,597 million, reflecting an escalation of P852 million over prior year's spending of P10,745 million. Total direct/production cost scaled by P518 million or 9% to P6,361 million while general and administrative expenses (GAEX) climbed by P334 million or just 7% to P5,236 million versus a year ago.

The remarkable performance in the top line due to the election boost which was further cemented by the upbeat contribution from regular advertisers, and buoyant sales from other businesses and subsidiaries propelled the Company's earnings before interest, taxes, depreciation and amortization (EBITDA) to a new high of ₱6,778 million this 2016. Coupled by prudent cost management, EBITDA for 2016 towered over last year's peg by a whopping ₱2,139 million or 46%.

Similarly, with non-cash operating expenses yielding an almost flat growth, and with the cash position of the Company allowing for a net interest income vs. a net interest expense a year

ago, bottom line for the twelve-month period in 2016 skyrocketed to ₱3,647 million, the highest ever by far and a staggering ₱1,521 million or 72% increase over last year's audited net income after tax of ₱2,126 million.

| | 2016 | 2015 | Inc/(Dec) | % |
|--|-------------------|-------------------|-------------------|-----|
| Income Data | (in millions PhP) | (in millions PhP) | (in millions PhP) | |
| | | | | |
| Revenues | | | | |
| Television and radio airtime | 15,131.5 | 12,380.7 | 2,750.8 | 22% |
| Production and others | 1,541.9 | 1,346.4 | 195.5 | 15% |
| | 16,673.4 | 13,727.1 | 2,946.3 | 21% |
| Total operating expenses | 11,597.0 | 10,745.0 | 852.0 | 8% |
| EBITDA | 6,778.0 | 4,638.6 | 2,139.4 | 46% |
| Net income | 3,646.6 | 2,125.8 | 1,520.8 | 72% |
| Attributable to Equity Holders of Parent Compa | 3,626.3 | 2,115.1 | 1,511.3 | 71% |
| Noncontrolling Interest | 20.3 | 10.7 | 9.5 | 89% |

Revenues

For the year 2016, consolidated revenues amassed to \$\mathbb{P}16,673\$ million, overtaking prior year's top-line by a huge \$\mathbb{P}2,946\$ million or 21% due the windfall from political advertisements and advocacies from the recent national elections bolstered by the significant growth in regular ad placements. Airtime revenues provided the boost soaring by \$\mathbb{P}2,751\$ million or 22% vis-à-vis last year, while revenues from production and others likewise pulled ahead by 15% or \$\mathbb{P}196\$ million.

| | 2016 | 2015 | Inc/(Dec) | % |
|------------------------------|-------------------|-------------------|-------------------|-----|
| Revenues | (in millions PhP) | (in millions PhP) | (in millions PhP) | |
| | | | | |
| Television and radio airtime | 15,131.5 | 12,380.7 | 2,750.8 | 22% |
| Production and others | 1,541.9 | 1,346.4 | 195.5 | 15% |
| | 16,673.4 | 13,727.1 | 2,946.3 | 21% |

Aided by the influx of election-driven load, nearly all airtime revenue-generating platforms outpaced last year's performances, establishing double digit advantages against comparable period. Core channel, GMA-7 topped the growth charts with a solid lead of more than ₱2.0 billion or 23% over last year. Minus the impact of political advocacies, Ch-7 still yielded a remarkable growth of 16% in sales form regular advertisers. The ratings supremacy regained by the channel during the second half of the year propelled the growth in recurring sales.

GMA News TV (GNTV-11), which was barely affected by political advocacies or advertisements also recorded its highest ever top line since it was launched ten years ago. The platform sealed 2016 with revenues up 10% versus previous year.

Radio likewise set a new milestone wrapping up with revenues higher by 19% from a year ago. Election-related placements played a crucial role in upping the revenues of the platform with more than a hundred million incremental sales.

Meanwhile, Regional TV's combined national and local sales for the year, also surpassed 2015's performance by a modest 4%. National sales contributed 57% while the balance was provided by local sales. Local sales despite contributing a smaller share in the pie, was the revenue driver for the year. Political advocacies and placements this 2016 aided the platform in achieving the sales growth against comparable period a year ago.

According to Nielsen's full year 2016 NUTAM (National Urban Television Audience Measurement) household shares, GMA was ahead of other networks in total day ratings with 36.3 percent, leading ABS-CBN's 36.2 percent and TV5's 7.8 percent.

Full year 2016 data also showed that GMA remained the undisputed number one TV network in viewer-rich Urban Luzon and Mega Manila, and reigned supreme across all dayparts, including primetime. Urban Luzon accounts for 77 percent of all urban TV households in the country, while Mega Manila represents 60 percent.

Urban Luzon continued to be a strong area for GMA as it registered 41.1 percent, beating ABS-CBN's 31.5 percent by 9.6 points and TV5's 6.9 percent by 34.2 points. GMA also remained dominant in Mega Manila with 43.2 percent, up 14.9 points from ABS-CBN's 28.3 percent and up 35.9 points from TV5's 7.3 percent.

The optimistic showing in airtime sales was likewise matched in the top line of other revenue streams. International operations and other businesses wrapped up the year ended December 31, 2016 with sales of ₱1,542 million, pitching in incremental revenues of ₱196 million or 15% more than a year ago. Propelling the increase was the surge in sales from International operations, in particular GMA Pinoy/Life TV (GPTV), which made a turn-around from last year's not so impressive results. Providing the second largest source of revenue inflow for the Company, GPTV's sales reached more than a billion, thus recording a 12% growth against comparable period in 2015. The climb was driven by the accretion in subscriber count by 8% for GPTV and GLTV with a growth of 23% over same period last year. The climb in subscriber count was fuelled by the comeback tie-up with OSN in the Middle East (OSN's partnership was revived starting April this year), as well as the launch of GMA channels on StarHub, one of the major PayTV operators in Singapore. Further, the depreciation of the peso against the dollar by an average of ₱2.01 or 4.4% this year aided in the revenue improvement of the platform.

Meanwhile, syndication activities pitched higher sales this year, exceeding last year's contribution by 36%. The revenue upswing was boosted by the licensing of format rights abroad with the likes of *My Destiny*, *Other Mrs. Real* and *Half Sisters*, to name some. In the local scene, biggest gainer in terms of revenues was GMA New Media (NMI) the Company's subsidiary in charge of converging technologies, which more than doubled its revenues from

outside sources in between years. Fresh revenues from content provisioning as well as the climb in online sponsorships were the primary sources for the increase. The Company's film production outfit, GMA Films likewise recorded a banner year in 2016 with theatrical receipts 166% more than prior period mainly on account of the box-office success of the co-production featuring *AlDub's* very first solo film, "Imagine You and Me" which raked in gross ticket sales of nearly \$\mathbb{P}200.0\$ million nationwide.

Expenses

Total operating expenses for the year amounted to P11,597 million, climbing by only a single-digit percentage of 8% versus 2015's P10,745 million. Total cash OPEX escalated by more than half a billion equivalent to 9% but was partly cushioned by the lower growth seen in non-cash spending. Program rights amortization, depreciation and other non-cash expenses only inched up by 1% in between periods.

| | 2016 | 2015 | Inc/(Dec) | % |
|---------------------------------------|-------------------|-------------------|-------------------|------|
| Production Costs | (in millions PhP) | (in millions PhP) | (in millions PhP) | |
| | | | | |
| Talent fees | 2,873.2 | 2,800.3 | 72.9 | 3% |
| Rentals and outside services | 820.6 | 731.9 | 88.7 | 12% |
| Other program expenses | 1,558.8 | 1,247.0 | 311.8 | 25% |
| Sub-total - Cash Production Costs | 5,252.5 | 4,779.1 | 473.4 | 10% |
| Program rights amortization | 836.2 | 754.6 | 81.5 | 11% |
| Depreciation and amortization | 272.2 | 308.9 | (36.7) | -12% |
| Sub-total - Non-cash Production Costs | 1,108.4 | 1,063.5 | 44.9 | 4% |
| Total production costs | 6,360.9 | 5,842.6 | 518.3 | 9% |

Comprising 55% of the Company's total OPEX, the growth in direct/production cost resulted from the growth in talent fees as well as overall increase in cost in producing high-budgeted series such as the acclaimed *fantaserye Encantadia*. There were likewise new in-house productions that further buoyed the growth in direct cost for the period. Moreover, incremental costs were incurred for this year's comprehensive election coverage which included *Eleksyon 2016* and *Pilipinas Debates 2016*. Amortization of program rights similarly netted an increase of 11% resulting from higher costing films shown this year.

Meanwhile, general and administrative expenses (GAEX) by the end of the twelve-month period this 2016 measured at ₱5,236 million, edging last year by only 7% or ₱334 million. Personnel cost drove the increase, finishing off at ₱2,993 million, ₱422 million or 16% more than prior year. This year's higher bonus payout to all qualified employees due to the remarkable performance of the Company as well as the annual merit and CBA adjustments accounted mainly for the growth. The reduction in rental fees in particular the payment to satellite provider due to the implementation of the uplink upgrade cushioned the increase in other GAEX

accounts. Outside services likewise saw a reduction mainly from the drop in Advertising and promotions particularly from lower spending for the Corporate Synergy activities in the regions.

| | 2016 | 2015 | Inc/(Dec) | % |
|-------------------------------------|-------------------|-------------------|-------------------|------|
| General and Administrative Expenses | (in millions PhP) | (in millions PhP) | (in millions PhP) | |
| | | | | |
| Personnel costs | 2,992.8 | 2,570.9 | 421.9 | 16% |
| Facilities costs | 446.3 | 341.3 | 105.0 | 31% |
| Outside services | 406.5 | 557.5 | (150.9) | -27% |
| Taxes and licenses | 178.4 | 157.2 | 21.2 | 13% |
| Others | 718.3 | 754.7 | (36.4) | -5% |
| Subtotal - Cash GAEX | 4,742.4 | 4,381.7 | 360.7 | 1% |
| Depreciation and amortization | 451.4 | 491.4 | (40.0) | -8% |
| Provision for doubtful accounts | 25.2 | 8.6 | 16.6 | 193% |
| Amortization of software costs | 17.2 | 20.7 | (3.5) | -17% |
| Subtotal - Non-cash GAEX | 493.7 | 520.7 | (27.0) | -5% |
| Total GAEX | 5,236.1 | 4,902.4 | 333.7 | 7% |

EBITDA

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the year 2016 sealed at ₱6,778 million, exhibiting a considerable growth of ₱2,139 million or 46% more than than prior year's tally of ₱4,639 million. The more than ₱2.0 billion climb in EBITDA was buoyed by the commendable increase in consolidated top line by 21% or ₱2,946 million which was met by a single-digit growth in combined cash operating expenses vs. prior year.

Net Income

The outstanding performance in sales this year and managed growth in total spending which remained one of the Company's strengths propelled net income after tax to an all-time high of ₱ 3,647 million for the full year of 2016 – a huge ₱1,521 million or 72% improvement year-on-year.

Balance Sheet Accounts

As at end-2016, the Company's total assets stood at ₱16,059 million, exhibiting an increase of 11% from December 31, 2015's ₱14,416 million.

Climbing to ₱3,419 million, cash and cash equivalents soared by a huge 58% or ₱1,259 million more than the ₱2,160 million recorded in 2015 while trade and other receivables closed at ₱ 5,270 million, 20% greater than previous year.

Total liabilities grew by 5% or ₱269 million as at end-December this year to ₱5,603 million from ₱5,333 million in 2015 mainly from the rise in pension liability by ₱542 million, coupled by the

increase in trade payables & other current liabilities and income tax payable by ₱251 million and ₱136 million, respectively.

This was partly counterbalanced by the payments of short-term loans which as at end-2016 finished off at ₱646 million from ₱1,153 million a year ago. .

Equity attributable to Parent Company stockholders of ₱10,407 million as at December 31, 2016 surged by 15% or ₱1,368 million in between years, arising from the ₱3,626 million net income attributable to Parent Company earned in 2016 subsequently offset by the dividend declared during the first half of 2016 amounting to ₱1,944 million.

| | 2016 | 2015 |
|--|-------------------|-------------------|
| Cash Flows | (in millions PhP) | (in millions PhP) |
| Net cash provided by operating activities | 4,117.9 | 3,462.4 |
| Net cash used in investing activities | (408.1) | (539.6) |
| Net cash used in financing activities | (2,490.5) | (2,392.3) |
| Effect of exchange rate changes on cash and cash equivalents | 39.4 | 30.9 |
| Net increase in cash and cash equivalents | 1,258.7 | 561.5 |
| Cash and cash equivalents at beginning of year | 2,160.3 | 1,598.8 |
| Cash and cash equivalents at end of year | 3,419.0 | 2,160.3 |

Operating Activities

Net cash from operations registered at P4,118 million in 2016. This stemmed from income before income tax of P5,208 million, adjusted mainly by depreciation expense of P724 million, program and other rights usage of P836 million, pension expense of P199 million, interest expense and financing charges of P17 million, net unrealized foreign currency exchange gain of P48 million, gain on sale of property and equipment of P27 million and amortization of software costs of P17 million apart from the changes in working capital. The primary components of the changes in working capital included the P890 million and P704 million upturn in trade and other receivables and acquisition of program and other rights, respectively, partly offset by the P235 million dip in prepaid expense and other current assets.

Investing Activities

Net cash used in investing activities amounted to ₱408 million, coming primarily from the ₱373 million and ₱71 million net additions to property and equipment and software costs, respectively. This was partly offset by the ₱30 million proceeds from sale of property and equipment.

Financing Activities

Net cash used in financing activities amounted to ₱2,491 million basically due from the loan payment of ₱1,018 million and cash dividend payout amounting to ₱1,955 million during the

year, plus some ₱18 million in interest expense netted by ₱500 million remaining proceeds from short-terms loans.

KEY VARIABLE AND OTHER QUALITATIVE OR QUANTITATIVE FACTORS

- i. Trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.
 - As of December 31, 2017, there were no known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.
- ii. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration or an obligation.
 - As of December 31, 2017, there were no events which may trigger a direct or contingent financial obligation that is material to the Company.
- iii. Material off-balance-sheet transactions, arrangements, obligations (including contingent obligations), and other relations of the company with unconsolidated entities or other persons created during the reporting period.
 - There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relations of the company with unconsolidated entities or other persons created during the reporting period.
- iv. Material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.
 - For 2018, the parent company has allotted ₱835 million for capital expenditures. This will be financed by internally-generated funds.
- v. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
 - GMA Network's results of operations depend largely on the ability to sell airtime for advertising. The Company's business may be affected by the general condition of the economy of the Philippines.
- vi. Significant elements of income or loss that did not arise from the Company's continuing operations.

As of December 31, 2017, there were no significant elements of income or loss that did arise from the issuer's continuing operations.

vii. Causes for Material Changes in the Financial Statements

Balance Sheet (December 31, 2017 vs. December 31, 2016)

- Cash and cash equivalents decrease by 33% to ₱3,419 million at year-end which is directly attributed to this year's result of operation. Net cash provided by operating activities amounted to ₱3,074 million partly netted by the net cash used in investing activities of ₱545 million and in financing activities of ₱3,734 million.
- Trade and other receivables dropped to ₱4,906 million from ₱5,270 million in 2016 as a direct impact of lower sales over collections.
- Short-term loans decreased by 23% as availments made are lower at ₱1,500 million vs. payments of ₱1,647 million.
- viii. Seasonal aspects that had a material effect on the financial condition or results of operations.

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

Interim Periods

The Company currently cannot make available the financial information for the first quarter of 2018. The Company however, undertakes to submit its SEC Form 17-Q on or before May 15, 2018 and to make the same available upon request during the Company's Annual Stockholders' Meeting.

Item 7. Financial Statements

Refer to attached copy.

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

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

Dr. Jaime C. Laya (Chairman)

Chief Justice Artemio V. Panganiban

Anna Teresa M. Gozon

Laura J. Westfall

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

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

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

AUDIT AND AUDITED RELATED FEES

The aggregate fees billed for each of the last two years for the professional services rendered by SyCip Gorres Velayo & Co. amounted to P6.3 million in 2016 and P6.3 million in 2017 (these included the fees related to financial audit and services for general tax compliance).

TAX FEES

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

ALL OTHER FEES

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

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Board of Directors, Officers and Senior Management

Under the Articles of Incorporation of the Company, the Board of Directors of the Company

comprises nine directors, two of whom are independent. The Board is responsible for the overall management and direction of the Company and meets regularly every quarter and other times as necessary, to be provided with updates on the business of the Company and consulted on the Company's material decisions. The directors have a term of one year and are elected annually at the Company's stockholders meeting. A director who was elected to fill a vacancy holds the office only for the unexpired term of his predecessor. As of March 31, 2018, the Company's Board of Directors and Senior Management are composed of the following:

| Board of Directors | | | | Senior Management | | | |
|------------------------------------|-------------|--|------------------------------------|--|------------------------------------|-----|--|
| Directors and Senior Management | Nationality | Position | Year Position was Assumed | Position | Year Position was Assumed | Age | |
| Felipe L. Gozon | Filipino | Chairman/ Director | 1975 | Chief Executive Officer | 2000 | 78 | |
| Gilberto M. Duavit | Filipino | Director | 2016 | N/A | N/A | 83 | |
| Gilberto R. Duavit, Jr. | Filipino | Director | 1999 | President/Chief Operating Officer | 2010 | 54 | |
| Anna Teresa M. Gozon | Filipino | Director/ Assistant Corporate Secretary | 2000 | N/A | N/A | 46 | |
| Joel Marcelo G. Jimenez | Filipino | Director | 2002 | N/A | N/A | 54 | |
| Laura J. Westfall | Filipino | Director | 2002 | N/A | N/A | 50 | |
| Felipe S. Yalong | Filipino | Director/ Corporate Treasurer | 2002 | Executive Vice President/Chief Financial Officer | 2011 | 61 | |
| Roberto Rafael V. Lucila | Filipino | Corporate Secretary | 2017 | N/A | N/A | 62 | |
| Marissa L. Flores | Filipino | N/A | N/A | Senior Vice President, News and Public Affairs | 2004 | 54 | |
| Ronnie P. Mastrili | Filipino | N/A | N/A | Senior Vice President for Finance and ICT | 2013 | 52 | |
| Lilybeth G. Rasonable | Filipino | N/A | N/A | Senior Vice President for Entertainment TV | 2013 | 54 | |
| Artemio V. Panganiban | Filipino | Independent Director | 2007 | N/A | 2007 | 81 | |
| Jaime C. Laya | Filipino | Independent Director | 2007 | N/A | 2007 | 79 | |
| Elvis B. Ancheta | Filipino | N/A | N/A | Senior Vice President and Head, Engineering Group; Head, Transmission and Regional Engineering Department | 2014 | 51 | |
| Lizelle G. Maralag | Filipino | N/A | 2016 | Chief Marketing Officer | 2016 | 52 | |

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

Felipe L. Gozon, Filipino, 78 years old, is the Chairman of the Board of Directors and Chief Executive Officer of GMA Network, Inc.

Atty. Gozon is a Senior Partner at the Law Firm of Belo Gozon Elma Parel Asuncion & Lucila. He is also the Chairman of the Board/President/CEO of various companies including GMA Holdings, Inc., Citynet Network Marketing & Productions, Inc., RGMA Network, Inc., Alta

Productions Group, Inc., GMA New Media, Inc., Media Merge Corporation, Digify, Inc., RGMA Marketing & Productions, Inc., Philippine Entertainment Portal, Inc., Script2010, Inc., FLG Management and Development Corporation, Gozon Development Corporation, Vista Montana Realty Development, Inc., Mont-Aire Realty and Development Corporation, BGE Holdings, Inc., Kenobe, Inc., Jeata Holdings and Management, Inc., Vitezon, Inc., Palawan Power Generation, Inc., Catanduanes Power Generation, Inc., Sycamore International Shipping Corp., Lex Realty, Inc., Justitia Realty & Management Corp., Gozon Foundation, Inc., GMA Kapuso Foundation, Kapwa Ko Mahal Ko Foundation, Inc., and The Potter and Clay Christian School Foundation, Inc.

Atty. Gozon is also a Director of GMA Worldwide, Inc., GMA Films, Inc., Antipolo Agri-Business & Land Dev. Corp., and Chamber of Commerce of the Philippine Islands. He is a Trustee of the Philippine Center for Entrepreneurship Foundation, Inc., and Environmental Heroes Foundation, Inc. He is also an Advisory Board Member of the Asian TV Awards (2010 to present).

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

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

Gilberto R. Duavit, Jr., Filipino, 54 years old, is the President and Chief Operating Officer of the Network. He has been a Director of the Company since 1999 and is currently the Chairman of the Network's Executive Committee. Aside from GMA Network, Inc., he is the Chairman of the Board of GMA Network Films, Inc. and GMA Worldwide, Inc. He also serves as President and CEO of GMA Holdings, Inc., RGMA Marketing and Productions, Inc., Film Experts, Inc., and Dual Management and Investments, Inc. He is the President and a Director of Group Management and Development, Inc.; President and Director of MediaMerge Corp., Citynet Network Marketing and Productions, Inc.; Director of RGMA Network, Inc., GMA New Media, Inc., Alta Productions Group, Inc., Optima Digital, Inc., and Mont-Aire Realty and Development Corp. He also serves as the President and a Trustee of GMA Kapuso Foundation, Inc. and a Trustee of the Guronasyon Foundation, Inc. and the HERO Foundation.

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

Joel Marcelo G. Jimenez, Filipino, 54 years old, has been a Director of the Company since 2002. He is currently the Vice Chairman of the Executive Committee of GMA Network, Inc., President and CEO of Menarco Holdings, and the Chief Executive Officer of Alta Productions, Inc. He is a Director of RGMA Network, Inc., GMA New Media, Inc., Scenarios, Inc., and GMA Worldwide, Inc., besides also being a member of the Board of Directors of Malayan Savings and Mortgage Bank, and Unicapital Securities, Inc. He is also a Director of Nuvoland Philippines, a real-estate development company. He is a Trustee of GMA Kapuso Foundation, Inc.

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

Felipe S. Yalong, Filipino, 61 years old, is the Executive Vice President and Chief Financial Officer of GMA Network, Inc. He is also the Head of the Corporate Services Group of the Network. He has been a Director of the Company since 2002. Aside from GMA Network, Inc., he also serves as Director and Corporate Treasurer of GMA Holdings, Inc., Scenarios, Inc., and GMA Network Films, Inc.; Director of Unicapital, Inc., and Majalco Finance and Investments, Inc.; Corporate Treasurer of RGMA Network, Inc., MediaMerge Corp.; Executive Vice President of RGMA Marketing and Productions, Inc.; and Corporate Treasurer of the Board of Trustees of GMA Kapuso Foundation, Inc..

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

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

Anna Teresa M. Gozon, Filipino, 46 years old, has been a Director of the Company since 2000. She graduated valedictorian from grade school and high school at Colegio San Agustin. She graduated cum laude, BS Management Engineering from Ateneo de Manila University and obtained her Bachelor of Laws degree from the University of the Philippines where she graduated valedictorian, cum laude. She later obtained her Master of Laws from Harvard University.

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

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

Gilberto M. Duavit, Sr., Filipino, 83 years old, was elected to the Company's Board of Directors in 2016.

Atty. Duavit was the founding Chairman of GMA Network, Inc. in 1974-1976 and was a former Director of the Company in 1977. He is one of the pillars behind the rebirth of Republic Broadcasting System (RBS)-TV Channel 7 in the 1970s.

He is currently the Chairman and Chief Executive Officer of Group Management and Development, Inc. and the Chairman of Guronasyon Foundation, Inc., an organization which recognizes remarkable teachers in the province of Rizal.

Atty. Duavit was elected as member of the 9th, 10th, and 11th Congresses, representing the 1st District of Rizal. During his tenure in Congress, he served as Senior Assistant Minority Floor Leader (10th Congress) and Chairman of the House Committee of Appropriations (11th Congress) after becoming a member of the same House Committee (9th and 10th Congress). He had likewise served as a member of various House Committees including Constitutional Amendments, Education and Culture, Housing and Urban Development, Public Works and Highways, and Banks and Financial Intermediaries, and was cited as One of the Ten Most Outstanding Congressmen in the 9th, 10th, and 11th Congresses.

He was also formerly Assistant Executive Secretary for Social, Political, Legal, and Economic Affairs (1966-1970) and Acting Executive Secretary, Office of the President (1969), and was twice awarded the Presidential Merit Award in 1967 and 1968.

Atty. Duavit was a delegate to the 1971 Constitutional Convention, representing the 2nd district of Rizal, and became President of the Philippine Constitutional Association or PHILCONSA (1970). He served as Executive Director of the National Youth and Sports Development Foundation of the Philippines (1978), and as Senior Deputy Minister of the Ministry of Youth and Sports Development (1974-1978). He was also a member of the Batasang Pambasa, representing the Southern Tagalog Region from 1978 to 1984.

Aside from GMA, he was also Chairman/Director of various firms and companies, among them Permastress Industries, Inc., Unistress Concrete Systems, Inc., Sagittarius Condominium Corporation, and Mar Fishing Company, Inc. Atty. Duavit earned his Bachelor of Arts and Law degree from the University of the East Manila, and holds a Doctorate degree in Humanities from the University of Rizal System.

Laura J. Westfall, Filipino, 50 years old, has been a Director of the Company since 2000. She held the following positions in the Company — Senior Vice President of Corporate and Strategic Planning and Senior Vice President for Finance. In addition, she has served as Chairperson and President of GMA New Media. Prior to joining the Company, she worked for BDO Seidman – Los Angeles, an international audit and management consulting firm. She currently holds various positions in the Menarco Group of Companies and serves as Board Member of Coffee Bean and Tea Leaf Philippines and Museo Pambata.

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

Chief Justice Artemio V. Panganiban, Filipino, 81 years old, has been an Independent Director of the Company since 2007. In 1995, he was named a Justice of the Supreme Court and in 2005, he was appointed Chief Justice of the Philippines — a position he held until December 2006. At present, he is also an Independent Director of these listed firms: First Philippine Holdings Corp., Metro Pacific Investments Corp., Manila Electric Company, Robinsons Land Corp., GMA Holdings, Inc., Philippine Long Distance Telephone Co., Petron Corporation, Asian Terminals, and a regular Director of Jollibee Foods Corporation. He is also an Adviser of Metropolitan Bank and Bank of the Philippine Islands (BPI), Chairman, Board of Advisers of Metrobank Foundation, Adviser of Double Dragon Properties, Chairman of the Board of the Foundation for Liberty and Prosperity, President of the Manila Cathedral Basilica Foundation, Chairman Emeritus of Philippine Dispute Resolution Center, Inc., and Member, Advisory Board of the World Bank (Philippines) and of the Asian Institute of Management Corporate Governance Council. Recently, he was named a Member of the Permanent Court of Arbitration based in The Hague, Netherlands. He also is a column writer of The Philippine Daily Inquirer.

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

He obtained his Associate in Arts, "With Highest Honors" and later his Bachelor of Laws, with cum laude and "Most Outstanding Student" honors from the Far Eastern University. He placed

sixth among more than 4,200 candidates who took the 1960 Bar examinations. He is likewise the recipient of several honorary doctoral degrees from various universities.

Jaime C. Laya, Filipino, 79 years old, has been an independent Director of GMA Network, Inc. since 2007. He is the Chairman and President of Philippine Trust Company (Philtrust Bank), Director of Ayala Land, Inc., Manila Water Company, Inc., Philippine AXA Life Insurance Company, Inc., and Charter Ping An Insurance Corporation. He also serves as Chairman of Don Norberto Ty Foundation, Inc. and Escuela Taller de Filipinas Foundation, Inc.; Trustee of St. Paul University - Quezon City, Cultural Center of the Philippines, Metropolitan Museum of Manila, Yuchengco Museum, Fundación Santiago, Inc., Ayala Foundation, Inc., and other organizations. He writes a weekly column for the *Manila Bulletin*.

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

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

Roberto Rafael V. Lucila, Filipino, 61 years old, has been the Corporate Secretary of the Company since March 27, 2017. He is a co-managing partner/senior partner of the Law Firm of Belo Gozon Elma Parel Asuncion & Lucila. He currently sits as director in the Philippine affiliates of certain European and American companies in the Philippines namely, eMerchant Asia Inc., eMerchant Pay Asia Inc., Evonik (Philippines) Inc., Time-Life International (Phil.) Inc. and MeteoGroup Philippines Inc. as well as a member of the Board of Regents of the Bicol University. He is the Chairman and President of Lucilex, Inc. and the President of Assetlex Development Corporation, Inc., eMerchant Asia Inc., and eMerchant Pay Asia Inc., He is a Court of Appeals Mediator and serves as a Trainor for the Court of Appeals Mediation Training Program. He is presently a lecturer for Constitutional Law at the University of the Philippines, College of Law and the University of Asia and the Pacific, School of Law and Government. He was also a lecturer at the University of the Philippines College of Business Administration, San Sebastian College Institute of Law and Lyceum College of Law as well as in local and international conferences such as the Integrated Bar of the Philippines (IBP) National Convention in 2010, Avenue Capital Global Investor Conference in 2005, and The Law Association for Asia and the Pacific (LAWASIA) Conference in 1997. He was OIC for the Legal Department of GMA Network, Inc. from 2001 to 2004 and Office of the President of Express Telecommunications, Inc. in 1998. He represented the Avenue Asia Capital Group and Avenue Capital Group as member of the Board of Directors of Citra Metro Manila Tollway Corporation (CMMTC) from 2004 thru 2012.

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

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

Marissa L. Flores, Filipino, 54 years old, is the Senior Vice President for News and Public Affairs, a position she has held since 2004. She joined the Company in 1987 as a researcher for public affairs documentaries and special reports and held the positions of Assistant Vice President for Public Affairs, Vice President for Production – News and Public Affairs before her appointment to her current position.

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

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

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

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

Ronaldo P. Mastrili, Filipino, 52 years old, is the Senior Vice President of GMA's Finance and ICT Departments. He obtained his Bachelor of Science in Business and Economics Degree, Major in Accounting from De La Salle University. He attended the Master in Business Administration Program from the same university and completed the Executive Development Program of the Asian Institute of Management. He is a Certified Public Accountant with expertise in the fields of accounting, auditing, finance, taxation and general management. He was formerly the Assistant Vice President of Controllership of ABS-CBN and also served as its Group Internal Auditor before joining GMA Network in March 2001. He also worked with SGV and Co. in the early part of his career. Mr. Mastrili concurrently holds key positions in GMA Subsidiaries namely: Comptroller/Chief Accounting Officer of GMA Holdings, Treasurer of Alta Productions, Director of Script2010 and GMA Kapuso Foundation, and Comptroller of GMA Films, GMA Kapuso Foundation and GMA Worldwide.

Lilybeth G. Rasonable, Filipino, 54 years old, is the Senior Vice President of the Entertainment Content Group of GMA Network, Inc. She is mainly responsible for the production of entertainment programs of the Network.

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

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

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

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

Elvis B. Ancheta, Filipino, 51 years old, is GMA Network's Senior Vice President and Head of Engineering Group. He is concurrently the Head of Transmission and Regional Engineering Department of the Network.

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

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

Lizelle G. Maralag, Filipino, 52 years old, is GMA Network's Chief Marketing Officer. She is responsible for driving revenue growth and marketing innovation within all media platforms of the Network, including GMA's TV and radio stations as well as the Network's international channels. Under her leadership, GMA became the only Philippine broadcast company with the most number of local and global marketing awards.

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

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

Significant Employees

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

Family Relationships

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

Involvement in Certain Legal Proceedings

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

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

Resignation of Directors

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

Item 10. Executive Compensation

(a) CEO and Top 5 Compensated Executive Officers:

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

Name and Position

Felipe L. Gozon

Chairman and CEO

Gilberto R. Duavit, Jr.

President and COO

Executive Vice President and Concurrent Group Head, Corporate Services Group and Chief Financial Officer

Marissa L. Flores

Senior Vice President, News and Public Affairs

Lizelle G. Maralag

Chief Marketing Officer, Sales and Marketing Group

Rizalina D. Garduque Vice President, Sales – News and Public Affairs and

Regional TV

| | | Annual Salaries | 13th Month and Bonuses | Total |
|--|-----------------|-----------------|------------------------|-----------|
| | Year | (in thousands) | (in thousands) | |
| | 2015 | 105,700.4 | 72,452.0 | 178,152.4 |
| CEO and Top 5 Highest Compensated Officers | 2016 | 127,348.3 | 158,525.0 | 285,873.2 |
| | 2017 | 144,348.5 | 131,232.1 | 275,580.6 |
| | 2018 (estimate) | 150,122.4 | 136,481.3 | 286,603.8 |
| | | | | |
| | 2015 | 156,399.9 | 90,808.5 | 247,208.4 |
| Aggregate compensation paid to all officers and directors as a group | 2016 | 196,896.4 | 197,604.4 | 394,500.8 |
| | 2017 | 223,700.6 | 167,779.8 | 391,480.4 |
| | 2018 (estimate) | 232,648.6 | 174,491.0 | 407,139.6 |

(a) Directors and other Executive Officers

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

alike. The remaining one and a half percent (1.5%) shall be allocated to the members of the Executive Committee to be distributed share and share alike.

Employee Stock Ownership Plan ("ESOP")

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

The security ownership of certain record and beneficial owners of more than 5% as of March 31, 2018 are as follows:

| Title | Name and Address of | Citizenship | Record / | No. of shares | Percent |
|----------|---|-------------|---|---------------|---------|
| Of class | Beneficial Owner | Citizensinp | Beneficial | Held | Owned |
| Common | GMA Holdings, Inc. ⁶ | | | | |
| | Unit 5D Tower One, One McKinley Place, Bonifacio Global City | Filipino | PCD Nominee Corporation | 815,392,400 | 24.23% |
| Common | Group Management & Development Inc. No. 5 Wilson St., San Juan, Metro Manila | Filipino | The Record Owner is the Beneficial Owner | 789,813,389 | 23.47% |
| Common | FLG Management & Development Corporation ⁸ 16/F Sagittarius Condo 1, HV Dela Costa Street, Salcedo Village, Makati City | | The Record Owner is the Beneficial Owner | 677,213,227 | 20.13% |

⁶ The Board of Directors of GMA Holdings, Inc. has the power to decide how the shares owned in the Company are to be voted and has authorized Felipe L. Gozon and/or Gilberto R. Duavit, Jr. to vote on the company's shares in GMA Network, Inc.

⁷ The Board of Directors of Group Management & Development, Inc. has authorized Gilberto R. Duavit, Jr. to vote on the common and preferred shares of the company in GMA Network, Inc.

⁸ The Board of Directors of FLG Management & Development Corporation has authorized Felipe L. Gozon to vote on the common and preferred shares of the company in GMA Network, Inc.

| Common | M.A. Jimenez Enterprises, Inc. | | The Record | | |
|------------|---|------------|----------------------------|---------------|---------|
| | | | Owner is the | | |
| | 2/F Sagittarius Condominium, H. V. De la | Filipino | Beneficial | 453,882,095 | 13.49% |
| | Costa St., Salcedo Village, Makati City ⁹ | | Owner | | |
| | 70 | | | | |
| Common | Television International Corporation ¹⁰ | | The Record | | |
| | 2/F Sagittarius Condominium, H. V. De la | Filipino | Owner is the Beneficial | 334,378,037 | 9.94% |
| | Costa St., Salcedo Village, Makati City | т шршо | Owner | 334,370,037 | 9.94 70 |
| | Total Comn | non Shares | | | |
| | 3,070,6 | 79,148 | | | |
| | 91.2 | :6% | | | |
| | | | | | |
| Preferred | Group Management & Development Inc. | | The Record | | |
| | No 5 Wilson Ct. Con Juan Matra Manile | Tilinin a | Owner is the | 2 025 025 200 | 25.040/ |
| | No. 5 Wilson St., San Juan, Metro Manila | Filipino | Beneficial Owner | 2,625,805,308 | 35.01% |
| | | | Owner | | |
| Preferred | FLG Management & Development | | The Record | | |
| | Corporation | | Owner is the | | |
| | 16/F Sagittarius Condo 1, HV Dela Costa | Filipino | Beneficial | 2,181,898,644 | 29.09% |
| | St., Salcedo Village, Makati City | | Owner | | |
| Preferred | M.A. Jimenez Enterprises, Inc. | | The Record | | |
| 1 10101100 | with a minorial Emorphicae, me. | | Owner is the | | |
| | 2/F Sagittarius Condominium, H. V. De la | Filipino | Beneficial | 1,508,978,826 | 20.12% |
| | Costa St., Salcedo Village, Makati City | | Owner | | |
| Preferred | Television International Corporation | | The Record | | |
| | • | | Owner is the | | |
| | 2/F Sagittarius Condominium, H. V. De la Costa St., Salcedo Village, Makati City | Filipino | Beneficial Owner | 1,111,661,610 | 14.82% |
| | Total Prefer | red Shares | | | |
| | | | | | |
| | 7,428,3 | 44,388 | | | |

_

⁹ The Board of Directors of M.A. Jimenez Enterprises, Inc. has authorized Joel Marcelo G. Jimenez and/or Laura J. Westfall to vote on the common and preferred shares of the company in GMA Network, Inc.

¹⁰ The Board of Directors of Television International Corporation has authorized Joel Marcelo G. Jimenez and/or Laura J. Westfall to vote on the common and preferred shares of the company in GMA Network, Inc.

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

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

Security Ownership of Management as of March 31, 2018:

As of March 31, 2018, the Company's directors and senior officers owned an aggregate of 7,448,541 common shares of the Company, equivalent to 0.2210% of the Company's issued and outstanding common capital stock and 46,944 preferred shares equivalent to 0.00% of the Company's issued and outstanding preferred capital stock.

| Stockholder Name | Position | Citizenship | Record / Beneficial (R/B) | No. of Common Shares Held | Percent of Common Shares | No. of Preferred Shares Held | Percent of Preferred Shares |
|----------------------------|---|-------------|---------------------------------|------------------------------------|--------------------------------|---------------------------------------|-----------------------------------|
| Anna-Teresa M. Gozon | Director/Assistant Corporate Secretary | Filipino | R/B | 3 | 0.01% | 6 | 0.00% |
| Gilberto R. Duavit Jr. | Director/Pres. and COO | Filipino | R/B | 4,007,005 | 0.11% | 12 | 0.00% |
| Felipe L. Gozon | Director/Chairman and CEO | Filipino | R/B | 3,181 | 0.00% | 26,880 | 0.00% |
| Joel Marcelo G. Jimenez | Director | Filipino | R/B | 325,003 | 0.01% | 6 | 0.00% |
| Gilberto M. Duavit | Director | Filipino | R/B | 8,345 | 0.00% | 20,028 | 0.00% |
| Laura J. Westfall | Director | Filipino | R/B | 2 | 0.00% | 6 | 0.00% |

| Felipe S. Yalong | Director/Executive Vice-President/Chief Financial Officer | Filipino | R/B | 1,613,000 | 0.03% | 6 | 0.00% |
|-----------------------------|---|----------|-----|-----------|---------|---|-------|
| Jaime C. Laya | Independent Director | Filipino | R/B | 294,001 | 0.0087% | 0 | 0.00% |
| Artemio V. Panganiban | Independent Director | Filipino | R/B | 200,001 | 0.00% | 0 | 0.00% |
| Roberto Rafael V. Lucila | Corporate Secretary/Complianc e Officer | Filipino | R/B | 12,000 | 0.00% | 0 | 0.00% |
| Marissa L. Flores | Senior Vice President – News and Public Affairs | Filipino | | 474,000 | 0.00% | 0 | 0.00% |
| Ronaldo P. Mastrili | Senior Vice President – Finance and ICT | Filipino | R/B | 354,000 | 0.0054% | 0 | 0.00% |
| Lilybeth G. Rasonable | Senior Vice President – Entertainment TV | Filipino | R/B | 158,000 | 0.00% | 0 | 0.00% |
| Elvis B. Ancheta | Senior Vice President and Head, Engineering Group; Head, Transmission and Regional Engineering Department | Filipino | | 0 | 0.00% | 0 | 0.00% |
| Lizelle G. Maralag | Chief Marketing Officer | Filipino | | 0 | 0.00% | 0 | 0.00% |

Voting Trust Holders of 5% or more

The Company is unaware of any persons holding more than 5% of shares under a voting trust or similar agreement.

Changes in Control

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

Item 12. Certain Relationships and Related Transactions

Advances to Affiliates

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

The Company made advances to Mont-Aire in the amount of P121.4 million as of December 31, 2004. Of such advances, the Company converted the amount of P38.3 million into P38.3 million worth of common shares of Mont-Aire. Simultaneously, the other shareholders of Mont-Aire, namely, Group Management and Development, Inc., Television International Corporation and FLG Management and Development Corporation converted advances in the aggregate amount of P23.5 million made by them to Mont-Aire into P23.5 million worth of common shares of Mont Aire. The SEC approved the conversion of the advances into equity on February 17, 2006. The Company owns 49% of Mont-Aire, with the remaining 51% being owned by the Duavit family, Gozon family and Jimenez family. Mont-Aire is a real estate holding company whose principal property is a 5.3 hectare property located in Tagaytay, Cavite. Such property is not used in the broadcasting business of the Company. As of December 31, 2017 and 2016, Mont-Aire has had advances owing to the Company in the amount of P88.2 million and P87.9 million, respectively. Please see Note 20 of the Company's financial statements.

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

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

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

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

Belo Gozon Elma Parel Asuncion & Lucila Law Office

The Company and the law firm of Belo Gozon Elma Parel Asuncion & Lucila entered into a retainer agreement in 1993 under which Belo Gozon Elma Parel Asuncion & Lucila was engaged by the Company as its external counsel. As such external counsel, Belo Gozon Elma

Parel Asuncion & Lucila handles all cases and legal matters referred to it by the Company. Other than Felipe L. Gozon, who is part of the Gozon Family, one of the principal shareholders of the Company, and director of the Company since 1975, some of the lawyers of Belo Gozon Elma Parel Asuncion & Lucila eventually assumed certain positions and functions in the Company either in their individual capacities or as part of the functions of Belo Gozon Elma Parel Asuncion & Lucila as the Company's external counsel. Please see Note 20 of the Company's financial statements.

Item 13. Corporate Governance

Please refer to the Annual Corporate Governance Report of the Company as of 2017.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

Exhibit 1 - Financial Statements

- (b) Reports on SEC Form 17-C
 - Notice of Annual Stockholders Meeting filed on the 26th of January
 - Clarification of News Reports "Senate OK's Smart, GMA franchise extension" filed on the 14th of March
 - Results of Special Board Meeting filed on the 27th of March
 - Declaration of Cash Dividends filed on the 27th of March
 - Appointment of Atty. Roberto Rafael V. Lucila as the Company's Corporate Secretary filed on the 27th of March
 - Press Release "GMA Network declares P 3.548B cash dividends" filed on the 28th of March
 - (Amended to reflect the shareholdings of Atty. Roberto Rafael V. Lucila) Appointment of Atty. Roberto Rafael V. Lucila as the Company's Corporate Secretary filed on the 28th of March
 - *Notice of Analysts'/Investors' Briefing filed on the 2nd of May

- *Results of Board Meeting "Acceptance of the new legislative franchise" filed on the 4th of May
- Presentation Materials used during the Financial Briefing filed on the 15th of May
- Press Release and other disclosures made during the Financial Briefing filed on the 15th of May
- Results of Annual Stockholders' Meeting filed on the 17th of May
- Results of Organizational Meeting of Board of Directors filed on the 17th of May
- Press Release "GMA Network ups recurring revenues by 6 percent in H1 2017" filed on the 14th of August
- Press Release "GMA Network posts higher recurring revenues of P11.796 Billion in 9M 2017 filed on the 20th of November

SIGNATURES

| Pursuant to the requirements Code, this report is signed authorized, in the City of | on hehalf of the | issuer by the unde | ersigned thereunto duly |
|---|---|--|--|
| By: Attylet FELIPE L. GOZON | | RONALDO P. I | |
| GILBERTO R. DUAVIT, JR Principal Operating Officer | ' , | - Land | ALONe |
| | ROBERTO RAFAE Corporate Se | cretary | R 1 2 2018 |
| SUBSCRIBED AND ST exhibiting to me their Passport | | | 2018 affiants |
| Names Felipe L. Gozon Gilberto R. Duavit, Jr. Felipe S. Yalong Ronaldo P. Mastrili Roberto Rafael V. Lucila | Passport No. P3551628A SSS# 33-1841930 P2459589A Driver's License SSS# 34-1440243- | Date of Issue July 3, 2017 March 27, 2017 N15-83-035933 | Place of Issue DFA, Manila DFA, Manila |
| Doc. No | Notary Pub Until De PTR No. 552 IBP LIFE | NSTARY P RIMOND C. ROUS lic for Quezon City cember 31, 2018 21227 / 01-3-18/ Q.C. IME NO. 00315 769 / TIN. 142-154-935 | UBLIC |

MCLE 5 Comp.00001549; 1-22-214 Adm. Matter No.156 / RTO-QC / 2017-2018



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

April 5, 2018

Securities and Exchange Commission Secretariat Building, PICC Complex Roxas Boulevard, Pasay City, 1307

The management of GMA Network, Inc. and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, including the schedules attached therein, in accordance with the Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

FELIPE L. GOZON
Chairman of the Board
Chief Executive Officer

GILBERTO R. DUAYIT, JR.

President

Chief Operating Officer

Executive Vice President Chief Financial Officer

'APR 1 2 2018

SUBSCRIBED AND SWORN to before me this _____ day of ____ at _____ affiants exhibited to me their (Felipe L. Gozon) TIN 106-174-605, (Gilberto R. Diswit Cr.) Fin 158-147-748 and (Felipe S. Yalong) TIN 102-874-052.

Book No. ____ GMA NETWORK, INC. | IBP Lin Linie No. 00315 |
Book No. ____ | GMA NETWORK, INC. | IBP Lin Linie No. 00315 |
ROLL No. 25769 / TIN. 142-154-935 |
Series of 2946 Network Center, EDSA cor. Timog Ave., Diliman, Quezon City 1103 Philippines 22-214

Telephone No.: (632) 982-7777drn. Matter No.156 / RTC-QC / 2017-2018

COVER SHEET

for **AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

| | | | | | | | | | | | | | | | | | | | | | | | | | | 5 | 2 | 1 | 3 |
|--------|---|-----|---------|------------------|----------|--------|----------------|--------------------|-------------------|----------|----------------|---------|------------------------|--------|-------|---------|---------|-------|----------|---|------|-------|--------|--------|-----------------|------|----------------------------|------|--------|
| | | | | | | _ | | | | | | | | | | | | | | | | | | | | | | | |
| G | M | | NY | N | A IV | Т | W | 0 | R | K | , | | I | N | C | | | A | N | D | | S | U | В | S | I | D | I | A |
| | | l | 6 | - 1 | _ | | '' <u></u> | | | | ' | | | | | | | | - ` | | | ~ | | | ~ | | | _ | |
| R | I | E | S | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | -10 | - / • | 1- /0 | N1 | / D - · · · | | . / 0:4 | . / T - | // | | \ | | | | | | | | | | | | | | | |
| G G | M | | . OF | N | e (^ | t t | w | / вага о | angay r | k | // 10 | Wn / F | Provin e | n ce) | t | e | r | | | T | i | m | 0 | g | | A | v | e | n |
| | | 1 . | | | | | | | • | l | <u> </u> | | l | | | | | , | | | | | | | | | • | | |
| u | е | | С | 0 | r | n | е | r | | Е | D | S | A | , | | Q | u | е | Z | 0 | n | | C | i | t | У | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | F | T | | | | | | | | D | | | | . 415 | | | | | | ٥- | | | | T | I£ A. | !: | - I-I- |
| | | A | C | Type F | S |] | | | | | | Бера | artmei | SI | | the r | ероп | | | | | Se | | | | | , If A _l abl | | ible |
| | | 11 | | | ט | | | | | | | | | 51 | | | | | | | | | | 101 | ¹ YP | рпс | abi | | |
| | | | | | | | | | (| СО | M F | AI | N Y | 1 1 | l F (|) R | M A | TI | 0 1 | ı | | | | | | | | | |
| | | | Com | pany's | s Ema | ail Ad | dress | | | - | | Com | ipany' | s Tel | ephor | ne Nu | mber | | | | | | Mobi | le Nu | mber | | | | |
| | | | No | ot a | ppl | ical | ole | | | | | | 9 | 82- | 777 | 7 | | | | | | No | ot a | ppl | icał | ole | | | |
| | | | N | o. of S | Stock | holda | re | | | | | Δnn | ual M | aatino | n (Mo | nth / l | Jav) | | | | | Fisc | al Yea | ar (Mc | nth / | Day) | | | |
| | | | - 11 | | ,99 | | 10 | | | | | AIIII | uai ivi | | 17 | 11017 | Jay) | |] | | | 1 130 | | 2/3 | | Day | | |] |
| | | | | | <i>y</i> | | | | | J | <u> </u> | | | | | | | | j | | | | | | | | | |] |
| | | | | | | | | | | | | | PE | | | | | | | | | | | | | | | | |
| | | Nam | ne of I | Conta | ct Pe | rson | | Th | e des | ignate | ed co | | perso mail <i>A</i> | | | e an (| Officer | of th | | | | umbe | r/s | | | Mohi | le Nu | mher | |
| | | | | S. Y | | | | | | FS | SY | | nan | | | .co | m | | | | 8-51 | | 170 | | | | ppli | | |
| | | | | | | - | | | ļ | <u> </u> | | <i></i> | | | | | | ļ | <u> </u> | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | _ |

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

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission

and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.





SyCip Gorres Velayo & Co. Tel: (632) 891 0307 6760 Ayala Avenue 1226 Makati City Philippines

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

BOA/PRC Reg. No. 0001, December 14, 2015, valid until December 31, 2018 SEC Accreditation No. 0012-FR-4 (Group A), November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of GMA Network, Inc. and subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter identified, our description of how our audit addressed the matter is provided in that context.





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

(1) Advertising Revenue Recognition

The Group derives a significant portion of its revenue from television advertising, which represents 87% of the consolidated revenue for the year ended December 31, 2017. This matter is significant to our audit given the large volume of transactions processed daily and the highly automated airtime revenue process with multiple information technology (IT) interfaces from initiation to reporting. Further, there are different rates applicable depending on the time slot when the advertisements are aired which are adjusted by discounts granted by the Group on a case-by-case basis as indicated in the telecast orders. Lastly, there are variations in the timing of billings which are made depending on when the advertisements are aired.

See Note 3 to the consolidated financial statements for the Group's revenue recognition policy and Note 21 for the details about the Group's net revenues.

Audit Response

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

(2) Recoverability of Receivables

The Group's receivables consist mainly of receivables from advertisers, which accounts for 29% of total consolidated assets. The appropriateness of the provision for doubtful accounts on these receivables is a key area requiring judgment and estimates from the management. The Group determines the allowance for doubtful accounts based on impairment assessments of individual advertiser balances. Individual balances for which there is no objective evidence of impairment are assessed collectively by applying a loss rate determined based on a five-year average of historical losses. The individual impairment assessment is an inherently uncertain process involving various assumptions and factors about the financial condition of the advertiser, estimates of amounts still collectible and, for the collective assessment, the loss rate used. These assumptions could be significantly different from actual credit losses.

See Note 3 to the consolidated financial statements for the Group's policy on impairment of receivables, Note 7 for details about the Group's receivables and allowance for doubtful accounts and Note 30 on the credit risk on receivables.





Audit response

For the provision for doubtful accounts calculated on an individual basis, we selected a sample of impaired receivables and obtained an understanding of the advertisers' financial condition. We also tested the assumptions underlying the impairment identification and the quantification of the recoverable amount. This was done by checking the payment history or collection experience from the customer, including payments made subsequent to year-end, the length of the Group's relationship with customers, customers' current credit status and average age of accounts.

For provision for doubtful accounts calculated on a collective basis, we tested management's calculation and management's inputs to the calculation, including the historical loss rates. This was done by comparing the details of the receivables information used in the calculation of loss rates to the Group's records and subsidiary ledgers, validating the delinquency age buckets of the receivables and re-performing the calculation of the provision for doubtful accounts.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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





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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.
 We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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





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

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

The engagement partner on the audit resulting in this independent auditor's report is Marydith C. Miguel.

SYCIP GORRES VELAYO & CO.

Marydith C. Miguel
Marydith C. Miguel

Partner

CPA Certificate No. 65556

SEC Accreditation No. 0087-AR-4 (Group A),

May 1, 2016, valid until May 1, 2019

Tax Identification No. 102-092-270

BIR Accreditation No. 08-001998-55-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 6621301, January 9, 2018, Makati City

April 5, 2018



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

| | | December 31 |
|--|-----------------|------------------------|
| | 2017 | 2016 |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents (Notes 6, 30 and 31) | ₽2,279,838,495 | ₱3,419,014,205 |
| Trade and other receivables (Notes 7, 20, 30 and 31) | 4,905,864,211 | 5,270,306,881 |
| Program and other rights (Note 8) | 1,140,223,422 | 860,369,128 |
| Prepaid expenses and other current assets (Note 9) | 868,750,195 | 833,817,514 |
| Total Current Assets | 9,194,676,323 | 10,383,507,728 |
| Noncurrent Assets | | |
| Property and equipment: | | |
| At cost (Note 12) | 2,664,340,975 | 2,776,484,984 |
| At revalued amounts (Note 13 and 31) | 1,806,511,193 | 1,805,146,475 |
| Available-for-sale (AFS) financial assets (Notes 10, 30 and 31) | 245,741,881 | 243,391,881 |
| Investments and advances (Notes 11 and 20) | 151,103,271 | 150,835,949 |
| Program and other rights (Note 8) | 205,914,090 | 200,262,381 |
| Investment properties (Notes 14 and 31) | 51,048,514 | 53,314,111 |
| Deferred income tax assets - net (Note 28) | 291,169,389 | 291,512,030 |
| Other noncurrent assets (Notes 15, 30 and 31) | 182,608,646 | 154,319,976 |
| Total Noncurrent Assets | 5,598,437,959 | 5,675,267,787 |
| FOTAL ASSETS | ₽14,793,114,282 | ₱16,058,775,515 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities Trade payables and other current liabilities (Notes 16, 20, 30 and 31) | ₽2,386,901,598 | ₽ 2,441,945,601 |
| Short-term loans (Notes 17, 30 and 31) | 500,000,000 | 646,360,000 |
| Income tax payable | 346,686,304 | 496,104,301 |
| Obligations for program and other rights (Notes 18, 30 and 31) | 139,571,493 | 76,847,692 |
| Dividends payable (Notes 19, 30 and 31) | 15,437,102 | 12,705,059 |
| Total Current Liabilities | 3,388,596,497 | 3,673,962,653 |
| | , , , | , , , |
| Noncurrent Liabilities | 1 (80 188 100 | 1 (44 222 545 |
| Pension liability (Note 26) | 1,670,157,190 | 1,644,323,747 |
| Other long-term employee benefits (Note 26) | 284,654,028 | 284,556,515 |
| Total Noncurrent Liabilities | 1,954,811,218 | 1,928,880,262 |
| Total Liabilities | ₽5,343,407,715 | ₽5,602,842,915 |

(Forward)



| | | December 31 |
|--|------------------------|-----------------|
| | 2017 | 2016 |
| Equity | | |
| Capital stock (Note 19) | ₽ 4,864,692,000 | ₱4,864,692,000 |
| Additional paid-in capital | 1,659,035,196 | 1,659,035,196 |
| Revaluation increment on land - net of tax (Note 13) | 1,017,247,029 | 1,017,247,029 |
| Remeasurement loss on retirement plans - net of tax (Note 26) | (666,224,427) | (664,042,118) |
| Net unrealized loss on AFS financial assets - net of tax (Note 10) | (8,092,181) | (10,113,681) |
| Retained earnings (Note 19) | 2,570,710,400 | 3,574,757,302 |
| Treasury stocks (Note 19) | (28,483,171) | (28,483,171) |
| Underlying shares of the acquired Philippine Deposit Receipts | | |
| (Note 19) | (5,790,016) | (5,790,016) |
| Total equity attributable to equity holders of the Parent Company | 9,403,094,830 | 10,407,302,541 |
| Non-controlling interests (Note 2) | 46,611,737 | 48,630,059 |
| Total Equity | 9,449,706,567 | 10,455,932,600 |
| TOTAL LIABILITIES AND EQUITY | ₽14,793,114,282 | ₽16,058,775,515 |



CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | | Years Ended December | er 31 |
|---|--|---------------------------------------|------------------------------|
| | 2017 | 2016 | 2015 |
| NET REVENUES (Note 21) | ₱15,344,868,827 | ₱16,673,380,502 | ₱13,727,094,669 |
| PRODUCTION COSTS (Note 22) | 6,424,872,907 | 6,360,889,720 | 5,842,585,068 |
| GROSS PROFIT | 8,919,995,920 | 10,312,490,782 | 7,884,509,601 |
| GENERAL AND ADMINISTRATIVE EXPENSES | | | |
| (Note 23) | 5,384,409,786 | 5,236,089,061 | 4,902,372,023 |
| OTHER INCOME (EXPENSE) - NET | | | |
| Interest income (Note 6) | 23,776,178 | 23,650,808 | 13,655,810 |
| Interest expense (Notes 17 and 18) | (23,010,666) | (16,905,154) | (40,534,078) |
| Net foreign currency exchange gain (loss) | 2,300,851 | 21,044,145 | (33,533,918) |
| Equity in net earnings (losses) of joint ventures (Note 11) | 329,580 | 2,758,875 | (3,113,716) |
| Others - net (Note 25) | 119,017,401 | 100,865,087 | 117,553,460 |
| | 122,413,344 | 131,413,761 | 54,027,558 |
| INCOME BEFORE INCOME TAX | 3,657,999,478 | 5,207,815,482 | 3,036,165,136 |
| PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 28) | | | |
| Current | 1,094,886,107 | 1,510,923,590 | 954,898,842 |
| Deferred | 3,383,736 | 50,296,632 | (44,562,213) |
| | 1,098,269,843 | 1,561,220,222 | 910,336,629 |
| NET INCOME | 2,559,729,635 | 3,646,595,260 | 2,125,828,507 |
| OTHER COMPREHENSIVE INCOME (LOSS) - net of | | | |
| tax | | | |
| Items to be reclassified to profit or loss in subsequent | | | |
| periods: | | | |
| Net changes in the fair market value of AFS financial | | | |
| asset (Note 10) | 2,350,000 | 49,725,000 | (60,440,000) |
| Recycling of fair value change of certain AFS financial | 2,330,000 | 49,723,000 | (00,440,000) |
| assets due to impairment and redemption (Note 10) | | | (5,241,820) |
| Income tax effect (Note 10) | (328,500) | (167,000) | 990,364 |
| meonic tax effect (Note 10) | 2,021,500 | 49,558,000 | (64,691,456) |
| Item not to be reclassified to profit or loss in subsequent | 2,021,300 | 47,550,000 | (04,071,430) |
| periods: | | | |
| Remeasurement gain (loss) on retirement plans - net | | | |
| of deferred income tax effect (Note 26) | (2,182,309) | (365,196,401) | 12,842,500 |
| TOTAL COMPREHENSIVE INCOME | ₽2,559,568,826 | ₽3,330,956,859 | ₽2,073,979,551 |
| | | · · · · · · · · · · · · · · · · · · · | |
| Net income attributable to: Equity holders of the Parent Company | ₽2,543,897,957 | ₽3,626,334,921 | ₱2,115,082,277 |
| Non-controlling interests (Note 2) | 15,831,678 | 20,260,339 | 10,746,230 |
| Non-controlling interests (Note 2) | ₽2,559,729,635 | ₹3,646,595,260 | ₽2,125,828,507 |
| | 1 2,000,1 20,000 | 13,010,333,200 | 12,120,020,007 |
| Total comprehensive income attributable to: Equity holders of the Parent Company | D2 542 727 140 | Ð2 212 221 074 | Đ2 062 222 221 |
| | ₽2,543,737,148 | ₽3,312,331,874 | ₽2,063,233,321 |
| Non-controlling interests (Note 2) | 15,831,678 \$\frac{15,831,678}{2,559,568,826}\$ | 18,624,985 ₱3,330,956,859 | 10,746,230 ₱2,073,979,551 |
| | F2,337,300,020 | F3,330,730,037 | F4,073,777,331 |
| Basic/Diluted Earnings Per Share (Note 29) | ₽0.523 | ₽0.746 | ₽0.435 |



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

Equity Attributable to Equity Holders of the Parent Company

| | | | 1 | THE PARTY OF THE P | reduced a reserve or | me I arene company | E. | | | | |
|---|----------------|--|--------------|--|----------------------------|-------------------------------------|---|--|-----------------|--------------|-----------------|
| | | | | | | | | Underlying Shares of the | | | |
| | | R | Revaluation | Remeasurement | Net Unrealized | | | Acquired | | Non- | |
| | | Additional Inc | Increment on | Loss on | Loss on AFS | Retained | | Philippine | | controlling | |
| | Capital Stock | Paid-in | Land | Retirement Plans | Financial Assets | Earnings 7 | Earnings Treasury Stocks Deposit Receipts | eposit Receipts | | Interests | |
| | (Note 19) | Capital | (Note 13) | (Note 26) | (Note 10) | (Note 19) | (Note 19) | (Note 19) | Total | (Note 2) | Total Equity |
| Balances at January 1, 2017 | £4,864,692,000 | ₽1,659,035,196 ₽1,017,247,029 | 17,247,029 | (\pm\664,042,118) | (\$10,113,681) | (¥10,113,681) ¥3,574,757,302 | (\pm28,483,171) | (£5,790,016) £10,407,302,541 | 0,407,302,541 | ¥48,630,059 | ₽10,455,932,600 |
| Total comprehensive income: | | | | | | | | | | | |
| Net income | ı | ı | ı | ı | 1 | 2,543,897,957 | ı | 1 | 2,543,897,957 | 15,831,678 | 2,559,729,635 |
| Other comprehensive income (loss) | ı | ı | ı | (2,182,309) | 2,021,500 | ı | ı | ı | (160,809) | ı | (160,809) |
| Cash dividends - ₱0.73 a share (Note 19) | ı | ı | ı | ı | ı | (3,547,944,859) | ı | - (| (3,547,944,859) | I | (3,547,944,859) |
| Cash dividends to non-controlling interest | ı | ı | ı | 1 | 1 | 1 | 1 | 1 | ı | (17,850,000) | (17,850,000) |
| Balances at December 31, 2017 | ₽4,864,692,000 | ¥1,659,035,196 ¥1,017,247,029 | 17,247,029 | (P 666,224,427) | (¥8,092,181) | (\pmu_8,092,181) \pmu_2,570,710,400 | (¥28,483,171) | (\P5,790,016) \P9,403,094,830 | 9,403,094,830 | ₽46,611,737 | ₽9,449,706,567 |
| Balances at January 1, 2016 Total comprehensive income: | ₱4,864,692,000 | ₽4,864,692,000 ₽1,659,035,196 ₽1,017,247,029 | 17,247,029 | (¥300,486,170) | (P 59,671,681) | (\P59,671,681) \P1,892,306,756 | (¥28,483,171) | (\P5,790,016) \P9,038,849,943 | | ₽43,270,173 | ₱9,082,120,116 |
| Net income | ı | ı | ı | 1 | ı | 3,626,334,921 | ı | 1 | 3,626,334,921 | 20,260,339 | 3,646,595,260 |
| Other comprehensive income (loss) | 1 | 1 | ı | (363,555,948) | 49,558,000 | 1 | ı | 1 | (313,997,948) | (1,640,453) | (315,638,401) |
| Cash dividends - \mathbb{P}0.40 a share (Note 19) | 1 | ı | ı | 1 | 1 | (1,943,884,375) | ı | - (| (1,943,884,375) | ı | (1,943,884,375) |
| Cash dividends to non-controlling interest | ı | ı | ı | ı | ı | ı | ı | ı | ı | (13,260,000) | (13,260,000) |
| Balances at December 31, 2016 | ₱4,864,692,000 | P1,659,035,196 P1,017,247,029 | 17,247,029 | (P 664,042,118) | (\P10,113,681) | (¥10,113,681) ¥3,574,757,302 | (\pm28,483,171) | (\P5,790,016) \P10,407,302,541 | 0,407,302,541 | ₱48,630,059 | ₱10,455,932,600 |
| Balances at January 1, 2015 Total comprehensive income: | ₽4,864,692,000 | ₽4,864,692,000 ₽1,659,035,196 ₽1,017,247,029 | 17,247,029 | (P 313,328,670) | ₽5,019,775 | ₱992,079,088 | (P 28,483,171) | (\$5,790,016) \$\frac{1}{2}8,190,471,231 \$\frac{1}{2}42,723,943\$ | 8,190,471,231 | ₱42,723,943 | ₱8,233,195,174 |
| Net income | ı | 1 | I | 1 | ı | 2,115,082,277 | ı | 1 | 2,115,082,277 | 10,746,230 | 2,125,828,507 |
| Other comprehensive income (loss) | ı | ı | ı | 12,842,500 | (64,691,456) | 1 | ı | ı | (51,848,956) | ı | (51,848,956) |
| Cash dividends - \mathbb{P}0.25 a share (Note 19) | ı | I | ı | 1 | 1 | (1,214,854,609) | ı | - (| (1,214,854,609) | ı | (1,214,854,609) |
| Cash dividends to non-controlling interest | ı | ı | ı | ı | ı | ı | ı | ı | ı | (10,200,000) | (10,200,000) |
| Balances at December 31, 2015 | ₱4,864,692,000 | ₱1,659,035,196 ₱1,017,247,029 | 17,247,029 | $($\mathbb{P}300,486,170)$ | (P 59,671,681) | (\$25,671,681) \$1,892,306,756 | (\mathbb{P}28,483,171) | (₱5,790,016) ₱ | ₱9,038,849,943 | ₽43,270,173 | ₱9,082,120,116 |
| | | | | | | | | | | | |



CONSOLIDATED STATEMENTS OF CASH FLOWS

| 2017 2016 2015 |
|--|
| Income before income tax P3,657,999,478 P5,207,815,482 P3,036,165,136 Non-cash adjustments to reconcile income before income tax to net cash flows: Program and other rights usage (Notes 8 and 22) 905,254,190 836,176,965 754,638,743 Depreciation and amortization (Notes 12, 14, 22 and 23) 631,515,648 723,598,772 800,272,014 Pension expense (Note 26) 289,541,781 227,546,241 166,938,102 Contributions to retirement plan assets (Note 26) (259,000,000) (200,000,000) (172,681,390) Net unrealized foreign currency exchange loss (gain) (59,133,380) (48,144,387) 24,267,569 Reversal of long-outstanding payables (Note 25) (32,999,414) (3,233,336) (6,466,667) Gain on sale of property and equipment (Notes 12 and 25) (27,060,463) (29,717,284) (19,962,498) Interest income (Note 6) (23,776,178) (23,650,808) (13,655,810) Amortization of software costs (Notes 15 and 23) 23,362,883 17,173,566 20,680,531 Interest expense (Notes 17 and 18) 23,010,666 16,905,154 40,534,078 Provisions for doubtful accounts (Notes 7 and 23) Equity in net losses (earnings) of joint ventures (Notes 10 and 25) (329,580) (2,758,875) 3,113,716 Dividends from AFS financial assets (Notes 10 and 25) (329,580) (2,758,875) 3,113,716 Reversal of long-outstanding payables (Notes 10 and 25) (329,580) (2,758,875) (3,659,638) Lagrange (Notes 10 and 25) (329,580) (3,650,638) (3,650,638) Lagrange (Notes 10 and 25) (32,650,638) |
| Income before income tax P3,657,999,478 P5,207,815,482 P3,036,165,136 Non-cash adjustments to reconcile income before income tax to net cash flows: Program and other rights usage (Notes 8 and 22) 905,254,190 836,176,965 754,638,743 Depreciation and amortization (Notes 12, 14, 22 and 23) 631,515,648 723,598,772 800,272,014 Pension expense (Note 26) 289,541,781 227,546,241 166,938,102 Contributions to retirement plan assets (Note 26) (259,000,000) (200,000,000) (172,681,390) Net unrealized foreign currency exchange loss (gain) (59,133,380) (48,144,387) 24,267,569 Reversal of long-outstanding payables (Note 25) (32,999,414) (3,233,336) (6,466,667) Gain on sale of property and equipment (Notes 12 and 25) (27,060,463) (29,717,284) (19,962,498) Interest income (Note 6) (23,776,178) (23,650,808) (13,655,810) Amortization of software costs (Notes 15 and 23) 23,362,883 17,173,566 20,680,531 Interest expense (Notes 17 and 18) 23,010,666 16,905,154 40,534,078 Provisions for doubtful accounts (Notes 7 and 23) Equity in net losses (earnings) of joint ventures (Notes 10 and 25) (329,580) (2,758,875) 3,113,716 Dividends from AFS financial assets (Notes 10 and 25) (329,580) (2,758,875) 3,113,716 Reversal of long-outstanding payables (Notes 10 and 25) (329,580) (2,758,875) (3,659,638) Lagrange (Notes 10 and 25) (329,580) (3,650,638) (3,650,638) Lagrange (Notes 10 and 25) (32,650,638) |
| Non-cash adjustments to reconcile income before income tax to net cash flows: Program and other rights usage (Notes 8 and 22) Depreciation and amortization (Notes 12, 14, 22 and 23) Pension expense (Note 26) Contributions to retirement plan assets (Note 26) Reversal of long-outstanding payables (Note 25) Gain on sale of property and equipment (Notes 12 and 25) Interest expense (Note 17 and 18) Provisions for doubtful accounts (Notes 7 and 23) Equity in net losses (earnings) of joint ventures (Notes 10 and 25) Recycling of fair value change of certain AFS financial assets due to redemption (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets |
| tax to net cash flows: Program and other rights usage (Notes 8 and 22) Program and other rights usage (Notes 8 and 22) Person and amortization (Notes 12, 14, 22 and 23) Pension expense (Note 26) Contributions to retirement plan assets (Note 26) Net unrealized foreign currency exchange loss (gain) Reversal of long-outstanding payables (Note 25) Gain on sale of property and equipment (Notes 12 and 25) Interest income (Note 6) Amortization of software costs (Notes 15 and 23) Interest expense (Notes 17 and 18) Provisions for doubtful accounts (Notes 7 and 23) Equity in net losses (earnings) of joint ventures (Notes 10 and 25) Recycling of fair value change of certain AFS financial assets due to redemption (Notes 10 and 25) Recycling of fair value change of certain AFS financial assets (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 25) Impairment loss on AFS financial assets |
| Program and other rights usage (Notes 8 and 22) Depreciation and amortization (Notes 12, 14, 22 and 23) Pension expense (Note 26) Contributions to retirement plan assets (Note 26) Net unrealized foreign currency exchange loss (gain) Reversal of long-outstanding payables (Note 25) Gain on sale of property and equipment (Notes 12 and 25) Interest income (Note 6) Amortization of software costs (Notes 15 and 23) Equity in net losses (earnings) of joint ventures (Note 11) Dividends from AFS financial assets (Notes 10 and 25) Recycling of fair value change of certain AFS financial assets due to redemption (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Inpairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Inpairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Inpairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financ |
| Depreciation and amortization (Notes 12, 14, 22 and 23) Pension expense (Note 26) Contributions to retirement plan assets (Note 26) Reversal of long-outstanding payables (Note 25) Gain on sale of property and equipment (Notes 12 and 25) Interest income (Note 6) Provisions for doubtful accounts (Notes 7 and 23) Equity in net losses (earnings) of joint ventures (Notes 10 and 25) Gain on disposal of asset held for sale (Notes 10 and 25) Reversal of long-outstanding payables (Note 25) Gain on sale of property and equipment (Notes 10 and 25) (27,060,463) (29,717,284) (23,650,808) (13,655,810) 23,362,883 17,173,566 20,680,531 Reversal of long-outstanding payables (Notes 15 and 23) Revisions for doubtful accounts (Notes 15 and 23) Revisions for doubtful accounts (Notes 7 and 23) Revisions for doubtful accounts (Notes 10 and 25) Revisions for doubtf |
| (Notes 12, 14, 22 and 23) Pension expense (Note 26) Contributions to retirement plan assets (Note 26) Reversal of long-outstanding payables (Note 25) Gain on sale of property and equipment (Notes 12 and 25) Interest income (Note 6) Provisions for doubtful accounts (Notes 7 and 23) Equity in net losses (earnings) of joint ventures (Note 11) Dividends from AFS financial assets (Notes 10 and 25) Recycling of fair value change of certain AFS financial assets due to redemption (Notes 10 and 25) Recycling of fair value change of certain AFS financial assets (Notes 10 and 25) Recycling on AFS financial assets (Notes 10 and 25) Recycling and 25 Recy |
| Pension expense (Note 26) |
| Contributions to retirement plan assets (Note 26) (259,000,000) (200,000,000) (172,681,390) Net unrealized foreign currency exchange loss (gain) Reversal of long-outstanding payables (Note 25) (32,999,414) (3,233,336) (6,466,667) Gain on sale of property and equipment (Notes 12 and 25) (27,060,463) (29,717,284) (19,962,498) Interest income (Note 6) (23,776,178) (23,650,808) (13,655,810) Amortization of software costs (Notes 15 and 23) (23,776,178) (23,650,808) (13,655,810) Amortization of software costs (Notes 15 and 23) (23,362,883) (17,173,566) (20,680,531) Interest expense (Notes 17 and 18) (23,010,666) (16,905,154) (40,534,078) Provisions for doubtful accounts (Notes 7 and 23) (23,532,885) (25,151,364) (27,588,75) Equity in net losses (earnings) of joint ventures (Notes 10 and 25) (329,580) (2,758,875) (2,758,875) (3,113,716) Dividends from AFS financial assets (Notes 10 and 25) (329,580) (2,550,000) (2,550,000) (2,550,000) (2,550,000) Recycling of fair value change of certain (Notes 10 and 25) (329,580) (3 |
| Net unrealized foreign currency exchange loss (gain) Reversal of long-outstanding payables (Note 25) (32,999,414) (3,233,336) (6,466,667) |
| Reversal of long-outstanding payables (Note 25) Gain on sale of property and equipment (Notes 12 and 25) (27,060,463) (29,717,284) (19,962,498) Interest income (Note 6) (23,776,178) (23,650,808) (13,655,810) Amortization of software costs (Notes 15 and 23) Interest expense (Notes 17 and 18) Provisions for doubtful accounts (Notes 7 and 23) Equity in net losses (earnings) of joint ventures (Note 11) Dividends from AFS financial assets (Notes 10 and 25) Gain on disposal of asset held for sale (Notes 10 and 25) Recycling of fair value change of certain AFS financial assets due to redemption (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets |
| Gain on sale of property and equipment (Notes 12 and 25) (27,060,463) (29,717,284) (19,962,498) Interest income (Note 6) (23,776,178) (23,650,808) (13,655,810) Amortization of software costs (Notes 15 and 23) Interest expense (Notes 17 and 18) Provisions for doubtful accounts (Notes 7 and 23) Equity in net losses (earnings) of joint ventures (Note 11) Dividends from AFS financial assets (Notes 10 and 25) Gain on disposal of asset held for sale (Notes 10 and 25) Recycling of fair value change of certain AFS financial assets due to redemption (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets (Notes 10 and 23) Impairment loss on AFS financial assets |
| (Notes 12 and 25) (Interest income (Note 6) (Interest expense (Notes 15 and 23) (Interest expense (Notes 17 and 18) (Interest expense (Notes 18,581,856) (Interest expense (Notes 18,581,856) (Interest expense (Notes 18,581,859) (Interest expense (Notes 17 and 18) (Interest expense (Notes 18,581,850) (Interest expense (Notes 17 and 18) (Interest expense (Notes 17 and 18) (Interest expense (Notes 18,581,850) (Interest expense (Notes 17 and 18) (Interest expense (Notes 18,581,850) (Interest expense (Notes 17 and 18) (Interest expense (Notes 18,581,850) (Interest expense (Notes 18,581, |
| Interest income (Note 6) |
| Amortization of software costs (Notes 15 and 23) Interest expense (Notes 17 and 18) Provisions for doubtful accounts (Notes 7 and 23) Equity in net losses (earnings) of joint ventures (Note 11) Dividends from AFS financial assets (Notes 10 and 25) Recycling of fair value change of certain AFS financial assets due to redemption (Notes 10 and 25) Recycling of Fair value change of certain AFS financial assets due to redemption (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 23) AFS financial assets (Notes 10 and 25) Recycling of fair value change of certain AFS financial assets due to redemption (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 23) AFS financial assets (Notes 10 and 23) AFS financial assets |
| Interest expense (Notes 17 and 18) Provisions for doubtful accounts (Notes 7 and 23) Equity in net losses (earnings) of joint ventures (Note 11) Dividends from AFS financial assets (Notes 10 and 25) Recycling of fair value change of certain AFS financial assets due to redemption (Notes 10 and 25) Recycling of Fair value change of Certain AFS financial assets due to redemption (Notes 10 and 25) Recycling of Fair value change of Certain AFS financial assets due to redemption (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 23) AFS financial assets (Notes 10 and 23) AFS financial assets (Notes 10 and 23) AFS financial assets |
| Provisions for doubtful accounts (Notes 7 and 23) Equity in net losses (earnings) of joint ventures (Note 11) Dividends from AFS financial assets (Notes 10 and 25) Gain on disposal of asset held for sale (Notes 10 and 25) Recycling of fair value change of certain AFS financial assets due to redemption (Notes 10 and 25) Responding assets due to redemption (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 23) AFS financial assets (Notes 10 and 23) AFS financial assets |
| Equity in net losses (earnings) of joint ventures (Note 11) (329,580) (2,758,875) 3,113,716 Dividends from AFS financial assets (Notes 10 and 25) (132,811) (2,550,000) - Gain on disposal of asset held for sale (Notes 10 and 25) Recycling of fair value change of certain AFS financial assets due to redemption (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 23) - (329,580) (2,758,875) (2,550,000) - (23,567,528) (23,567,528) (6,601,820) |
| (Note 11) (329,580) (2,758,875) 3,113,716 Dividends from AFS financial assets (Notes 10 and 25) (132,811) (2,550,000) — Gain on disposal of asset held for sale — — — (23,567,528) Recycling of fair value change of certain AFS financial assets due to redemption — — (6,601,820) Impairment loss on AFS financial assets — — 1,360,000 |
| Dividends from AFS financial assets (Notes 10 and 25) (Gain on disposal of asset held for sale (Notes 10 and 25) (Notes 10 and 23) (Notes 10 and 23) (Notes 10 and 23) (132,811) (2,550,000) (23,567,528) (23,567,528) (23,567,528) (23,667,628) (23,667,628) (23,667,628) (23,667,628) (23,667,628) (23,667,628) (23,667,628) (23,667,628) (23,667,628) (23,667,628) (23,667,628) (23,667,628) (23,667,628) (23,667,628) (23,667,628) (23,667,628) (23,667,628) (23,667,628) (23,667,628) (24,66 |
| (Notes 10 and 25) (132,811) (2,550,000) — Gain on disposal of asset held for sale (Notes 10 and 25) — — (23,567,528) Recycling of fair value change of certain AFS financial assets due to redemption (Notes 10 and 25) — — — (6,601,820) Impairment loss on AFS financial assets (Notes 10 and 23) — — — 1,360,000 |
| Gain on disposal of asset held for sale (Notes 10 and 25) (23,567,528) Recycling of fair value change of certain AFS financial assets due to redemption (Notes 10 and 25) (6,601,820) Impairment loss on AFS financial assets (Notes 10 and 23) 1,360,000 |
| (Notes 10 and 25) – – (23,567,528) Recycling of fair value change of certain AFS financial assets due to redemption – – (6,601,820) Impairment loss on AFS financial assets – – 1,360,000 |
| Recycling of fair value change of certain AFS financial assets due to redemption (Notes 10 and 25) Impairment loss on AFS financial assets (Notes 10 and 23) - (6,601,820) 1,360,000 |
| AFS financial assets due to redemption (Notes 10 and 25) |
| (Notes 10 and 25) – – (6,601,820) Impairment loss on AFS financial assets (Notes 10 and 23) – – 1,360,000 |
| Impairment loss on AFS financial assets (Notes 10 and 23) – 1,360,000 |
| (Notes 10 and 23) – 1,360,000 |
| |
| |
| Loss on asset disposed/written off (Note 25) – 1,113,094 |
| Loss on redemption of available-for-sale |
| financial assets (Notes 10 and 25) – 147,380 |
| Working capital adjustments: |
| Decreases (increases) in: |
| Program and other rights (1,190,760,193) (704,201,246) (748,975,262) |
| Trade and other receivables 346,895,501 (889,975,687) (126,593,181) |
| Prepaid expenses and other current assets (34,932,681) 235,211,693 29,693,093 |
| Increases (decreases) in: |
| Obligations for program and other rights 68,137,783 (143,634,530) 99,116,704 |
| Trade payables and other current liabilities (24,478,909) 255,213,597 235,498,767 |
| Other long-term employee benefits 97,513 (11,160,736) 36,704,272 |
| Benefits paid out of Group's own funds (7,825,922) (7,646,509) (34,475,464) |
| Cash flows provided by operations 4,293,639,197 5,478,119,436 4,105,845,438 |
| Income taxes paid (1,244,304,104) (1,384,682,174) (656,906,736) |
| Interest received 23,158,153 21,769,542 13,444,879 |
| Net cash flows from operating activities P3,072,493,246 P4,115,206,804 P3,462,383,581 |

(Forward)



Years Ended December 31 2017 2016 2015 CASH FLOWS FROM INVESTING ACTIVITIES Acquisitions of: Property and equipment (Note 12) (P523,727,612) (P444,383,976) (P552,797,608) (41,661,384)(454,017)(2,170,075)Software costs (Note 15) Land at revalued amount (Note 13) (1,364,718) (2,623,618) (2,809,999)Investment properties (Note 14) (43,811)(105,411)Proceeds from: Sale of property and equipment (Note 12) 29,578,768 33,113,635 21,823,934 Redemption of AFS financial assets (Note 10) 718,000 Decreases (increases) in other noncurrent assets (5,824,646) 9,464,489 (1,404,305)132,811 Cash dividends received Advances to an associate and joint ventures (Notes 11 and 20) (424,498) (2,828,748)Net cash flows used in investing activities (542,866,781) (405,351,796) (539,574,212) CASH FLOWS FROM FINANCING ACTIVITIES 500,000,000 1,200,000,000 Proceeds from availments of short-term loans (Note 17) 1,500,000,000 Payments of: Cash dividends (Notes 2 and 19) (1,955,312,493)(1,223,879,467)(3,563,062,816)Short-term loans (Note 17) (1,647,452,000)(1,017,624,500)(2,325,197,500)(17,597,313)(43,199,728)Interest expense (22,967,610)Net cash flows used in financing activities (3,733,482,426) (2,490,534,306) (2,392,276,695) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (1,203,855,961)1,219,320,702 530,532,674 EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS 64,680,251 39,395,378 30,939,931 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 3,419,014,205 2,160,298,125 1,598,825,520 CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6) ₽2,279,838,495 ₱3,419,014,205 ₱2,160,298,125



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

The accompanying consolidated financial statements of the Group were approved and authorized for issuance by the BOD on April 5, 2018.

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

Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for AFS financial assets and land under property and equipment which are measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017. The Group controls an investee if, and only if, the Group has:

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



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

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

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

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

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

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

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

NCI represents the portion of profit or loss and the net assets not held by owners of the Parent Company and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from equity attributable to holders of the Parent Company. NCI shares in losses even if the losses exceed the non-controlling equity interest in the subsidiary. NCI represents the equity interest in RGMA Network, Inc. (RGMA Network).

The consolidated financial statements include additional information about subsidiary that have NCI that are material to the Parent Company. Management determined material partly-owned subsidiary as those with 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.

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

| | 2017 | 2016 |
|---|---------------------|-------------|
| Proportion of equity interest held by NCI | 51% | 51% |
| Accumulated balances of material NCI | ₽ 46,611,737 | ₽48,630,059 |
| Net income allocated to material NCI | 15,831,678 | 20,260,339 |



The summarized financial information of RGMA Network are provided below.

Summarized Statements of Comprehensive Income

| | 2017 | 2016 | 2015 |
|---|--------------------|---------------|---------------|
| Revenues | ₽218,504,662 | ₽229,917,237 | ₱192,281,024 |
| Expenses | (171,962,237) | (173,207,765) | (162,154,673) |
| Provision for income tax | (15,499,920) | (16,983,318) | (9,055,313) |
| Net income | 31,042,505 | 39,726,154 | 21,071,038 |
| Other comprehensive loss | | (3,206,575) | _ |
| Total comprehensive income | ₽31,042,505 | ₱36,519,579 | ₱21,071,038 |
| Net income attributable to: | | | |
| NCI | ₽15,831,678 | ₱20,260,339 | ₽10,746,230 |
| Parent Company | 15,210,827 | 19,465,815 | 10,324,808 |
| Total comprehensive income attributable to: | | | |
| NCI | ₽15,831,678 | ₱18,624,985 | ₽10,746,230 |
| Parent Company | 15,210,827 | 17,894,594 | 10,324,808 |

cash equivalents

| | | 2017 | 2016 |
|--|--------------|---------------------|---------------------|
| Total current assets | | ₽166,452,173 | ₱164,420,288 |
| Total noncurrent assets | | 29,013,136 | 27,136,877 |
| Total current liabilities | | 19,156,691 | 18,808,884 |
| Total noncurrent liabilities | | 87,050,561 | 79,534,479 |
| Total equity | | 89,258,057 | 93,213,802 |
| Attributable to NCI | | 46,611,737 | ₽48,630,059 |
| Attributable to equity holders of the Parent Company | | ₽ 42,646,320 | ₽ 44,583,743 |
| mmarized Cash Flows Information | 2017 | 2016 | 2015 |
| Operating | ₽20,793,197 | ₽79,837,572 | ₽17,479,616 |
| Investing | (35,200,564) | (26,391,001) | (20,728,549) |
| Net increase (decrease) in cash and | , , , | . , , , | , , , , |
| | | | |

(₽14,407,367)

₽53,446,571

In 2017 and 2016, RGMA declared and paid dividends amounting to ₱17.85 million and ₱13.26 million, respectively, to NCI.



(P3,248,933)

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries as at December 31, 2017 and 2016:

| | | | centage |
|---|---|--------|----------|
| | | of O | wnership |
| | Principal Activities | Direct | Indirect |
| Entertainment Business: | | | |
| Alta Productions Group, Inc. (Alta) | Pre and post-production services | 100 | _ |
| Citynet Network Marketing and Productions, Inc. (Citynet) | Television entertainment production | 100 | _ |
| GMA Network Films, Inc. | Film production | 100 | _ |
| GMA New Media, Inc. (GNMI) | Converging Technology | 100 | _ |
| GMA Worldwide (Philippines), Inc. | International marketing, handling foreign program acquisitions and international syndication of the Parent Company's programs | 100 | _ |
| Scenarios, Inc.* | Design, construction and maintenance of sets for TV, stage plays and concerts; transportation services | 100 | _ |
| RGMA Marketing and Productions, Inc. | Music recording, publishing and video distribution | 100 | _ |
| RGMA Network, Inc. | Radio broadcasting and management | 49 | _ |
| Script2010, Inc.** | Design, construction and maintenance of sets for TV, stage plays and concerts; transportation and manpower services | - | 100 |
| Advertising Business: | | | |
| GMA Marketing & Productions, Inc. (GMPI)*** | Exclusive marketing and sales arm of Parent Company's airtime, events management, sales implementation, traffic services and monitoring | 100 | _ |
| Digify, Inc.**** | Crafting, planning and handling advertising and other forms of promotion including multi-media productions | _ | 100 |
| Others: | | | |
| Media Merge Corporation**** | Business development and operations for the Parent Company's online publishing and advertising intiatives | - | 100 |
| Ninja Graphics, Inc.**** *****Under liquidation *****Indirectly owned through Citynet ****Ceased commercial operations in 2015 *****Indirectly owned through GNMI | Ceased commercial operations in 2004. | _ | 51 |

Changes in Accounting Policies and Disclosures

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

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendments to existing PFRSs which became effective on January 1, 2017. Adoption of the pronouncements did not have any significant impact on the Group's consolidated financial statements, unless otherwise indicated.

 Amendments to Philippine Accounting Standard (PAS) 7, Statement of Cash Flows, Disclosure Initiative

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).



The Company has provided the required information in Note 17 to the consolidated financial statements. As allowed under the transition provision of the standard, the Company did not present comparative information for the years ended December 21, 2016 and 2015.

• Amendment to PFRS 12 Disclosure of Interest in Other Entities, Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)

The amendment does not have any impact on the Group's consolidated financial position and results of operation.

• Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference.

The amendments do not have any impact on the Group's consolidated financial position and results of operation.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2017

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when these become effective.

Effective beginning January 1, 2018

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

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The amendments will not have any impact on the Group's consolidated financial statements.



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

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Group since the Group does not have activities that are predominantly connected with insurance nor does it issue insurance contracts.

• PFRS 15, Revenue from Contracts with Customers

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 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 PFRS 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 PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group plans to adopt the new standard on the required effective date using the modified retrospective method.

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

• PFRS 9, Financial Instruments

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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

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



• Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

These amendments are not expected to have a significant impact on the Group's financial position and performance.

• Amendments to PAS 40, Investment Property, Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

These amendments are currently not applicable to the Group since the Group has no transfer into or out of investment property.

• Philippine Interpretation IFRIC 22, Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transaction for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

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



Effective beginning on or after January 1, 2019

• PFRS 16, Leases

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply a single lessee accounting model. Under this model, lessees will recognize the assets and related liabilities for most leases on their statements of financial position, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. 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 PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Group is currently assessing the potential impact on its consolidated financial statements resulting from the application of PFRS 16.

With Deferred Effective Date

• Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

These amendments are not expected to have a material impact to the Group's consolidated financial statements.



3. Summary of Significant Accounting and Financial Reporting Policies

Investments in an Associate and Joint Ventures

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

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

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

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

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

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

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

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

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

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

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



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

Current versus Noncurrent Classification

The Group presents assets and liabilities in consolidated statement of financial position based on current/noncurrent classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

Deferred 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 three months or less from acquisition date and that are subject to an insignificant risk of change in value.

Fair Value Measurement

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

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



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

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

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

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

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

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

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

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

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

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

"Day 1" Difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement comprehensive of income unless it qualifies for recognition as some other type of asset. In cases where the data 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, trade and other receivables, refundable deposits (included under "Other noncurrent assets" account in the consolidated statement 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

The Company has no financial assets at FVPL and HTM investments as at December 31, 2017 and 2016.

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, trade and other receivables and refundable deposits (included under "Other noncurrent assets" account) are classified as loans and receivables (see Notes 6, 7, 15, 30 and 31).

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 quoted and unquoted equity securities are classified as noncurrent AFS financial investments (see Notes 10, 30 and 31).

Derecognition

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of 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 7 and 30
- AFS financial investments, see Notes 10 and 30
- Financial assets, see Note 30

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost. If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of comprehensive income. The financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are no longer included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the asset. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group. If a future write-off is later recovered, the recovery is recognized in the consolidated statement of comprehensive income. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.



Assets Carried at Cost. If there is an objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS Financial Assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the profit or loss, is removed from OCI and recognized in the profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; increases in their fair value after impairment are recognized in OCI.

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the profit or loss, the impairment loss is reversed through the profit or loss.

Financial Liabilities

Initial Recognition and Measurement

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

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

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



Subsequent Measurement

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

a. Financial liabilities at FVPL

The Company has not designated any financial liabilities at FVPL or derivatives designated as hedging instruments in an effective hedge as at December 31, 2017 and 2016.

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 statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Derecognition

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

Classification of Financial Instruments Between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.



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 December 31, 2017 and 2016.

Program and Other Rights

Program and other rights with finite lives are stated at cost less amortization and impairment in value. The estimated useful lives and the amortization method used depend on the manner and pattern of usage of the acquired rights. The cost of program and other rights with specific number of runs within a specified term is amortized using straight line method up to the date of expiry. The cost of program and other rights with no definite expiration date is amortized on accelerated method based on the sum of the year's digit of ten years with salvage value of 10% of the total cost. Amortization expense is shown as "Program and other rights usage" account included under "Production costs" in the consolidated statement 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 statement of financial position, represent costs paid in advance prior to the airing of the programs or episodes. These costs include talent fees of artists and production staff and other costs directly attributable to production of programs. These are charged to expense under "Production costs" account in the consolidated statement of comprehensive income upon airing of the related program or episodes. Costs related to previously taped episodes determined not to be aired are charged to expense.

Materials and Supplies Inventory

Materials and supplies inventory, included under "Prepaid expenses and other current assets" account in the consolidated statement of financial position, is stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the current replacement cost.

Tax Credits

Tax credits represent claims from the government arising from airing of government commercials and advertisements availed under Presidential Decree (PD) No. 1362. Pursuant to PD No. 1362, these will be collected in the form of tax credits which the Group can use in paying for import duties and taxes on imported broadcasting related equipment. The tax credits cannot be used to pay for any other tax obligation to the government.

Property and Equipment

Property and equipment, except for land, are stated at cost, net of accumulated depreciation and amortization and impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in profit or loss as incurred.



Land is measured at fair value less accumulated impairment losses, if any, recognized after the date of the revaluation. Valuations are generally performed every three to five years or more frequently as deemed necessary to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recorded in other comprehensive income and hence, credited to the "Revaluation increment on land - net of tax" account under equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case, the increase is recognized in profit or loss. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the "Revaluation increment 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 statement of financial position, is stated at cost less any impairment in value.

Software Costs

Costs incurred in the acquisition and customization of new software, included under "Other noncurrent assets" account in the consolidated statement of financial position, are capitalized and amortized on a straight-line basis over three to 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 other 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 associate and interests in joint ventures are impaired. If this is the case, the Group calculates the



amount of impairment as being the difference between the recoverable amount of investments in associates and joint ventures, and the acquisition cost and recognizes the amount in the consolidated statement of comprehensive income.

Equity

Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value are recognized as additional paid-in capital.

Retained earnings include all current and prior period results of operations as reported in the consolidated statement of comprehensive income, net of any dividend declaration.

<u>Treasury Stocks and Underlying Shares of the Acquired Philippine Deposit Receipts (PDRs)</u>
The Parent Company's own reacquired equity instruments are deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issuance or cancellation of the Group's own equity instruments.

Each PDR entitles the holder to the economic interest of the underlying common share of the Parent Company. The Parent Company's ownership of the PDRs are presented similar to treasury shares in the consolidated statement of financial position.

Dividends on Common Shares of the Parent Company

Dividends on common shares are recognized as liability and deducted from equity when approved by the BOD of the Parent Company. Dividends for the year that are approved after reporting period are dealt with as an event after reporting period.

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 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.

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 statement of financial position.

Goods received in exchange for airtime usage pursuant to exchange deal contracts executed between the Group and its customers are recorded at fair market values of assets received. Fair market value is the current market price.



Tax credits on aggregate airtime credits from government sales availed of under PD No. 1362 are recognized as 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.

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.

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

Rental Income. Revenue from lease of property and equipment and investment properties is accounted for on a straight-line basis over the lease term.

Dividend Income. Revenue is recognized when the Group's right to receive payment is established.

Interest Income. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Equity in Net Earnings (Losses) of Joint Ventures. The Group recognizes its share in the net income or loss of an associate and joint ventures proportionate to the equity in the economic shares of such associates and joint ventures, in accordance with the equity method.

Other Income. Other income is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Group through an increase in asset or reduction in liability that can be measured reliably.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Expenses

Expenses, presented as "Production costs" and "General and administrative expenses" in the consolidated statement of comprehensive income, are recognized as incurred.

Pension and Other Employee Benefits

The Parent Company have 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" accounts in consolidated statements of comprehensive income (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.
- Net interest expense or income

Plan assets are assets that are held by a long-term employee benefit fund. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

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 statement of comprehensive income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Group as Lessor. Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income from operating leases are recognized as income in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Foreign Currency-denominated Transactions

Transactions in foreign currencies are initially recorded in the functional currency exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing exchange rate at financial reporting period. All differences are taken to profit or loss in the consolidated statements of comprehensive income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. For income tax purposes, foreign exchange gains and losses are treated as taxable income or deductible expenses when realized.

Taxes

Current Income Tax. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at reporting period.



Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and establishes provisions where appropriate.

Deferred 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 statement 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 statement of financial position.

Earnings Per Share (EPS)

Basic EPS is computed by dividing the net income for the year attributable to the equity holders of the Parent Company, net of income attributable to preferred shares, by the weighted average number of common shares outstanding during the year, 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.

Consolidation of Entities in which the Group holds less than Majority of Voting Rights. The Group considers that it controls RGMA Network even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of RGMA Network with a 49% equity interest. The remaining 51% of the equity shares in RGMA Network are owned by several parties. Since September 27, 1995, which is the date of incorporation of RGMA Network, there is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group. The carrying amount of NCI as at December 31, 2017 and 2016 are \$\frac{1}{2}\$46.61 million and \$\frac{1}{2}\$48.63 million, respectively.

Operating Leases - Group as Lessee. The Group has entered into various lease agreements as a lessee. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessors retain all the significant risks and rewards of ownership of the properties and the accounts for the contracts as operating leases.

Rental expense charged to operations amounted to ₱936.40 million, ₱899.89 million and ₱843.63 million in 2017, 2016, and 2015 respectively (see Notes 22, 23 and 27).

Operating Leases - Group as Lessor. The Group has entered into various lease agreements as lessor. The Group had determined that the risks and rewards of ownership of the underlying property were retained by the Group. Accordingly, the leases are classified as an operating lease.

Total rental income amounted to ₱8.18 million, ₱6.56 million and ₱6.28 million in 2017, 2016 and 2015, respectively (see Note 25).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Estimating Allowance for Doubtful Accounts. Provisions are made for specific and groups of billed accounts where objective evidence of impairment exists. The Group determines the allowance for doubtful accounts based on impairment assessments of individual advertiser balances. Individual balances for which there is no objective evidence of impairment are assessed collectively by applying a loss rate determined based on a five-year average of historical losses. The individual impairment assessment is an inherently uncertain process involving various assumptions and factors about the



financial condition of the advertiser, estimates of amounts still collectible and, for the collective assessment, the loss rate used. These assumptions could be significantly different from actual credit losses.

Provision for doubtful accounts amounted to ₱8.25 million, ₱25.15 million and ₱8.58 million in 2017, 2016 and 2015, respectively (see Notes 7 and 23). Trade and other receivables, net of allowance for doubtful accounts of ₱311.71 million and ₱308.43 million, amounted to ₱4,905.86 million and ₱5,270.31 million as at December 31, 2017 and 2016, respectively (see Note 7).

Classification and Amortization of Program and Other Rights. Portions of program and other rights are classified as current and noncurrent assets. Current portion represents those expected to be aired any time within its normal operating cycle, whereas the noncurrent portion represents those without definite expiration.

The Group estimates the amortization of program and other rights with finite lives using straight line method up to the date of expiry, which is the manner and pattern of usage of the acquired rights. The Group estimates the amortization of program and other rights with no definite expiration date using accelerated method based on the sum of the year's digit of ten years with salvage value of 10% of the total cost. The Group estimates that programs are generally more marketable in their initial airing as compared to the succeeding airings. In addition, estimation of the amortization of program and other rights is based on the Group's experience with such rights. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Program and other rights usage amounted to ₱905.25 million, ₱836.18 million and ₱754.64 million in 2017, 2016 and 2015, respectively (see Notes 8 and 22). Program and other rights, net of accumulated impairment in value of ₱2.70 million, amounted to ₱1,346.14 million and ₱1,060.63 million as at December 31, 2017 and 2016, respectively (see Note 8).

Estimating Allowance for Inventory Losses. The Group provides allowance for inventory losses whenever the net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The allowance account is reviewed periodically to reflect the accurate valuation of the inventories.

The carrying value of materials and supplies inventory, included under "Prepaid expenses and other current assets" account in the consolidated statement of financial position, amounted to ₱15.69 million and ₱19.09 million as at December 31, 2017 and 2016, respectively (see Note 9). There were no provisions for inventory losses in 2017, 2016 and 2015.

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 2017 and 2016.

Total depreciation and amortization expense for the years ended December 31, 2017, 2016 and 2015 amounted to ₱654.88 million, ₱740.77 million, and ₱820.95 million, respectively (see Notes 12, 14, 15, 22 and 23).

Revaluation of Land. The Group engages an accredited appraiser to determine the fair value of the land used in operations. Fair value is determined by reference to market-based evidence adjusted based on certain elements of comparison. The fair value amount would differ if the Group made different judgments and estimates or utilized a different basis for determining fair value.

Valuations from an accredited appraiser are generally performed every three to five years or more frequently as deemed necessary to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

The revalued amount of land amounted to ₱1,806.51 million and ₱1,805.15 million as at December 31, 2017 and 2016, respectively (see Notes 13 and 31).

Impairment of Nonfinancial Assets. For prepaid production costs, tax credits, investments and advances, property and equipment, investment properties, program and other rights, investment in artworks and software costs, impairment testing is performed whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business:
- significant negative industry or economic trends; and
- obsolescence or physical damage of an asset.

The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of fair value less costs to sell or asset's value in use. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

As at December 31, 2017 and 2016, the Group did not identify any indicator of impairment on its nonfinancial assets, hence, no impairment tests were carried out.

The carrying values of nonfinancial assets as at December 31 follow:

| | 2017 | 2016 |
|--|----------------|----------------|
| Property and equipment - at cost (see Note 12) | ₽2,664,340,975 | ₱2,776,484,984 |
| Land at revalued amounts (see Note 13) | 1,806,511,193 | 1,805,146,475 |
| Program and other rights (see Note 8) | 1,346,137,512 | 1,060,631,509 |

(Forward)



| | 2017 | 2016 |
|---|--------------|--------------|
| Investments and advances (see Note 11) | ₽151,103,271 | ₽150,835,949 |
| Prepaid production costs (see Note 9) | 136,029,723 | 113,611,340 |
| Software costs (see Note 15) | 94,113,724 | 71,711,958 |
| Tax credits (see Note 9) | 92,288,022 | 128,875,751 |
| Investment properties (see Note 14) | 51,048,514 | 53,314,111 |
| Investment in artworks (see Note 15) | 10,186,136 | 10,186,136 |
| Deferred production costs (see Note 15) | 976,683 | 1,098,771 |

Estimating Realizability of Deferred Income Tax Assets. The Group reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. The Group's assessment on the recognition of deferred income tax assets on deductible temporary difference and carryforward benefits of NOLCO and excess MCIT over RCIT is based on the projected taxable income in the following periods.

Recognized deferred tax assets amounted to ₱766.13 million and ₱757.15 million as at December 31, 2017 and 2016, respectively, while unrecognized deferred tax assets amounted to ₱6.51 million and ₱5.11 million as at December 31, 2017 and 2016, respectively (see Note 28).

Pension and Other Employee Benefits. The determination of the Group's obligation and cost of pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 26 and include, among others, discount rate and salary increase rate. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

Pension liability amounted to ₱1,670.16 million and ₱1,644.32 million as at December 31, 2017 and 2016, respectively (see Note 26).

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 31.

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 December 31, 2017 and 2016 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 legal counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on the Group's financial position.



5. Segment Information

Business Segments

For management purposes, the Group is organized into business units based on its products and services and has three reportable segments, as follows:

- The television and radio segment, which engages in television and radio broadcasting activities and which generates revenue from sale of national and regional advertising time.
- The international subscription segment which engages in subscription arrangements with international cable companies.
- Other businesses which include movie production, consumer products and other services.

The Executive Committee, the chief operating decision maker, and Management monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with the net income or loss in the consolidated financial statements. On a consolidated basis, the Group's performance is evaluated based on consolidated net income for the year.

Geographical Segments

The Group operates in two major geographical segments - local and international. Local refers to revenues earned in the Philippines, the home country. Significant portion of the revenues earned locally pertain to television and radio airtime. International refers to revenues earned in United States and in other locations (which include Middle East, Europe, Australia, Canada, Guam, Singapore, Hongkong and Japan). The Group ties up with cable providers to bring local television programming outside the Philippines.

The Group's revenues are mostly generated in the Philippines, which is the Group's country of domicile. Revenues from external customers attributed to foreign countries from which the Group derives revenue are individually and in aggregate immaterial to the consolidated financial statements.

Noncurrent assets consist of property and equipment, land at revalued amounts, investment properties and intangible assets which are all located in the Philippines.

The Group does not have a single external customer whose revenue accounts for 10% or more of the Group's revenues.

Inter-segment Transactions

Segment revenues, segment expenses and segment results include transfers among business segments and among geographical segments. The transfers are accounted for at competitive market prices charged to unrelated customers for similar services. Such transfers are eliminated upon consolidation.

Measurement Basis

The amount of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets and liabilities and profit or loss in the consolidated financial statements, which is in accordance with PFRS.





6. Cash and Cash Equivalents

| | 2017 | 2016 |
|---------------------------|----------------|----------------|
| Cash on hand and in banks | ₽1,285,979,018 | ₱1,950,184,026 |
| Short-term deposits | 993,859,477 | 1,468,830,179 |
| | ₽2,279,838,495 | ₱3,419,014,205 |

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

Interest income earned from bank deposits and short-term investments amounted to ₱23.78 million, ₱23.65 million and ₱13.66 million in 2017, 2016 and 2015, respectively.

7. Trade and Other Receivables

| | 2017 | 2016 |
|--------------------------------------|------------------------|----------------|
| Trade: | | |
| Television and radio airtime | ₽ 4,782,684,495 | ₽5,098,043,485 |
| Subscriptions | 292,367,075 | 357,920,003 |
| Others | 138,916,772 | 117,137,935 |
| Nontrade: | | |
| Advances to officers and employees | 2,489,025 | 3,183,197 |
| Others | 1,118,038 | 2,449,756 |
| | 5,217,575,405 | 5,578,734,376 |
| Less allowance for doubtful accounts | 311,711,194 | 308,427,495 |
| | ₽4,905,864,211 | ₽5,270,306,881 |

Trade Receivables

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

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

Subscriptions Receivable. Subscriptions receivable pertain to receivables from international channel subscriptions and advertisements. These are unsecured, noninterest-bearing and normally collected within 30-60 days.

Other Trade Receivables. Other trade receivables are unsecured, noninterest-bearing and are generally on 60-90 day terms upon receipt of invoice by the customers.



Nontrade Receivables

Advances to Officers and Employees and Other Nontrade Receivables. Advances to officers and employees and other nontrade receivables are noninterest-bearing and are normally collected within the next financial year.

Allowance for Doubtful Accounts

The movements in the allowance for doubtful accounts on trade receivables are as follows:

| | 2017 | | | |
|------------------------------|------------------------------|-------------|--------------|--|
| | Television and Radio Airtime | Others | Total | |
| Balance at beginning of year | ₽298,663,895 | ₽9,763,600 | ₽308,427,495 | |
| Write-off | (4,969,586) | _ | (4,969,586) | |
| Provision for the year | | | | |
| (see Note 23) | 6,584,977 | 1,668,308 | 8,253,285 | |
| Balance at end of year | ₽300,279,286 | ₽11,431,908 | ₽311,711,194 | |
| | | 2016 | | |
| | Television and | | | |
| | Radio Airtime | Others | Total | |
| Balance at beginning of year | ₱277,478,231 | ₽5,797,900 | ₱283,276,131 | |
| Provision for the year | | | | |
| (see Note 23) | 21,185,664 | 3,965,700 | 25,151,364 | |
| Balance at end of year | ₽298,663,895 | ₽9,763,600 | ₽308,427,495 | |

The allowance for doubtful accounts for television and radio airtime and other receivables in 2017 and 2016 are results of specific and collective impairment assessments performed by the Group as follows:

| | 2017 | 2016 |
|-----------------------|----------------------|--------------|
| Individually impaired | ₽ 255,734,391 | ₱217,083,792 |
| Collectively impaired | 55,976,803 | 91,343,703 |
| | ₽311,711,194 | ₱308,427,495 |

As at December 31, 2017 and 2016, the aging analysis of receivables that are not impaired follows:

| | | | 2017 | | |
|-------------------------------|----------------|---------------|--------------|------------|----------------|
| | | Trade | | | |
| | Television and | | | | |
| | Radio Airtime | Subscriptions | Others | Nontrade | Total |
| Neither past due nor impaired | ₽2,932,227,638 | ₽180,069,041 | ₽40,585,643 | ₽2,605,462 | ₽3,155,487,784 |
| Past due but not impaired: | | | | | |
| 1-30 days | 463,495,382 | 7,649,963 | 17,475,408 | 115,122 | 488,735,875 |
| 31-60 days | 224,776,512 | 6,362,011 | 11,506,551 | 30,498 | 242,675,572 |
| 61-90 days | 172,061,216 | 18,143,674 | 7,361,736 | 147,284 | 197,713,910 |
| 91-180 days | 344,243,871 | 1,912,575 | 8,183,656 | 97,154 | 354,437,256 |
| 181-365 days | 305,882,572 | 12,119,164 | 11,699,492 | 332,945 | 330,034,173 |
| Over 1 year | 39,887,972 | 66,110,647 | 30,502,424 | 278,598 | 136,779,641 |
| - | ₽4,482,575,163 | ₽292,367,075 | ₽127,314,910 | ₽3,607,063 | ₽4,905,864,211 |



| | 2016 | | | | |
|-------------------------------|----------------|---------------|--------------|------------|----------------|
| | | Trade | | | <u> </u> |
| | Television and | | | | |
| | Radio Airtime | Subscriptions | Others | Nontrade | Total |
| Neither past due nor impaired | ₽2,991,035,726 | ₽171,167,030 | ₽40,199,708 | ₽3,805,064 | ₱3,206,207,528 |
| Past due but not impaired: | | | | | |
| 1-30 days | 264,889,963 | 28,693,321 | 878,744 | 364,599 | 294,826,627 |
| 31-60 days | 128,245,974 | 20,039,146 | 7,951,534 | 32,983 | 156,269,637 |
| 61-90 days | 507,892,843 | 10,801,899 | 6,963,314 | 725,012 | 526,383,068 |
| 91-180 days | 343,174,437 | 30,090,828 | 5,545,646 | 177,142 | 378,988,053 |
| 181-365 days | 123,257,748 | 16,145,227 | 6,512,154 | 286,662 | 146,201,791 |
| Over 1 year | 440,882,899 | 80,982,552 | 39,323,235 | 241,491 | 561,430,177 |
| | ₽4,799,379,590 | ₱357,920,003 | ₽107,374,335 | ₽5,632,953 | ₽5,270,306,881 |

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

8. Program and Other Rights

Details and movement in this account are as follows:

| | 2017 | | | |
|---------------------------------|------------------------|--------------|----------------|--|
| _ | Program and | Story/Format | | |
| | Film Rights | Rights | Total | |
| Cost: | | | | |
| Balance at beginning of year | ₽ 1,056,147,957 | ₽7,185,812 | ₽1,063,333,769 | |
| Additions | 1,181,069,718 | 9,690,475 | 1,190,760,193 | |
| Program and other rights usage | | | | |
| (see Note 22) | (898,068,378) | (7,185,812) | (905,254,190) | |
| Balance at end of year | 1,339,149,297 | 9,690,475 | 1,348,839,772 | |
| Accumulated impairment in value | (2,702,260) | _ | (2,702,260) | |
| | 1,336,447,037 | 9,690,475 | 1,346,137,512 | |
| Less noncurrent portion | 205,914,090 | _ | 205,914,090 | |
| Current portion | ₽1,130,532,947 | ₽9,690,475 | ₽1,140,223,422 | |
| | | | | |
| | | 2016 | | |
| _ | Program and | Story/Format | | |
| | Film Rights | Rights | Total | |
| Cost: | | | | |
| Balance at beginning of year | ₽1,189,128,656 | ₽6,180,832 | ₽1,195,309,488 | |
| Additions | 692,777,422 | 11,423,824 | 704,201,246 | |
| Program and other rights usage | | | | |
| (see Note 22) | (825,758,121) | (10,418,844) | (836,176,965) | |
| Balance at end of year | 1,056,147,957 | 7,185,812 | 1,063,333,769 | |
| Accumulated impairment in value | (2,702,260) | _ | (2,702,260) | |
| | 1,053,445,697 | 7,185,812 | 1,060,631,509 | |
| Less noncurrent portion | 200,262,381 | | 200,262,381 | |
| Current Portion | ₽853,183,316 | ₽7,185,812 | ₽860,369,128 | |

The Group reclassified program rights without expiration date as of December 31, 2016 amounting to ₱200.26 million to conform with 2017 classification.



9. Prepaid Expenses and Other Current Assets

| | 2017 | 2016 |
|----------------------------------|--------------|--------------|
| Advances to suppliers | ₽267,163,762 | ₱235,575,251 |
| Input VAT | 152,562,473 | 125,401,166 |
| Prepaid production costs | 136,029,723 | 113,611,340 |
| Creditable withholding taxes | 107,592,110 | 122,675,558 |
| Prepaid expenses | 95,433,891 | 86,623,905 |
| Tax credits | 92,288,022 | 128,875,751 |
| Materials and supplies inventory | 15,692,696 | 19,089,422 |
| Others | 1,987,518 | 1,965,121 |
| | ₽868,750,195 | ₽833,817,514 |

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

Input VAT pertains to value-added tax on purchase of goods and services including capital acquisitions, a portion of which is realizable within the next twelve months.

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.

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.

In 2015, the Group has written off creditable withholding taxes and prepaid rentals amounting to ₱1.11 million (see Note 25).

10. Available-for-Sale Financial Assets

| | 2017 | 2016 |
|---------------------------------|----------------------|--------------|
| Investments in shares of stock: | | |
| Unquoted | ₽ 117,921,881 | ₽117,921,881 |
| Quoted | 127,820,000 | 125,470,000 |
| | ₽245,741,881 | ₱243,391,881 |

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:

| | 2017 | 2016 |
|--------------------------------------|--------------|--------------|
| Balance at beginning of year | ₽243,391,881 | ₱191,116,881 |
| Additions during the year | _ | 2,550,000 |
| Net changes in the fair value of AFS | | |
| financial assets | 2,350,000 | 49,725,000 |
| Balance at end of the year | ₽245,741,881 | ₱243,391,881 |

IP E-Games

In 2015, IP E-Games Ventures, Inc. (IPE) issued ₱13,000.00 million of its own common shares to the Group in exchange of the Group's investment in X-Play Online Games Incorporated (X-Play) and in settlement of ₱30.00 million advances and ₱50.00 million airtime credits granted by the Group to X-Play. At initial recognition, the Group recognized at fair value the IPE shares as AFS financial assets amounting to ₱130.00 million.

Of the \$\P\$50.00 million airtime credits, \$\P\$22.00 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 as at December 31, 2017 and 2016 (see Note 16). Also, a gain on disposal of asset held for sale amounting to \$\P\$23.57 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 statement of comprehensive income in 2015 (see Note 25).

The movements in net unrealized loss on AFS financial assets are as follows:

| | 2017 | 2016 |
|---|---------------------------|----------------------------|
| Balance at beginning of the year - net of tax | (₽10,113,681) | (P 59,671,681) |
| Net changes in the fair market value of AFS | | |
| financial assets | 2,350,000 | 49,725,000 |
| Tax effect of the changes in fair market values | (328,500) | (167,000) |
| Balance at end of the year - net of tax | (P 8,092,181) | (₱10,113,681) |

In 2017 and 2016, the Group recognized dividends from AFS financial assets amounting to ₱0.13 million and ₱2.55 million, respectively (see Note 25).

In 2015, the Group recycled fair value changes of certain AFS financial assets due to impairment and redemption amounting to ₱1.36 million gain (see Note 23) and ₱6.60 million loss (see Note 25), respectively.

11. Investments and Advances

The following are the details of this account:

| | 2017 | 2016 |
|---|--------------|--------------|
| Investment in an associate and interests in joint ventures Advances to an associate and joint ventures | ₽60,302,068 | ₽59,972,488 |
| (see Note 20) | 90,801,203 | 90,863,461 |
| | ₽151,103,271 | ₱150,835,949 |



The movements in the account are as follows:

| | 2017 | 2016 |
|---|----------------------|--------------|
| Investment in an associate and interests in joint | | |
| ventures: | | |
| Acquisition cost - | | |
| Balance at beginning and end of year | ₽ 131,722,056 | ₽131,722,056 |
| Accumulated equity in net losses: | | |
| Balance at beginning of year | (71,749,568) | (74,508,443) |
| Equity in net earnings during the year | 329,580 | 2,758,875 |
| Balance at end of year | (71,419,988) | (71,749,568) |
| · | 60,302,068 | 59,972,488 |
| Advances to an associate: | | |
| Balance at beginning of year | 88,269,696 | 87,860,215 |
| Advances during the year (see Note 20) | _ | 409,481 |
| Other adjustments | (38,461) | _ |
| Balance at end of year | 88,231,235 | 88,269,696 |
| Advances to joint ventures: | | |
| Balance at beginning of year | 2,593,765 | 2,578,748 |
| Advances during the year (see Note 20) | _ | 15,017 |
| Other adjustments | (23,797) | |
| Balance at end of year | 2,569,968 | 2,593,765 |
| Total investments and advances | ₽151,103,271 | ₽150,835,949 |

The ownership interests in joint ventures and an associate, which were all incorporated in the Philippines, and are accounted for under the equity method, as at December 31, 2017 and 2016 follows:

| | Principal Activities | | centage of Ownership |
|--|----------------------|--------|-------------------------|
| Associate - | | Direct | Indirect |
| 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 are as follows:

| | | 2017 | |
|-----------------|-------------|-------------|--------------|
| | _ | Advances | |
| | (Note 20) | Total | |
| Associate - | | | |
| Mont-Aire | ₽38,350,619 | ₽88,231,235 | ₽126,581,854 |
| Joint ventures: | | | |
| Gamespan | 8,947,966 | 1,959,670 | 10,907,636 |
| PEP | 13,003,483 | 610,298 | 13,613,781 |
| | 21,951,449 | 2,569,968 | 24,521,417 |
| | ₽60,302,068 | ₽90,801,203 | ₽151,103,271 |



| | | 2016 | | | | |
|-----------------|-------------|-------------|--------------|--|--|--|
| | | Advances | | | | |
| | Investments | (Note 20) | Total | | | |
| Associate - | | | | | | |
| Mont-Aire | ₽38,350,619 | ₽88,269,696 | ₱126,620,315 | | | |
| Joint ventures: | | | | | | |
| Gamespan | 8,947,966 | 1,959,670 | 10,907,636 | | | |
| PEP | 12,673,903 | 634,095 | 13,307,998 | | | |
| | 21,621,869 | 2,593,765 | 24,215,634 | | | |
| - | ₽59,972,488 | ₱90,863,461 | ₱150,835,949 | | | |

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

PEP

On April 16, 2007, the Group and Summit Publishing, Co. entered into a shareholder's agreement for the establishment of PEP. The joint venture was organized to design, conceptualize, operate and maintain websites that make available all kinds of show business, entertainment and celebrity information, video or pictures in the internet worldwide web or other forms of seamless communication.

The Group recognized its share in net earnings of PEP amounting to $\cancel{P}0.33$ million and $\cancel{P}2.76$ million in 2017 and 2016, respectively, and share in net losses of $\cancel{P}3.11$ million in 2015.

Gamespan

On March 22, 2012, the Group, through GNMI, executed a Shareholder's Agreement with Manila Jockey Club (MJC) for the establishment of Gamespan, a joint venture corporation. The joint venture was organized to operate and manage the hardware and software owned by MJC, set-up new media infrastructure for offering and taking bets in horse racing and other sports.

Gamespan has not started its commercial operations since its establishment. In 2014, the Group and MJC agreed to terminate its shareholder's agreement and to close Gamespan. As at December 31, 2017, the process of cessation of Gamespan is ongoing. Since Gamespan already ceased its operations, the Group did not recognize any share in net earnings in 2017, 2016 and 2015.

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, 2017 and 2016. INQ7 ceased operations in 2007. In 2013, INQ7 submitted a request to liquidate its assets to SEC. The liquidation is still ongoing as at December 31, 2017.

The Company believes that its interests in joint ventures are not individually material. Aggregate information of joint ventures that are not individually material are as follows:

| | 2017 | 2016 | 2015 |
|---------------------------------|------------|------------|--------------|
| The Group's share in income | | | |
| (loss)/total comprehensive | | | |
| income (loss) | ₽329,580 | ₽2,758,875 | (₱3,113,716) |
| Aggregate carrying value of the | | | |
| Group's interests and advances | 24,521,417 | 24,215,634 | 21,441,742 |



Mont-Aire

The table below shows the condensed financial information of Mont-Aire as at December 31, 2017 and 2016, respectively:

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

Mont-Aire ceased its commercial operations in 2009. Assets include real estate and parcels of land with an aggregate cost of ₱157.09 million and fair market value of ₱210.64 million, as determined by an accredited appraiser as at March 14, 2017, enough to cover for the carrying amount of the Group's investment in Mont-Aire. Management believes that there are no events or changes in circumstances indicating a significant change in the fair value of the abovementioned properties from the last appraisal made.

12. Property and Equipment at Cost

| | | | 2017 | | |
|--|-----------------------|---------------------------------------|---------------|---------------------------|----------------|
| | | Additions/ Depreciation (see Notes 22 | | | |
| | January 1 | and 23) | Disposals | Reclassifications | December 31 |
| Cost: | | | | | |
| Buildings, towers and improvements | ₽2,920,276,961 | ₽9,203,472 | (¥709,081) | ₽- | ₽2,928,771,352 |
| Antenna and transmitter systems | | | | | |
| and broadcast equipment | 6,383,536,005 | 186,179,289 | (97,875,045) | (1,664,309) | 6,470,175,940 |
| Communication and mechanical equipment | 1,149,777,938 | 39,047,592 | (16,922,595) | 48,246,012 | 1,220,148,947 |
| Transportation equipment | 498,682,573 | 56,088,773 | (56,804,265) | 1,664,309 | 499,631,390 |
| Furniture, fixtures and equipment | 151,578,448 | 2,530,875 | (200,351) | _ | 153,908,972 |
| | 11,103,851,925 | 293,050,001 | (172,511,337) | 48,246,012 | 11,272,636,601 |
| Accumulated Depreciation: | | | | | |
| Buildings, towers and improvements | 1,764,451,369 | 141,479,413 | (682,399) | _ | 1,905,248,383 |
| Antenna and transmitter systems | | | , , , | | |
| and broadcast equipment | 5,486,061,495 | 334,312,359 | (97,840,074) | (1,664,309) | 5,720,869,471 |
| Communication and mechanical equipment | 1,015,150,890 | 73,008,734 | (16,669,377) | | 1,071,490,247 |
| Transportation equipment | 326,274,574 | 75,826,821 | (54,600,831) | 1,664,309 | 349,164,873 |
| Furniture, fixtures and equipment | 142,371,928 | 4,622,724 | (200,351) | - | 146,794,301 |
| | 8,734,310,256 | 629,250,051 | (169,993,032) | _ | 9,193,567,275 |
| Construction in progress and equipment | | | | | |
| for installation | 406,943,315 | 230,677,611 | _ | (52,349,277) | 585,271,649 |
| | ₽2,776,484,984 | (¥105,522,439) | (\P2,518,305) | (P 4,103,265) | ₽2,664,340,975 |



| | | | 2016 | | |
|---|----------------|---|---------------------------|----------------------------|----------------|
| | | Additions/ Depreciation (see Notes 22 | | | |
| | January 1 | and 23) | Disposals | Reclassifications | December 31 |
| Cost: | | | | | |
| Buildings, towers and improvements Antenna and transmitter systems and broadcast | ₱2,910,206,400 | ₽8,420,366 | (₱335,203) | ₽1,985,398 | ₱2,920,276,961 |
| equipment | 6,286,870,854 | 91,229,693 | (3,067,574) | 8,503,032 | 6,383,536,005 |
| Communication and mechanical equipment | 1,140,698,007 | 22,917,867 | (13,837,936) | · - | 1,149,777,938 |
| Transportation equipment | 497,684,142 | 90,606,340 | (91,288,040) | 1,680,131 | 498,682,573 |
| Furniture, fixtures and equipment | 149,434,697 | 2,057,143 | (2,678) | 89,286 | 151,578,448 |
| | 10,984,894,100 | 215,231,409 | (108,531,431) | 12,257,847 | 11,103,851,925 |
| Accumulated Depreciation: | | | | | |
| Buildings, towers and improvements | 1,622,570,206 | 142,164,688 | (283,525) | _ | 1,764,451,369 |
| Antenna and transmitter systems | | | | | |
| and broadcast equipment | 5,082,620,082 | 406,508,987 | (3,067,574) | _ | 5,486,061,495 |
| Communication and mechanical equipment | 942,894,076 | 86,094,750 | (13,837,936) | _ | 1,015,150,890 |
| Transportation equipment | 336,710,843 | 77,508,058 | (87,944,327) | _ | 326,274,574 |
| Furniture, fixtures and equipment | 133,329,058 | 9,044,588 | (1,718) | _ | 142,371,928 |
| | 8,118,124,265 | 721,321,071 | (105,135,080) | - | 8,734,310,256 |
| Construction in progress and equipment | | | | | |
| for installation | 261,073,466 | 229,152,567 | _ | (83,282,718) | 406,943,315 |
| | ₱3,127,843,301 | (P 276,937,095) | (P 3,396,351) | (P 71,024,871) | ₱2,776,484,984 |

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

The reclassification relates to the cost of software that were transferred to other noncurrent assets amounting to P4.10 million and P71.02 million in 2017 and 2016, respectively (see Note 15).

The Group disposed various property and equipment in 2017, 2016 and 2015 resulting to the recognition of gain on sale amounting to ₱27.06 million, ₱29.72 million and ₱19.96 million, respectively (see Note 25).

The cost of fully depreciated assets still being used by the Group amounted to ₱5,753.97 million and ₱5,375.23 million as at December 31, 2017 and 2016, respectively.

As at December 31, 2017 and 2016, no property and equipment have been pledged as collateral or security for any of the Group's liabilities.

13. Land at Revalued Amounts

| | 2017 | 2016 |
|-----------------------|----------------|----------------|
| Cost | ₽351,936,434 | ₱349,312,816 |
| Additions | 1,364,718 | 2,623,618 |
| | 353,301,152 | 351,936,434 |
| Revaluation increment | 1,453,210,041 | 1,453,210,041 |
| | ₽1,806,511,193 | ₱1,805,146,475 |

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 determined using the "Market Data Approach" as determined by independent professionally qualified appraisers. The fair value represents the amount that would be received to sell an investment property in an orderly transaction between market participants at the date of valuation. Management expects that there is no significant change on the fair value of land at revalued amount as at December 31, 2017 and 2016.



The fair value is categorized under Level 3 of the fair value hierarchy and represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in accordance with International Valuation Standards.

As at December 31, 2017 and 2016, no land has been pledged as collateral or security for any of the Group's liabilities and the Group has no restrictions on the realizability of its land and no contractual obligation to purchase, construct or develop land or for repairs, maintenance and enhancements.

14. Investment Properties

| _ | Land and Improvements | 2017 Buildings and Improvements | Total |
|---|--------------------------|---------------------------------------|------------------------|
| Cost: | | | |
| Balance at beginning and end of year | ₱30,501,881 | ₽77,028,321 | ₽107,530,202 |
| Accumulated depreciation: Balance at beginning of year Depreciation during the year | _ | 52,412,042 | 52,412,042 |
| (see Note 23) | _ | 2,265,597 | 2,265,597 |
| Balance at end of year | - | 54,677,639 | 54,677,639 |
| Accumulated impairment in value | _ | 1,804,049 | 1,804,049 |
| | ₽30,501,881 | ₽20,546,633 | ₽51,048,514 |
| - | Land and | 2016 Buildings and | |
| | Improvements | Improvements | Total |
| Cost: Balance at beginning of year Additions | ₱30,501,881 - | ₽76,984,510 43,811 | ₱107,486,391 43,811 |
| Balance at end of year | 30,501,881 | 77,028,321 | 107,530,202 |
| Accumulated depreciation: Balance at beginning of year Depreciation during the year | _ | 50,134,341 | 50,134,341 |
| (see Note 23) | _ | 2,277,701 | 2,277,701 |
| Balance at end of year | _ | 52,412,042 | 52,412,042 |
| Accumulated impairment in value | _ | 1,804,049 | 1,804,049 |
| | ₽30,501,881 | ₱22,812,230 | ₽53,314,111 |

Certain investment 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, 2017. The land was last appraised on December 17, 2013 by an accredited appraiser and was valued in terms of its highest and best use. The fair value was determined using the "Market Data Approach". The fair value represents the amount that would be received to sell an investment property in an orderly transaction between market participants at the date of valuation. Management expects that there is no significant change in the fair market value as at December 31, 2017 and 2016.

The fair value is categorized under Level 3 of the fair value hierarchy and represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.



Rental income and the directly related expense arising from these investment properties follow:

| | 2017 | 2016 | 2015 |
|------------------------------------|-------------|-------------|-------------|
| Rental income (see Note 25) | ₽4,925,603 | ₽3,864,727 | ₱3,664,115 |
| Depreciation expense (see Note 23) | (2,265,597) | (2,277,701) | (3,368,716) |
| | ₽2,660,006 | ₽1,587,026 | ₽295,399 |

As at December 31, 2017 and 2016, no investment properties have been pledged as collateral or security for any of the Group's liabilities and the Group has no restriction on the realizability of its investment properties and no contractual obligation to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

15. Other Noncurrent Assets

| | 2017 | 2016 |
|---------------------------|--------------|--------------|
| Software costs | ₽94,113,724 | ₽71,711,958 |
| Deferred input VAT | 35,537,774 | 32,214,081 |
| Guarantee deposits | 15,254,753 | 25,721,674 |
| Refundable deposits | 13,697,898 | 13,328,432 |
| Investment in artworks | 10,186,136 | 10,186,136 |
| Facilities | 7,204,423 | 58,924 |
| Deferred production costs | 976,683 | 1,098,771 |
| Others | 5,637,255 | _ |
| | ₽182,608,646 | ₽154,319,976 |

Software cost relates to software applications and website development costs which provide an edge on the Group's online presence and other software issues.

Guarantee and other deposits consist of the Meralco refund and refundable rental deposits used for Parent Company's programs.

Investments in artworks are the paintings and other work of art usually displayed in the Parent Company's hallways.

Deferred input VAT relates to input tax on capital goods which is available for future application against output VAT in future periods.

Deferred production costs pertain to the costs of production incurred in relation to the inventories and are measured on recognition at cost. Deferred production costs are being amortized as the related inventories, compact disks are sold during the year. Amortization is computed using the output or units of production method. Any unamortized cost at the end of the seven year period is to be written off.



The movements in software costs follow:

| | 2017 | 2016 |
|---|--------------|--------------|
| Cost: | | |
| Balance at beginning of year | ₽329,760,185 | ₱258,281,297 |
| Additions during the year | 41,661,384 | 454,017 |
| Reclassifications during the year (see Note 12) | 4,103,265 | 71,024,871 |
| Balance at end of year | 375,524,834 | 329,760,185 |
| Accumulated amortization: | | |
| Balance at beginning of year | 258,048,227 | 240,874,661 |
| Amortization during the year (see Note 23) | 23,362,883 | 17,173,566 |
| Balance at end of year | 281,411,110 | 258,048,227 |
| | ₽94,113,724 | ₽71,711,958 |

16. Trade Payables and Other Current Liabilities

| | 2017 | 2016 |
|---|----------------|----------------|
| Trade payables (see Note 20) | ₽845,018,977 | ₽865,374,490 |
| Payable to government agencies | 762,892,224 | 768,564,415 |
| Customers' deposits | 31,753,616 | 61,748,503 |
| Advances from customers (see Note 10) | 162,247,590 | 42,876,300 |
| Accrued expenses: | | |
| Production costs | 195,428,814 | 268,495,825 |
| Payroll and talent fees (see Notes 24 and 26) | 173,654,334 | 194,899,454 |
| Utilities and other expenses | 145,812,643 | 175,942,277 |
| Commission | 18,757,609 | 24,466,466 |
| Others | 51,335,791 | 39,577,871 |
| | ₽2,386,901,598 | ₽2,441,945,601 |

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

Payable to government agencies is composed of the Group's statutory compensation-related contributions to government agencies and net VAT and withholding taxes payable to the Bureau of Internal Revenue. The difference between the accrual accounting under the accounting standards and cash-basis accounting as prescribed by the BIR for service-related companies caused the Group to normally incur deferred output VAT which forms a substantial part of the Group's payable to government agencies. These payables are remitted within 30 days after reporting period.

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 financial year. As provided in Note 10, this account also includes unearned revenue of \$\mathbb{P}22.00\$ million resulting from the sale of the Group's interests in X-Play in 2015.



Accrued expenses and other payables are noninterest-bearing and are generally settled within the next financial year.

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

17. Short-term Loans

The Parent Company obtained unsecured short-term peso and US dollar denominated loans from local banks in 2017 and 2016. Details and movements of the short-term loans are as follows:

| | 2017 | 2016 |
|--------------------------------|-----------------|-----------------|
| Balance at beginning of year | ₽646,360,000 | ₽1,152,970,000 |
| Availments | 1,500,000,000 | 500,000,000 |
| Payments | (1,647,452,000) | (1,017,624,500) |
| Foreign currency exchange loss | 1,092,000 | 11,014,500 |
| Balance at end of year | ₽500,000,000 | ₽646,360,000 |

The loans consist of fixed rate notes with the following details:

| | | | Interest Rate | | | |
|----------|----------|--------------|---------------|---|--------------|-------------|
| Lender | Currency | Amount | (per annum) | Terms | 2017 | 2016 |
| BPI | Peso | ₽500,000,000 | 3.10% | Availed in 2017; payable in one year | ₽500,000,000 | ₽— |
| Citibank | Dollar | \$13,000,000 | 1.52% | Availed in 2016; payable in one year | _ | 646,360,000 |

Interest expense and other financing charges amounted to ₱23.01 million, ₱16.70 million and ₱39.09 million in 2017, 2016 and 2015, respectively.

18. Obligations for Program and Other Rights

Obligations for program and other rights represent liabilities to foreign and local film suppliers for program and other rights purchased by the Group. Outstanding unpaid balance as at December 31, 2017 and 2016 amounted to \$\mathbb{P}\$139.57 million and \$\mathbb{P}\$6.85 million, respectively. Obligations for program and other rights are generally payable in equal monthly or quarterly installments.

Interest expense recognized on obligations for program and other rights amounted to nil, ₱0.21 million and ₱1.44 million in 2017, 2016 and 2015, respectively.



19. Equity

a. Capital Stock

Details of capital stock as at December 31, 2017 and 2016:

| | Preferred | | | Common |
|--|---------------|-----------------|---------------|-----------------|
| | Number of | | Number of | |
| | Shares | Peso Equivalent | 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 dividends paid to common shares, the rate of which is adjusted proportionately by the Parent Company's BOD consequent to any stock split or stock dividend declaration affecting the common shares and preferred shares. Preferred shares are convertible at the option of the shareholders at the ratio of five preferred shares to one common share, based on par value.

Preferred shares enjoy priority over common shares in the distribution of assets of the Parent Company in the event of dissolution and liquidation, at such rates, terms and conditions as the BOD may determine. Each preferred share is entitled to one vote and shall have the same voting rights as the common shares.

The Parent Company's BOD may specify other terms and conditions, qualifications, restrictions and privileges of the preferred shares or series/classes thereof, insofar as such terms, conditions, qualifications, restrictions and privileges are not inconsistent with the articles of incorporation and any applicable law or regulation.

The following summarizes the information on the Parent Company's registration of securities with the SEC which was approved on June 20, 2007, as required by Securities Regulation Code (SRC) Rule 68, As Amended (2011):

| | Authorized and | Issue/Offer |
|---|----------------|-------------|
| Securities | issued shares | 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 |
| Underlying shares of the acquired PDRs | 945,432,000 | 8.50 |



In prior years, the Parent Company has acquired 945.43 million PDRs issued by GMA Holdings for \$\frac{1}{2}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 December 31, 2017 and 2016, 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, as at December 31, 2017 and 2016.

The Parent Company's retained earnings available for dividend declaration, computed based on the guidelines provided in SRC Rule 68, As Amended (2011), amounted to ₱2,437.70 million and ₱3,624.98 million as at December 31, 2017 and 2016, respectively. The difference between the consolidated retained earnings and the Parent Company's retained earnings available for dividend declaration primarily consist of undistributed earnings of subsidiaries. Stand-alone earnings of the subsidiaries are not available for dividend declaration by the Parent Company until declared by the subsidiaries as dividends.

The Parent Company's BOD approved the declaration of the following cash dividends:

| Year | Declaration Date | Record Date | Cash Dividend Per Share | Total Cash Dividend Declared |
|------|------------------|----------------|----------------------------|---------------------------------|
| 2017 | March 27, 2017 | April 20, 2017 | ₽0.73 | ₽3,547,944,859 |
| 2016 | April 8, 2016 | April 25, 2016 | ₽0.40 | ₽1,943,884,375 |
| 2015 | March 30, 2015 | April 24, 2015 | ₽0.25 | ₽1,214,854,609 |

The Parent Company's outstanding dividends payable amounts to ₱15.44 million and ₱12.71 million as at December 31, 2017 and 2016, respectively.

On April 5, 2018 the Parent Company's BOD approved declaration and distribution of cash dividends amounting to \$\mathbb{P}0.50\$ per share totaling \$\mathbb{P}2,430.10\$ million to all stockholders of record at April 23, 2018 and will be paid on May 15, 2018.

20. Related Party Disclosures

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individual or corporate entities.

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. For years ended December 31, 2017 and 2016, 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 years ended December 31, 2017 and 2016 with related parties are as follows:

| Account Name and Category | Related Party | Year | Amount/ Volume of Transactions | Receivables (Payables) | Terms | Conditions |
|--|----------------------------|------------------------------------|--------------------------------------|-----------------------------------|---------------------------------------|------------------------------|
| Advances (see Note 11) | Associate: Mont-Aire | 2017 2016 | ₽1,539 409,481 | ₽88,231,235 88,269,696 | Noninterest- bearing | Unsecured; not impaired |
| | Joint ventures: | | | | | |
| | Gamespan | 2017 2016 | - - | 1,959,670 1,959,670 | Noninterest- bearing | Unsecured; not impaired |
| | PEP | 2017 2016 | - 15,017 | 610,298 634,095 | Noninterest- bearing | Unsecured; not impaired |
| | INQ7 | 2016 2017 2016 | | 11,544,000 | Noninterest- | Unsecured; fully impaired |
| | Total | 2017 | ₽1,539 | 11,544,000 ₽102,345,203 | bearing | iuny impaired |
| | | 2016 | 424,498 | 102,407,461 | | |
| Trade Receivables | Joint venture: | | | | | |
| Consultancy fees | PEP | 2017 2016 | 1,049,580 | - | Noninterest- bearing | Unsecured; not impaired |
| Reimbursable charges | Common stockholders: | | , , | | S | 1 |
| | GMA Kapuso Foundation Inc. | 2017 2016 | 902,727 3,841,350 | 1,370,431 848,621 | On demand, noninterest- bearing | Unsecured; not impaired |
| Other Services | | 2017 2016 | 30,000 108,878 | - 8,878 | On demand, noninterest- bearing | Unsecured; not impaired |
| Legal, consulting and retainers' fees | Belo, Gozon, Elma Law | 2017 2016 | 16,240,413 15,031,670 | - | On demand, noninterest- bearing | Unsecured; not impaired |
| | Total | 2017 2016 | ₽17,173,140 20,031,478 | ₽1,370,431 857,499 | | |
| Trade Pavables | Joint venture | | | | | |
| Share in short messaging fee and development fee | PEP | 2017 2016 | | (4,392) (4,392) | Noninterest- bearing | Unsecured; not impaired |
| ree and development ree | Total | 2010 2017 2016 | ₽- | (P4,392) (4,392) | ocaring | not impaned |
| | | 2010 | | (4,392) | | |

The advances made by the Parent Company to Mont-Aire and PEP are intended for future capital subscription. On the other hand, the advances to INQ7 were fully impaired as a result of the application of the Group's share in the losses of INQ7 recognized under the equity method in excess of the Group's carrying value of investment (see Note 11).

Compensation of Key Management Personnel

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

| | 2017 | 2016 | 2015 |
|---|----------------------|--------------|--------------|
| Salaries and other long-term benefits (see Notes 23 and 24) | ₽444,995,586 | ₽438,671,187 | ₽340,264,893 |
| Pension benefits | £444,995,560 | F430,0/1,10/ | £340,204,693 |
| (see Notes 23 and 24) | 167,153,219 | 160,724,249 | 145,000,353 |
| | ₽ 612,148,805 | ₽599,395,436 | ₽485,265,246 |



Equity Investments of the Retirement Fund

The Group's retirement fund includes equity investments in GMA Network, Inc. and GMA PDRs amounting to ₱40.67 million and ₱288.71 million in 2017, respectively, and ₱43.66 million and ₱297.35 million in 2016, respectively (see Note 26).

21. Net Revenues

| | 2017 | 2016 | 2015 |
|-----------------------------------|-----------------|-----------------|-----------------|
| Television and radio airtime | ₽13,610,339,266 | ₱15,130,032,959 | ₱12,379,288,532 |
| Subscription income (see Note 27) | 1,250,425,062 | 1,147,093,146 | 1,023,317,743 |
| Production and others | 484,104,499 | 396,254,397 | 324,488,394 |
| | ₽15,344,868,827 | ₱16,673,380,502 | ₱13,727,094,669 |

22. Production Costs

| | 2017 | 2016 | 2015 |
|--------------------------------------|----------------|----------------|----------------|
| Talent fees and production personnel | | | |
| costs (see Note 24) | ₽3,113,585,509 | ₱2,873,152,666 | ₱2,800,282,474 |
| Program and other rights usage | | | |
| (see Note 8) | 905,254,190 | 836,176,965 | 754,638,743 |
| Rental (see Note 27) | 845,002,050 | 820,553,007 | 731,850,677 |
| Tapes, sets and production supplies | 622,487,377 | 540,954,636 | 499,144,415 |
| Facilities and amortization of | | | |
| production services | 524,099,921 | 873,216,859 | 567,552,339 |
| Depreciation (see Notes 12 and 23) | 240,899,214 | 272,208,103 | 308,860,531 |
| Transportation and communication | 173,544,646 | 144,627,484 | 180,255,889 |
| | ₽6,424,872,907 | ₽6,360,889,720 | ₽5,842,585,068 |

23. General and Administrative Expenses

| | 2017 | 2016 | 2015 |
|--------------------------------|----------------|----------------|----------------|
| Personnel costs (see Note 24) | ₽3,282,897,875 | ₽3,054,296,394 | ₱2,787,829,952 |
| Depreciation and amortization | | | |
| (see Notes 12, 14 and 23) | 390,616,434 | 451,390,669 | 491,411,483 |
| Communication, light and water | 289,288,398 | 274,874,628 | 274,428,572 |
| Professional fees | 197,920,814 | 223,438,561 | 171,532,826 |
| Taxes and licenses | 182,742,107 | 178,419,077 | 157,226,517 |
| Advertising | 177,910,388 | 182,516,701 | 205,890,056 |
| Marketing expense | 142,229,650 | 168,803,212 | 169,597,704 |
| Repairs and maintenance | 160,322,397 | 171,439,293 | 120,137,536 |
| Rental (see Note 27) | 91,398,647 | 79,341,640 | 111,783,265 |
| Research and surveys | 86,854,160 | 91,246,946 | 93,171,513 |
| Software maintenance | 66,895,171 | 54,231,481 | 46,094,304 |
| Security services | 62,836,643 | 60,978,694 | 55,017,437 |
| Transportation and travel | 57,081,350 | 49,018,265 | 65,272,971 |
| Insurance | 29,628,102 | 27,418,475 | 27,162,693 |
| Amortization of software costs | | | |
| (see Note 15) | 23,362,883 | 17,173,566 | 20,680,531 |
| Janitorial services | ₽22,633,153 | ₽24,759,025 | ₱22,555,180 |

(Forward)



| | 2017 | 2016 | 2015 |
|----------------------------------|----------------|----------------|----------------|
| Materials and supplies | ₽18,116,056 | ₱15,350,814 | ₱18,075,596 |
| Entertainment, amusement and | | | |
| recreation | 12,329,587 | 14,597,783 | 13,953,633 |
| Provision for doubtful accounts | | | |
| (see Note 7) | 8,253,285 | 25,151,364 | 8,581,859 |
| Dues and subscriptions | 7,137,566 | 7,459,137 | 8,930,117 |
| Freight and handling | 6,736,657 | 11,988,188 | 10,988,081 |
| Impairment loss on AFS financial | | | |
| assets (see Note 10) | _ | _ | 1,360,000 |
| Others | 67,218,463 | 52,195,148 | 15,023,315 |
| | ₽5,384,409,786 | ₽5,236,089,061 | ₱4,896,705,141 |

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

Depreciation

| | 2017 | 2016 | 2015 |
|----------------------------|---------------------|--------------|--------------|
| Property and equipment | | | |
| Production costs | | | |
| (see Note 12) | ₽240,899,214 | ₱272,208,103 | ₱308,860,531 |
| General and administrative | | | |
| expenses (see Note 12) | 388,350,837 | 449,112,968 | 488,042,767 |
| | 629,250,051 | 721,321,071 | 796,903,298 |
| Investment properties | | | |
| General and administrative | | | |
| expenses (see Note 14) | 2,265,597 | 2,277,701 | 3,368,716 |
| | ₽631,515,648 | ₽723,598,772 | ₽800,272,014 |

24. Personnel Costs

| | 2017 | 2016 | 2015 |
|----------------------------------|----------------|----------------|----------------|
| Talent fees | ₽3,045,140,935 | ₱2,813,626,359 | ₱2,712,804,218 |
| Salaries and wages | 1,803,593,788 | 1,739,898,034 | 1,684,867,546 |
| Employee benefits and allowances | 1,161,561,467 | 1,079,728,582 | 920,994,966 |
| Pension expense (see Note 26) | 289,541,781 | 227,546,241 | 166,938,102 |
| Sick and vacation leaves expense | 96,645,413 | 66,649,844 | 102,507,594 |
| | ₽6,396,483,384 | ₽5,927,449,060 | ₽5,588,112,426 |

The above amounts were distributed as follows:

| | 2017 | 2016 | 2015 |
|-------------------------------------|----------------|----------------|----------------|
| Production costs (see Note 22) | ₽3,113,585,509 | ₱2,873,152,666 | ₱2,800,282,474 |
| General and administrative expenses | | | |
| (see Note 23) | 3,282,897,875 | 3,054,296,394 | 2,787,829,952 |
| | ₽6,396,483,384 | ₽5,927,449,060 | ₽5,588,112,426 |



25. Others - Net

| | 2017 | 2016 | 2015 |
|-------------------------------------|--------------|--------------|--------------|
| Commission from Artist Center | ₽42,587,971 | ₽42,373,980 | ₱26,486,506 |
| Reversal of long-outstanding | | | |
| payables | 32,999,414 | 3,233,336 | 6,466,667 |
| Gain on sale of property | | | |
| and equipment (see Note 12) | 27,060,463 | 29,717,284 | 19,962,498 |
| Rental income (see Notes 14 and 27) | 8,183,881 | 6,561,032 | 6,278,507 |
| Merchandising license fees and | | | |
| others | 4,373,351 | 16,126,548 | 9,666,065 |
| Bank charges | (3,268,288) | (3,898,899) | (2,596,314) |
| Income from mall shows | 1,201,057 | 1,401,855 | 7,133,827 |
| Sales of DVDs and integrated | | | |
| receiver-decoders | 172,029 | 120,868 | 4,457,354 |
| Dividends from AFS financial assets | | | |
| (see Note 10) | 132,811 | 2,550,000 | _ |
| Gain on disposal of asset held for | | | |
| sale (see Note 10) | _ | _ | 23,567,528 |
| Tax refund of GMA Pinoy TV | _ | _ | 14,742,143 |
| Recycling of fair value change of | | | |
| certain available-for-sale | | | |
| financial assets due to | | | |
| redemption (see Note 10) | _ | _ | 6,601,820 |
| Loss on asset written off | | | |
| (see Note 9) | _ | _ | (1,113,094) |
| Loss on redemption of AFS financial | | | |
| assets | _ | _ | (147,380) |
| Others | 5,574,712 | 2,679,083 | (3,952,667) |
| | ₽119,017,401 | ₽100,865,087 | ₱117,553,460 |

26. Pension and Other Employee Benefits

As at December 31, pension and other employee benefits consist of:

| | 2017 | 2016 |
|---|----------------|----------------|
| Pension liability | ₽1,670,157,190 | ₱1,644,323,747 |
| Vacation and sick leave accrual | 292,056,473 | 288,250,101 |
| | 1,962,213,663 | 1,932,573,848 |
| Less current portion of vacation and sick leave | | |
| accrual* | 7,402,445 | 3,693,586 |
| Pension and other long-term employee benefits | ₽1,954,811,218 | ₱1,928,880,262 |

^{*}Included in "Accrued expenses" under Trade payables and other current liabilities (see Note 16).

Pension Benefits

The Group operates non-contributory defined benefit retirement plans.

Under the existing regulatory framework, R.A. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.



Pension benefits recognized in the statements of comprehensive income are as follows (see Note 24):

| | 2017 | 2016 | 2015 |
|----------------------|---------------------|--------------|--------------|
| Current service cost | ₽202,107,964 | ₱194,341,085 | ₽127,973,941 |
| Net interest cost | 87,433,817 | 33,205,156 | 38,964,161 |
| | ₽289,541,781 | ₱227,546,241 | ₽166,938,102 |

Net pension liability recognized in the consolidated statements of financial position is as follows:

| | 2017 | 2016 | 2015 |
|----------------------------------|-----------------------|----------------|----------------|
| Present value of defined benefit | | | |
| obligation | ₽2,531,456,676 | ₱2,319,848,369 | ₽1,700,980,562 |
| Fair value of plan assets | 861,299,486 | 675,524,622 | 598,265,691 |
| Pension liability | ₽1,670,157,190 | ₽1,644,323,747 | ₽1,102,714,871 |

The changes in the present value of the defined benefit obligation are as follows:

| | 2017 | 2016 | 2015 |
|-------------------------------|----------------|----------------|----------------|
| Balance at beginning of year | ₽2,319,848,369 | ₽1,700,980,562 | ₱1,642,786,529 |
| Current service cost | 202,107,964 | 194,341,085 | 127,973,941 |
| Interest cost | 123,844,594 | 63,342,653 | 64,213,973 |
| Benefits paid | (114,344,251) | (80,479,256) | (133,993,881) |
| Remeasurement losses (gains): | | | |
| Changes in financial | | | |
| assumptions | _ | (241,262,891) | _ |
| Changes in demographic | | | |
| assumptions | _ | (19,999,260) | _ |
| Experience adjustment | _ | 702,925,476 | _ |
| Balance at end of year | ₽2,531,456,676 | ₱2,319,848,369 | ₽1,700,980,562 |

The changes in the fair value of plan assets are as follows:

| | 2017 | 2016 | 2015 |
|------------------------------------|---------------|--------------|--------------|
| Balance at beginning of year | ₽675,524,622 | ₱598,265,691 | ₱481,506,477 |
| Contribution during the year | 259,000,000 | 200,000,000 | 172,681,390 |
| Interest income | 36,410,777 | 30,137,497 | 25,249,812 |
| Benefits paid | (106,518,329) | (72,832,747) | (99,518,417) |
| Remeasurement gain (loss) - return | | | |
| on plan assets | (3,117,584) | (80,045,819) | 18,346,429 |
| Balance at end of year | ₽861,299,486 | ₽675,524,622 | ₽598,265,691 |

At each reporting period, the Group determines its contribution based on the performance of its retirement fund.

The Group expects to contribute ₱250.00 million to the defined benefit pension plan in 2018.

The funds are managed and supervised by a trustee bank for the benefits of the members. However, the general administration of the funds is vested in a Retirement Committee.



The following table presents the carrying amounts and estimated fair values of the plan assets:

| | 2017 | 2016 |
|-----------------------------------|------------------|------------------|
| | Carrying | Carrying |
| | Value/Fair Value | Value/Fair Value |
| Cash and cash equivalents | ₽310,303,178 | ₱200,855,501 |
| Equity instruments (see Note 20): | | |
| GMA PDRs | 288,710,992 | 297,351,990 |
| GMA Network, Inc. | 40,669,760 | 43,664,280 |
| Debt instruments - | | |
| Government securities | 219,910,756 | 116,194,728 |
| Others | 1,704,800 | 17,458,123 |
| | ₽861,299,486 | ₽675,524,622 |

The plan assets consist of the following:

- Cash and cash equivalents consist of regular savings and time deposits.
- Investments in equity instruments consist of listed shares of GMA Network, Inc. and GMA PDRs (see Note 20). Changes in the fair market value in these investments amounted to a gain of ₱6.27 million, ₱17.91 million, and ₱91.93 million in 2017, 2016 and 2015, respectively.
- Investments in debt instruments bear interest ranging from 2.38% to 7.89% and have maturities from January 2018 to October 2037. Equity and debt instruments held have quoted prices in an active market.
- Others consist of loans and receivables which are collectible within the next twelve months.

The person who exercises voting rights over shares is within the powers of the Trustee, who do not have any relationship with the directors or officers of the Group.

The plan assets are primarily exposed to financial risks such as liquidity risk and price risk.

Liquidity risk pertains to the plan's ability to meet its obligation to the employees upon retirement. To effectively manage liquidity risk, the Board of Trustees invests at least the equivalent amount of actuarially computed expected compulsory retirement benefit payments for the year to liquid/semiliquid assets such as treasury notes, treasury bills, and savings and time deposits with commercial banks.

The Group performs an Asset-Liability Matching Study (ALM) annually. The principal technique of the Group's ALM in order to minimize the portfolio liquidation risk is to ensure that the expected return on assets will be sufficient to support the desired level of funding arising from the defined benefit plans.

Price risk pertains mainly to fluctuations in market prices of equity securities listed in the Philippine Stock Exchange. In order to effectively manage price risk, the Board of Trustees continuously assesses these risks by closely monitoring the market value of the securities and implementing prudent investment strategies.

However, in the event a benefit claim arises under the retirement plan and the retirement fund is not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable to the retirement fund from the Group.



The principal assumptions used in determining pension liability for the Group's plans are shown below:

| | 2017 | 2016 | 2015 |
|----------------------------------|--------|-------|--------|
| Discount rate | 5.39% | 5.39% | 5.00% |
| Expected rate of salary increase | 4.00% | 4.00% | 4.00% |
| Turn-over rates: | | | |
| 19-24 years old | 10.53% | 9.54% | 13.22% |
| 25-29 years old | 6.41% | 7.26% | 6.60% |
| 30-34 years old | 3.35% | 3.79% | 1.85% |
| 35-39 years old | 2.25% | 3.20% | 2.28% |
| 40-44 years old | 2.05% | 2.31% | 1.80% |
| ≥45 years old | 1.38% | 1.96% | 1.63% |

The sensitivity analysis below has been determined by remeasuring the defined benefit obligation at the reporting period after first adjusting one of the current assumption that were reasonably possible at the valuation date while all other assumptions remained unchanged. It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

| | Increase (Decrease) in | Ingrassa (I | Decrease) in Defined B | anafit Obligation |
|-------------------------|---------------------------|----------------|-----------------------------|----------------------------|
| | | | | |
| | Basis Points | 2017 | 2016 | 2015 |
| Discount rate | 50 | (₱147,053,322) | (P 130,821,241) | (P 85,998,488) |
| | (50) | 160,848,171 | 142,741,801 | 94,061,708 |
| Discount rate | 50 | (147,053,322) | (130,821,241) | (85,998,488) |
| | (50) | 160,848,171 | 142,741,801 | 94,061,708 |
| Future salary increases | 50 | 154,891,568 | 132,347,649 | 91,314,035 |
| | (50) | (142,790,665) | (122,666,215) | (84,180,125) |

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2017:

| Less than one year | ₽125,089,899 |
|--------------------------------|---------------|
| More than 1 year to 3 years | 638,879,245 |
| More than 3 years to 7 years | 1,323,653,306 |
| More than 7 years to 15 years | 1,739,605,158 |
| More than 15 years to 20 years | 2,698,061,467 |
| More than 20 years | 7,047,872,017 |

Other Employee Benefits

Other long-term employee benefits consist of accumulated and unexpired employee sick and vacation leave entitlements. Noncurrent portion of other employee benefits amounted to ₱284.66 million and ₱284.56 million as at December 31, 2017 and 2016, respectively, while current portion of other employee benefits recorded in "Accrued payroll and talent fees" included under "Trade and other current liabilities" account amounted to ₱7.4 million and ₱3.69 million as at December 31, 2017 and 2016, respectively (see Note 16).



27. Agreements

Lease Agreements

Operating Lease Commitments - Group as Lessee. The Group entered into various lease agreements for the land, building, studio spaces, satellite and airtime that it presently occupies and uses for periods ranging from three to twenty five years. The leases are cancellable at the Group's option.

Also, in June 2012, the Parent Company agreed to extend its non-cancellable Co-production/Blocktime Rental Agreement with ZOE Broadcasting Network, Inc. (ZBN) for another seven years from June 2012 to May 2019. On the first year of the contract renewal, the Parent Company pays ZBN an amount equivalent to total payments from June 2011 to May 2012, subject to yearly escalation of 10.00%.

The future minimum rentals payable under the non-cancellable operating lease with ZBN follow:

| | 2017 | 2016 |
|---|--------------|--------------|
| Within one year | ₽232,505,236 | ₱192,153,087 |
| After one year but not more than five years | 100,691,244 | 302,905,890 |
| | ₽333,196,480 | ₽495,058,977 |

The Group's other lease arrangements consist of short-term leases, on a need basis.

Total rental expense amounted to ₱936.40 million, ₱899.89 million and ₱843.63 million in 2017, 2016, and 2015, respectively (see Notes 22 and 23).

Operating Lease - Group as Lessor. The Group also leases out certain properties for a period of one year, renewable annually. The leased out properties include investment properties and office space. Total rental income amounted to $\clubsuit8.18$ million, $\clubsuit6.56$ million and $\clubsuit6.28$ million in 2017, 2016 and 2015, respectively (see Note 25).

Subscription Agreements

The Parent Company entered into various subscription agreements with international cable providers for the airing of its programs and shows abroad. The agreements generally have terms of three to five years and are based on certain agreed service package rates.

Total subscription income amounted to ₱1,250.43 million, ₱1,147.09 million and ₱1,023.32 million in 2017, 2016 and 2015, respectively (see Note 21).

28. Income Taxes

Current Income Tax

The current income tax consists of the following:

| | 2017 | 2016 | 2015 |
|------|------------------------|----------------|--------------|
| RCIT | ₽ 1,094,393,014 | ₱1,510,149,656 | ₽951,169,854 |
| MCIT | 493,093 | 773,934 | 3,728,988 |
| | ₽1,094,886,107 | ₱1,510,923,590 | ₽954,898,842 |



The reconciliation between the statutory income tax rates and effective income tax rates are shown

| | 2017 | 2016 | 2015 |
|--------------------------------------|--------|--------|--------|
| Statutory income tax | 30% | 30% | 30% |
| Additions (deductions) in income tax | | | |
| resulting from: | | | |
| Interest income already | | | |
| subjected to final tax | (0.24) | (0.13) | (0.10) |
| Nondeductible interest expense | 0.09 | 0.06 | (0.06) |
| Nondeductible tax deficiency | | | |
| payment | 0.01 | 0.05 | 0.01 |
| Equity in net earnings (losses) of | | | |
| joint ventures | _ | (0.02) | 0.03 |
| Nontaxable refund of foreign tax | | | |
| credit | _ | _ | (0.02) |
| Others - net | 0.16 | 0.02 | 0.12 |
| Effective income tax | 30.02% | 29.98% | 29.98% |

 $\frac{Deferred\ Income\ Taxes}{The\ components\ of\ the\ Group's\ net\ deferred\ income\ tax\ assets\ and\ liabilities\ are\ as\ follows:}$

| | 2017 | 2016 |
|---|----------------------|---------------|
| Deferred income tax assets: | | |
| Pension liability | ₽ 500,215,593 | ₱493,297,124 |
| Allowance for doubtful accounts | 91,847,244 | 92,041,255 |
| Other long-term employee benefits | 88,108,821 | 85,366,955 |
| Intercompany sale of intangible assets | 31,500,000 | 36,000,000 |
| Allowance for probable losses in advances | 15,622,045 | 7,405,770 |
| Accrued rent | 13,676,991 | 26,666,203 |
| Customers' deposits | 13,243,552 | 12,850,803 |
| Accruals for research | 10,061,847 | _ |
| Excess MCIT over RCIT | 1,068,164 | 3,121,656 |
| Unrealized loss on AFS financial assets | 340,455 | 282,954 |
| Others | 442,887 | 116,920 |
| | 766,127,599 | 757,149,640 |
| Deferred income tax liabilities: | | _ |
| Revaluation increment on land | (435,963,012) | (435,963,012) |
| Unrealized foreign exchange gain | (18,692,539) | (17,465,097) |
| Discounting of noncurrent obligation for | | |
| program and other rights | (19,921,659) | (12,092,581) |
| Others | (381,000) | (116,920) |
| | (474,958,210) | (465,637,610) |
| | ₽291,169,389 | ₽291,512,030 |



The components of deferred income tax assets (liabilities) pertaining to accounts presented under equity in the consolidated statements of financial position are as follows:

| | 2017 | 2016 |
|--|-----------------------------|-----------------------------|
| Revaluation increment on land | (P 435,963,012) | (P 435,963,012) |
| Pension liability - remeasurement loss | • | |
| on retirement plan | 286,227,805 | 285,292,530 |
| Revaluation of AFS financial assets | (45,545) | 282,954 |
| | (P 149,780,752) | (₱150,387,528) |

The components of the subsidiaries' deductible temporary differences and carryforward benefits of NOLCO and MCIT, for which no deferred income tax assets have been recognized in the Group's consolidated statements of financial position, are as follows:

| | 2017 | 2016 |
|-----------------------------------|-------------|-------------|
| NOLCO | ₽4,568,684 | ₽11,644,457 |
| Allowance for doubtful accounts | 4,637,981 | 1,166,922 |
| Excess MCIT over RCIT | 2,941,699 | 773,934 |
| Allowance for inventory stock | 1,670,219 | 758,581 |
| Pension liability | 831,564 | 733,647 |
| Other long-term employee benefits | 176,828 | 165,357 |
| | ₽14,826,975 | ₽15,242,898 |

The unrecognized deferred tax assets from the above deductible temporary differences and carryforward benefits of NOLCO and MCIT amounted to ₱6.51 million and ₱5.11 million as at December 31, 2017 and 2016, respectively.

The deferred income tax assets were not recognized as management believes that future taxable income against which the deferred income tax assets can be used for these entities may not be available.

As at December 31, 2017, the Group's MCIT and NOLCO are as follows:

| Years Paid/Incurred | Carryforward Benefit Up To | MCIT | NOLCO |
|---------------------|----------------------------|------------|------------|
| 2015 | 2018 | ₽3,188,986 | ₽233,636 |
| 2016 | 2019 | 791,805 | 3,557,616 |
| 2017 | 2020 | 29,072 | 777,432 |
| | | ₽4,009,863 | ₽4,568,684 |

The movements in MCIT and NOLCO in 2017 are as follows:

| | MCIT | NOLCO |
|------------------------------|------------|-------------|
| Balance at beginning of year | ₽3,895,590 | ₽11,644,457 |
| Additions | 117,273 | 2,724,874 |
| Expirations | (3,000) | (9,800,647) |
| | ₽4,009,863 | ₽4,568,684 |



The movements in MCIT and NOLCO in 2016 are as follows:

| | MCIT | NOLCO |
|------------------------------|------------|--------------|
| Balance at beginning of year | ₽358,759 | ₽35,320,723 |
| Additions | 3,537,231 | 1,610,174 |
| Applications | _ | (25,286,440) |
| Expirations | (400) | _ |
| | ₽3,895,590 | ₽11,644,457 |

29. EPS Computation

The computation of basic and diluted EPS follows:

| | 2017 | 2016 | 2015 | |
|------------------------------------|----------------|----------------|----------------|--|
| Net income attributable to equity | | | | |
| holders of the Parent Company (a) | ₽2,543,897,957 | ₱3,626,334,921 | ₱2,115,082,277 | |
| Less attributable to preferred | | | | |
| shareholders | 785,070,044 | 1,119,119,934 | 652,733,626 | |
| Net income attributable to common | | | | |
| equity holders of the Parent | | | | |
| Company (b) | 1,758,827,913 | 2,507,214,987 | 1,462,348,651 | |
| | | | | |
| Common shares issued at the | | | | |
| beginning of year (Note 19) | 3,364,692,000 | 3,364,692,000 | 3,364,692,000 | |
| Treasury shares (Note 19) | (3,645,000) | (3,645,000) | (3,645,000) | |
| Underlying shares on acquired PDRs | | | | |
| (Note 19) | (750,000) | (750,000) | (750,000) | |
| Weighted average number of common | | | | |
| shares for basic EPS (c) | 3,360,297,000 | 3,360,297,000 | 3,360,297,000 | |
| Weighted average number of common | | | | |
| shares | 3,360,297,000 | 3,360,297,000 | 3,360,297,000 | |
| Effect of dilution - assumed | | | | |
| conversion of preferred shares | 1,500,000,000 | 1,500,000,000 | 1,500,000,000 | |
| Reacquired preferred shares | (98,563) | (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 | 4,860,198,437 | |
| Basic EPS (b/c) | ₽0.523 | ₽0.746 | ₽0.435 | |
| Diluted EPS (a/d) | ₽0.523 | ₽0.746 | ₽0.435 | |



30. Financial Risk Management Objectives and Policies

The Group's principal financial instruments include cash and cash equivalents. The main purposes of these financial instruments include raising financing for the Group's operations and managing identified financial risks. The Group has other financial assets and liabilities such as trade and other receivables, refundable deposits, trade payables and other current liabilities (excluding payable to government agencies, customers' deposits and advances from customers), short-term loan, 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 and financial liabilities based on contractual undiscounted payments as at December 31:

| | | 2017 | | | | | |
|------------------------------|----------------|----------------|-----------------------------|--------------|----------------|--|--|
| | | Less than | | More than | | | |
| | On Demand | 3 Months | 3 to 12 Months | 1 year | Total | | |
| Loans and receivables: | | | | | | | |
| Cash and cash equivalents | ₽1,285,979,018 | ₽993,859,477 | ₽_ | ₽_ | ₽2,279,838,495 | | |
| Trade receivables: | | | | | | | |
| Television and | | | | | | | |
| radio airtime | 861,990,654 | 3,620,584,509 | - | - | 4,482,575,163 | | |
| Subscriptions | 98,286,060 | 194,081,015 | _ | _ | 292,367,075 | | |
| Others | 57,832,285 | 69,482,625 | _ | | 127,314,910 | | |
| Nontrade receivables: | | | | | | | |
| Advances to officers | | | | | | | |
| and employees | 74,423 | 2,414,602 | _ | _ | 2,489,025 | | |
| Others | 781,558 | 336,480 | | _ | 1,118,038 | | |
| Refundable deposits* | _ | _ | _ | 13,697,898 | 13,697,898 | | |
| AFS financial assets | _ | - | _ | 245,741,881 | 245,741,881 | | |
| | 2,304,943,998 | 4,880,758,708 | _ | 259,439,779 | 7,445,142,485 | | |
| Other financial liabilities: | | | | | | | |
| Trade payables and other | | | | | | | |
| current liabilities** | 462,449,326 | 939,793,903 | 27,764,941 | _ | 1,430,008,170 | | |
| Short-term loans*** | · · · · - | 3,875,000 | 501,937,500 | _ | 505,812,500 | | |
| Obligations for program and | | | | | | | |
| other rights | _ | 139,571,493 | _ | _ | 139,571,493 | | |
| Dividends payable | 15,437,102 | · · · · - | _ | _ | 15,437,102 | | |
| | 477,886,428 | 1,083,240,396 | 529,702,441 | | 2,090,829,265 | | |
| Liquidity Portion (Gap) | ₽1,827,057,570 | ₽3,797,518,312 | (P 529,702,441) | ₽259,439,779 | ₽5,354,313,220 | | |

^{**}Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 15).



^{***}Excluding payable to government agencies, customer deposits and advances from customers amounting to \$\textit{P}762.89\$ million \$\textit{P}31.75\$ million and \$\textit{P}162.25\$ million, respectively (see Note 16).

^{***}Gross contractual payments.

| | | | 2016 | | |
|------------------------------|----------------|----------------|-----------------------------|--------------|----------------|
| | | Less than | | More than | |
| | On Demand | 3 Months | 3 to 12 Months | 1 year | Total |
| Loans and receivables: | | | | | |
| Cash and cash equivalents | ₽1,950,184,026 | ₽1,468,830,179 | ₽– | ₽– | ₱3,419,014,205 |
| Trade receivables: | | | | | |
| Television and | | | | | |
| radio airtime | 1,415,207,927 | 3,384,171,663 | _ | _ | 4,799,379,590 |
| Subscriptions | 138,020,506 | 219,899,497 | _ | _ | 357,920,003 |
| Others | 58,344,349 | 49,029,986 | _ | | 107,374,335 |
| Nontrade receivables: | | | | | |
| Advances to officers and | | | | | |
| employees | _ | 3,183,197 | _ | _ | 3,183,197 |
| Others | 1,430,307 | 1,019,449 | | _ | 2,449,756 |
| Refundable deposits* | _ | _ | _ | 13,328,432 | 13,328,432 |
| AFS financial assets | _ | _ | _ | 243,391,881 | 243,391,881 |
| | 3,563,187,115 | 5,126,133,971 | - | 256,720,313 | 8,946,041,399 |
| Other financial liabilities: | | | | | |
| Trade payables and other | | | | | |
| current liabilities** | 556,998,971 | 949,127,898 | 62,629,514 | _ | 1,568,756,383 |
| Short-term loans*** | - | 2,456,168 | 648,816,168 | _ | 651,272,336 |
| Obligations for program and | | | | | |
| other rights | _ | 76,847,692 | - | _ | 76,847,692 |
| Dividends payable | 12,705,059 | _ | _ | _ | 12,705,059 |
| | 569,704,030 | 1,028,431,758 | 711,445,682 | _ | 2,309,581,470 |
| Liquidity Portion (Gap) | ₱2,993,483,085 | ₽4,097,702,213 | (P 711,445,682) | ₽256,720,313 | ₽6,636,459,929 |

^{**}Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 15).

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 certain business transactions denominated in foreign currencies. It is the Group's policy to ensure that capabilities exist for active but conservative management of its foreign currency exchange risk.

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

| | 2017 | , | 2016 | |
|-----------------------------------|--------------|----------------------|--------------|--------------|
| Assets | | | | |
| Cash and cash equivalents | \$5,653,614 | ₽282,284,947 | \$11,811,022 | ₽587,244,014 |
| | C\$1,073,427 | 42,632,227 | _ | _ |
| Trade receivables | \$4,184,458 | 208,929,988 | 7,198,713 | 357,920,010 |
| | C\$1,967,742 | 78,150,841 | · · · - | |
| | S\$150,727 | 5,625,554 | _ | _ |
| | A\$51,697 | 2,011,272 | _ | _ |
| | DH75,612 | 1,027,930 | _ | _ |
| | £6,331 | 424,915 | _ | _ |
| | ¥485,806 | 214,872 | _ | _ |
| | | ₽621,302,546 | \$19,009,735 | ₱945,164,024 |
| | | | | |
| Liabilities | | | | |
| Trade Payables | \$3,413,632 | ₽ 170,442,646 | \$615,063 | ₽30,580,932 |
| Short-term loans | _ | _ | 13,000,000 | 646,360,000 |
| Obligations for program and other | | | | |
| rights | \$2,405,795 | 120,121,344 | 1,003,156 | 49,876,916 |
| | | ₽290,563,990 | \$14,618,219 | ₽726,817,848 |
| | - | ₽330,738,556 | \$4,391,516 | ₱218,346,176 |



^{***}Excluding payable to government agencies, customer deposits and advances from customers amounting to \$\mathbb{P}768.56\$ million, \$\mathbb{P}61.75\$ million and \$\mathbb{P}42.88\$ million, respectively (see Note 16).

 $^{***}Gross\ contractual\ payments.$

In translating the foreign currency-denominated monetary assets and liabilities into Philippine peso amounts, the exchange rate used were ₱49.93 to US\$1.00 and ₱49.72 to US\$1.00, the Philippine peso to U.S. dollar exchange rate, as at December 31, 2017 and 2016, respectively. The exchange rate for Philippine peso to Canadian dollar was ₱39.72 to CAD\$1.00 as at December 31, 2017. The peso equivalents for the Singaporean Dollar, Australian Dollar, Dirham, UK Pound and Japanese Yen are ₱37.32, ₱38.91 and ₱13.59, ₱67.12 and ₱0.44, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates, with all other variables held constant, of the Group's income before income tax from reporting period up to next reporting period (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Group's equity other than those already affecting profit or loss.

| | Appreciation/ | | Effect on Income before Income Tax | | | | | | |
|------|------------------------|------------------------|------------------------------------|------------------|------------------|------------------|-----------------|-------------------|---------------------|
| | (Depreciation) of Peso | USD | CAD | SGD | AUD | AED | GBP | JPY | Total |
| 2017 | 0.50) | (₽2,009,323) (€ | P1,520,585) | (₽75,364) | (₽25,849) | (₽37,806) | (₽3,166) | (₽242,903) | (₽3,914,996) |
| | (0.50) | 2,009,323 | 1,520,585 | 75,364 | 25,849 | 37,806 | 3,166 | 242,903 | 3,914,996 |
| 2016 | 0.50) | (2,195,758) | _ | _ | _ | _ | _ | _ | (2,195,758) |
| | (0.50) | 2,195,758 | _ | _ | _ | _ | _ | _ | 2,195,758 |

Credit Risk. Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk.

The Group ensures that sales of products and services are made to customers with appropriate credit history. The Group has an internal mechanism to monitor the granting of credit and management of credit exposures. The Group has made provisions, where necessary, for potential losses on credits extended. The Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of the instruments. The Group does not require any collateral for its financial assets, thus, maximum exposure to credit risk is equal to the carrying value of the financial instruments.

The table below shows the maximum exposure to credit risk for the components of the consolidated financial position as at December 31:

| | 2017 | 2016 |
|------------------------------------|------------------------|----------------|
| Loans and receivables | | |
| Cash and cash equivalents* | ₽ 2,128,344,290 | ₱3,355,349,108 |
| Trade receivables: | | |
| Television and radio airtime | 4,482,490,186 | 4,799,379,590 |
| Subscriptions | 292,367,075 | 357,920,003 |
| Others | 127,399,887 | 107,374,334 |
| Nontrade receivables: | | |
| Advances to officers and employees | 2,489,025 | 3,183,197 |
| Others | 1,118,038 | 2,449,756 |
| Refundable deposits** | 13,697,898 | 13,328,432 |
| | 7,047,906,399 | 8,638,984,420 |
| AFS financial assets | 245,491,881 | 243,391,881 |
| | ₽7,293,398,280 | ₽8,882,376,301 |

^{*}Excluding cash on hand amounting to ₱129.66 million and ₱63.67 million as at December 31, 2017 and 2016, respectively.



^{**}Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 15).

The credit quality of financial assets is managed by the Group using high grade and standard grade as internal credit ratings.

- *High Grade*. Pertains to a counterparty who is not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes prime financial institutions and companies and top 20 advertisers in terms of volume of sales, who consistently pay on or before the maturity date and related parties.
- Standard Grade. Pertains to a counterparty with tolerable delays (normally from 1 to 30 days) in settling its obligations to the Group. The delays may be due to cut-off differences. This includes customers outside the top 20 advertisers in terms of volume of sales, who consistently pay on maturity date and officers and employees.

As at December 31, 2017 and 2016, the credit quality of the Group's financial assets is as follows:

| | | | 2017 | | |
|------------------------------------|----------------|------------------|----------------|--------------|----------------|
| | Neither Past | Due Nor Impaired | Past Due but | Past Due and | |
| | High Grade | Standard Grade | not Impaired | Impaired | Total |
| Loans and receivables: | | | - | | |
| Cash and cash equivalents* | ₽2,150,174,152 | ₽- | ₽- | ₽- | ₽2,150,174,152 |
| Trade receivables: | | | | | |
| Television and radio airtime | 2,932,227,638 | 463,495,382 | 1,086,767,166 | 300,279,309 | 4,782,769,495 |
| Subscriptions | 180,069,041 | 7,649,963 | 104,648,071 | _ | 292,367,075 |
| Others | 40,585,643 | 17,475,408 | 69,338,836 | 11,431,908 | 138,831,795 |
| Nontrade receivables: | | | | | |
| Advances to officers and employees | 2,414,602 | 35,423 | 39,000 | - | 2,489,025 |
| Others | 336,480 | 541,960 | 239,598 | _ | 1,118,038 |
| Refundable deposits** | 13,697,898 | _ | _ | _ | 13,697,898 |
| | 5,319,505,454 | 489,198,136 | 1,261,032,671 | 311,711,217 | 7,381,447,478 |
| AFS financial assets | 245,491,881 | , , , <u> </u> | · · · · · - | · · · - | 245,491,881 |
| | ₽5,564,997,335 | ₽489,198,136 | ₽1,261,032,671 | ₽311,711,217 | ₽7,626,939,359 |

^{**}Excluding cash on hand amounting to ₱129.66 million as at December 31, 2017.

^{**}Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 15).

| | | | 2016 | | |
|------------------------------------|----------------|------------------|----------------|--------------|----------------|
| | Neither Past | Due Nor Impaired | Past Due but | Past Due and | |
| | High Grade | Standard Grade | not Impaired | Impaired | Total |
| Loans and receivables: | | | | | |
| Cash and cash equivalents* | ₱3,355,349,108 | ₽_ | ₽_ | ₽_ | ₱3,355,349,108 |
| Trade receivables: | | | | | |
| Television and radio airtime | 2,991,035,726 | 264,889,963 | 1,543,453,901 | 298,663,895 | 5,098,043,485 |
| Subscriptions | 171,167,030 | 28,693,321 | 158,059,652 | _ | 357,920,003 |
| Others | 40,199,708 | 878,744 | 66,295,883 | 9,763,600 | 117,137,935 |
| Nontrade receivables: | | | | | |
| Advances to officers and employees | 3,183,197 | = | = | = | 3,183,197 |
| Others | 621,867 | 364,599 | 1,827,889 | _ | 2,814,355 |
| Refundable deposits** | 13,328,432 | = | _ | _ | 13,328,432 |
| | 6,574,885,068 | 294,826,627 | 1,769,637,325 | 308,427,495 | 8,947,776,515 |
| AFS financial assets | 243,391,881 | _ | _ | _ | 243,391,881 |
| | ₽6,818,276,949 | ₽294,826,627 | ₽1,769,637,325 | ₽308,427,495 | ₽9,191,168,396 |

^{**}Excluding cash on hand amounting to P63.67 million as at December 31, 2016.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay off existing debts, return capital to shareholders or issue new shares.

The Parent Company is not subject to externally imposed capital requirements.



^{**}Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 15).

No changes were made in the objectives, policies or processes for each of the three years ended December 31, 2017, 2016 and 2015.

The Group monitors its capital gearing by measuring the ratio of interest-bearing loan to total equity. The Group's interest-bearing loans, which are the short-term loans, amounted to \$500.00 million and \$646.36 million as at December 31, 2017 and 2016, respectively. The Group's total equity attributable to equity holders of the Parent Company as at December 31, 2017 and 2016 amounted to \$9,403.09 million and \$10,407.30 million, respectively.

31. Fair Value Measurement

The table below presents the carrying values and fair values of the Group's assets and liabilities, by category and by class, as at December 31:

| | | 2 | 017 | |
|--|----------------|---|--|--|
| | | | Fair Value | |
| | Carrying Value | Quoted Prices in Active Markets (Level 1) | Significant Observable Input (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets Measured at Fair Value | | | | <u> </u> |
| Land at revalued amount | ₽1,806,511,193 | ₽- | ₽_ | ₽1,806,511,193 |
| AFS financial assets - quoted | 127,820,000 | 118,435,000 | 9,385,000 | |
| Assets for which Fair Values are Disclosed | | | | |
| Investment properties | 51,048,514 | _ | _ | 135,434,290 |
| Loans and receivables - | | | | |
| Refundable deposits* | 13,697,898 | _ | _ | 12,845,135 |
| - | ₽1,999,077,605 | ₽118,435,000 | ₽9,385,000 | ₽1,954,790,618 |

^{*}Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 15).

| | | 20 | 16 | |
|----------------------------------|----------------|---|--|--|
| | | | Fair Value | |
| | Carrying Value | Quoted Prices in Active Markets (Level 1) | Significant Observable Input (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets Measured at Fair Value | | | | |
| Land at revalued amount | ₱1,805,146,475 | ₽_ | ₽_ | ₱1,805,146,475 |
| AFS financial assets – quoted | 125,470,000 | 118,435,000 | 7,035,000 | _ |
| Assets for which Fair Values are | | | | |
| Disclosed | | | | |
| Investment properties | 53,314,111 | _ | _ | 135,434,290 |
| Loans and receivables - | | | | |
| Refundable deposits* | 13,328,432 | _ | _ | 12,144,449 |
| • | ₽1,997,259,018 | ₽118,435,000 | ₽7,035,000 | ₽1,952,725,214 |
| | | | | |

^{*}Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 15).

During the years ended December 31, 2017 and 2016, there were no transfers between levels of fair value measurement.



Fair Value Determination

The following methods and assumptions are used to estimate the fair value of each asset and liability for which it is practicable to estimate such value:

Cash and Cash Equivalents, Short-term Investments and Trade and Other Receivables
The carrying values of cash and cash equivalents, short-term investments and trade and nontrade receivables approximate their fair values primarily due to the relatively short-term maturity of these financial instruments.

Refundable Deposits

The fair value of refundable deposits is based on the present value of the future discounted cash flows. Discount rates used range from 2.05% to 2.52% in 2017 and 3.64% to 4.83% in 2016.

AFS Financial Assets

These are investments in quoted and unquoted shares of stock. The fair value of quoted shares is based on quoted market prices. The unquoted shares are stated at cost as there are no reliable sources and bases for subsequent fair value measurement.

Investment Properties and Land at Revalued Amount

The valuation for investment properties and land at revalued amount was derived through market data approach based upon prices paid in actual market transactions. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property adjusted based on certain elements of comparison (e.g. market conditions, location, physical condition and amenities). Significant unobservable valuation input in determining the fair value of investment properties includes adjusted price per square meter that ranges from \$\mathbb{P}900\$ to \$\mathbb{P}118,945\$. On the other hand, significant unobservable valuation input in determining fair value of land at revalued amount includes adjusted price per square meter that ranges from \$\mathbb{P}200\$ to \$\mathbb{P}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 and Advances from Customers), Short-term Loans, Obligations for Program and Other Rights and Dividends Payable

The carrying values of trade payables and other current liabilities, short-term loans, current portion of obligations for program and other rights and dividends payable approximate their fair values due to the relatively short-term maturity of these financial instruments.

32. Supplemental Information to Consolidated Statements of Cash Flows

Non-cash transaction in 2015 consists of acquisition of AFS financial assets for ₱130.00 million in exchange for investments in X-Play for ₱26.43 million, advances for ₱30.00 million and airtime receivables for ₱28.00 million (see Note 10).





SyCip Gorres Velayo & Co. Tel: (632) 891 0307 6760 Ayala Avenue 1226 Makati City Philippines

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

BOA/PRC Reg. No. 0001, December 14, 2015, valid until December 31, 2018 SEC Accreditation No. 0012-FR-4 (Group A), November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of GMA Network, Inc. and Subsidiaries (the Group) as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 included in this Form 17-A, and have issued our report thereon dated April 5, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maryaith C. Miguel

Marydith C. Miguel

Partner

CPA Certificate No. 65556

SEC Accreditation No. 0087-AR-4 (Group A),

May 1, 2016, valid until May 1, 2019

Tax Identification No. 102-092-270

BIR Accreditation No. 08-001998-55-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 6621301, January 9, 2018, Makati City

April 5, 2018



GMA NETWORK, INC. AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES DECEMBER 31, 2017

Annex 68 - E

| A. | Financial Assets | Attached |
|--------|---|----------------|
| B. | Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties) | Not applicable |
| C. | Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements | Attached |
| D. | Intangible Assets and Other Assets | Attached |
| E. | Long-term Debt | Not applicable |
| F. | Indebtedness to Related Parties (Long-term Loans from Related Companies) | Not applicable |
| G. | Guarantees of Securities of Other Issuers | Not applicable |
| H. | Capital Stock | Attached |
| Additi | onal Components | |
| i) | Reconciliation of Retained Earnings Available for Dividend Declaration | Attached |
| ii) | List of Philippine Financial Reporting Standards Effective as at December 31, 2017 | Attached |
| iii) | Map of Relationships of the Companies within the Group | Attached |
| iv) | Schedule of Financial Ratios | Attached |

GMA NETWORK, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-E DECEMBER 31, 2017

Schedule A. Financial Assets

| | Number of Shares or | Amount Shown | Value Based on | |
|---------------------------------|---------------------|----------------|------------------|-----------------|
| | Principal | | Market Quotation | |
| Name of Issuing Entity and | Amounts of | of Financial | | Income Received |
| Association of Each Issue | Bonds and Notes | Position | Reporting Period | and Accrued |
| Cash and cash equivalents | | | | |
| Cash in Banks | ₽- | ₽1,156,314,675 | ₽_ | ₽1,598,407 |
| Peso Placements: | | | | |
| Abacus Capital & Investment | | | | |
| Corporation | _ | 106,733,784 | _ | 5,436,195 |
| Banco De Oro | _ | 15 | _ | 1,065,649 |
| Bank of Philippine Island | _ | 81,945,900 | _ | 1,733,554 |
| Malayan Bank | _ | 183,548,921 | _ | 2,772,599 |
| Philippine Bank of | | | | |
| Communications | _ | 80,725,309 | _ | 818,807 |
| Unicapital, Inc. | _ | 63,266,137 | _ | 1,520,358 |
| Philippine National Bank | _ | _ | _ | 266,475 |
| Eastwest | _ | 20,837,379 | _ | 333,943 |
| Union Bank of the Philippines | _ | 153,056,598 | _ | 2,514,227 |
| MBTC | _ | 12,307,375 | _ | 1,055,104 |
| AUB | _ | _ | _ | 393,885 |
| UCPB | _ | 177,216,295 | _ | 2,145,396 |
| Land Bank of the Philippines | _ | 50,996,873 | _ | 948,809 |
| PBB | _ | 2,000,000 | | 1,133 |
| Amalgamated Investment | | | | |
| Bancorporation | _ | 7,194,027 | _ | 181,981 |
| | | 939,828,613 | _ | 21,188,115 |
| Dollar Placements: | | | | |
| Asia United Bank | _ | _ | _ | 26,163 |
| Eastwest Bank | _ | 36,836,835 | _ | 688,181 |
| Union Bank of the Philippines | _ | 17,194,030 | _ | 275,312 |
| | _ | 54,030,865 | _ | 989,656 |
| Total Placements | _ | 993,859,478 | _ | 22,177,771 |
| Short-term Investments | _ | 129,664,342 | _ | _ |
| | ₽_ | ₱2,279,838,495 | ₽_ | ₽23,776,178 |
| | | | | |
| Available-for-sale investments | | | | |
| IP E Games Ventures, Inc. | 13,000,000,000 | ₽117,000,000 | ₽117,000,000 | ₽_ |
| Unicapital, Inc. | _ | 77,659,800 | _ | _ |
| Mabuhay Philippine Satellite | _ | 29,000,000 | _ | _ |
| Optima Studio | _ | 11,023,156 | _ | _ |
| Ayala Alabang Country Club - A | 1 | 5,300,000 | 5,300,000 | _ |
| Baguio Country Club | 1 | 2,400,000 | 2,400,000 | _ |
| Metropolitan Club (Metroclub) A | 7 | 1,490,000 | 1,490,000 | _ |
| Manila Southwoods A | 1 | 1,000,000 | 1,100,000 | _ |
| Camp John Hay Golf Club | 1 | 160,000 | 160,000 | _ |
| PLDT Company | 2,100 | 21,000 | 21,000 | _ |
| Reefpoint Picture | _ | 216,925 | _ | _ |
| Royale Tagaytay | 2 | 220,000 | 220,000 | _ |
| Others | _ | 1,000 | _ | _ |
| | 13,000,002,113 | ₽245,491,881 | ₽127,691,000 | ₽_ |

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

December 31, 2017

| Per | Non Current | Current | Collected Written Off | Collected | Additions | Period | of Debtor |
|-------------------|-------------|---------|-----------------------|------------|-----------|-------------------------|----------------------|
| Balance at End of | | | Amount Amount | Amount | | Balance at Beginning of | Name and Designation |
| | | | tions | Deductions | l | | |

Not Applicable: The Company has no amounts receivable from directors, officers, employees, related parties and principal stockholders as at December 31, 2017.

Schedule C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements

December 31, 2017

Alta Productions Company, Inc. (Alta)

| (\$10,336,042) | ₽- | (10,336,042) | ₽- | ₽ 35,378,405 | (\$P43,720,212) | (P 1,994,235) | Total |
|-------------------|------------|--------------|--------------|---------------------|---|---------------------------|---------------------|
| (10,479,497) | I | (10,479,497) | I | 35,378,405 | (43,720,212) | (2,137,690) | Payables - Trade |
| ₱143,455 | 70 | ₱143,455 | 70 | 7 | 1 | ₱143,455) | Receivables - Trade |
| December 31, 2017 | Noncurrent | Current | Reclassified | Collected | Additions | January 1, 2017 | Account |
| | | | written off/ | Amount | | | |
| | | | Amount | | | | |
| | | | ions | Deduction | ı | | |

Citynet Network Marketing and Productions, Inc. (Citynet)

| 3,000 \(\mathbf{P}\)118,934,402 \(\mathbf{P}\)123,762,402 | ₱118,934,402 | ₽- ₽4,828,000 | | ₽ 1,728,000 | P118,934,402 P3,100,000 P 1,728,000 | ₽118,934,402 | Total |
|---|-----------------|---------------|--|---------------------|--|-----------------|------------------------|
| (672,000) | I | (672,000) | I | 1,728,000 | (2,400,000) | I | Payables -Trade |
| 5,500,000 | I | 5,500,000 | 1 | I | 5,500,000 | I | Receivables - Nontrade |
| 118,934,402 | ₱─ ₱118,934,402 | " | 7 | - | - | ₱118,934,402 | Advances to Citynet |
| t December 31, 2017 | Noncurrent | Current | Amount written off/ Reclassified | Amount Collected | Additions | January 1, 2017 | Account |
| | | | ons | Deduction | | | |

Schedule C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements (cont.)

December 31, 2017

GMA Marketing and Productions, Inc. (GMPI)

| (P 108,490,488) | - | ₽- (₽108,490,488) | 1 | (\P2,659,613) | ₽ 38,140,413 | (\P143,971,288) | Total |
|-----------------------------|--------------|-------------------|--------------|----------------|---------------------|-----------------|---------------------|
| (33,200) | ı | (33,200) | ı | 1 | I | (33,200) | Payables - Nontrade |
| (140, 185, 987) | I | (140, 185, 987) | ı | 3,752,101 | I | (143,938,088) | Payables - Trade |
| ₱31,728,699 | 7 | ₽- ₽31,728,699 | 7 | (\$P6,411,714) | ₱38,140,413 | 70 | Receivables - Trade |
| December 31, 2017 | Noncurrent | Current | Reclassified | | Additions | January 1, 2017 | Account |
| | | | written off/ | Amount | | | |
| | | | Amount | | | | |
| | | | ons | Deductions | I | | |

GMA New Media, Inc. (GNMI)

| 197) P35,524,846 P16,695,649 | ₽35,524,846 | ₽- (₽18,829,197) | ₽- | (P 73,667,568) | ₽51,823,686 | ₽38,539,531 | Total |
|-------------------------------------|-------------|------------------|--|----------------------------|-------------|-----------------|------------------------|
| (59,667,011) | 1 | (59,667,011) | 1 | 29,581,647 | (9,733,806) | (79,514,852) | Payables - Trade |
| ı | I | I | ı | (61,557,492) | 61,557,492 | 1 | Receivables - Nontrade |
| ,814 – 40,837,814 | ı | 40,837,814 | ı | (41,691,723) | I | 82,529,537 | Receivables - Trade |
| ₱35,524,846 | ₱35,524,846 | T | 7 | 74 | ₽- | ₱35,524,846 | Advances to GNMI |
| December 31, 2017 | Noncurrent | Current | Amount written off/ Reclassified | Amount Collected | Additions | January 1, 2017 | Account |
| | | | OIIS | Deductions | ı | | |

Schedule C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements (cont.)

December 31, 2017

GMA Worldwide (Philippines), Inc. (GWI)

| P- (P12,042,160) | 10 - | P- (P12,042,160) | ₽_ | ₱9,648,398 | (1 14,794,677) | (P 6,895,881) | Total |
|----------------------|-----------------|------------------|--------------|-------------|----------------------------|---------------------------|------------------------|
| (12,150,972) | ı | (12,150,972) | 1 | 11,842,643 | (17,046,152) | (6,947,463) | Payables - Trade |
| I | I | I | I | (2,000,000) | 2,000,000 | I | Receivables - Nontrade |
| ₱108,812 ₱— ₱108,812 | T | ₱108,812 | 70 | (₱194,245) | ₱251,475 | ₽51,582 | Receivables - Trade |
| December 31, 2017 | Noncurrent | Current | Reclassified | Collected | Additions | January 1, 2017 | Account |
| | | | written off/ | Amount | | | |
| | | | Amount | | | | |
| | | | ions | Deductions | I | | |

RGMA Marketing & Productions, Inc. (GMA Records)

| | | | | Amount | | | |
|-------------------------|-----------------|----------------|----------------|---------------|---------------|-------------------|------------------------------|
| | | | Amount | written off/ | | | |
| Account | January 1, 2017 | Additions | Collected | Reclassified | Current | Noncurrent | Noncurrent December 31, 2017 |
| Advances to GMA Records | ₱20,806,217 | - | - 4 | - | | ₱20,806,217 | ₱20,806,217 |
| Receivables - Trade | 4,173,621 | 1,451,182 | (49,907) | I | 5,574,896 | I | 5,574,896 |
| Receivables - Nontrade | ı | 500,000 | ı | I | 500,000 | I | 500,000 |
| Payables - Trade | (2,406,000) | (5,339,234) | 6,446,391 | I | (1,298,843) | I | (1,298,843) |
| Total | ₱22,573,838 | (\$23,388,052) | ₽6,396,484 | 16 | P- P4,776,053 | 5,053 ₽20,806,217 | ₽25,582,270 |

Schedule C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements (cont.)

December 31, 2017

Scenarios, Inc. (Scenarios)

| (¥6,070,410) | 500) ¥1,014,090 | #- (#7,084,500) | 1 | #92,/13 (#6,862,213) | ¥92,/13 | ¥699,090 | 1 otal |
|--------------|-----------------|-----------------------------|--------------|--------------------------------------|--------------|-----------------|-----------------------|
| (313,000) | | (313,000) | ; | - | | (313,000) | rayables - Nontrade |
| (12,714,811) | ı | (12,714,011) | ı | ı | (12,714,011) | (315,000) | Parables - ITauc |
| (12,017,811) | | (12,014,811) | | , | (12,017,811) | | Davables Trade |
| 6,145,311 | 1 | 6,145,311 | I | (6,862,213) | 13,007,524 | 1 | Receivables - Trade |
| ₽1,014,090 | ₱1,014,090 | - P - | 70 | 7 | 7 | ₽1,014,090 | Advances to Scenarios |
| | Noncurrent | Current | Reclassified | Collected | Additions | January 1, 2017 | Account |
| | | | written off/ | Amount | | | |
| | | | Amount | | | | |
| | | | ons | Deductions | I | | |

Script2010, Inc. (Script2010)

| ₽4,346,711 | # U | ₽- ₽4,346,711 | 1 | ₽139,996,564 | (P125,370,423) P139,996,564 | (¥10,279,430) | Total |
|-------------------|----------------|---------------|--------------|--------------|-----------------------------|-----------------|---------------------|
| (9,897,581) | 1 | (9,897,581) | 1 | ı | (8,019,095) |) | Payables - Nontrade |
| (4,588,010) | 1 | (4,588,010) | 1 | 142,842,626 | (117,351,328) | (30,079,308) | Payables - Trade |
| - 18,832,302 | 1 | 18,832,302 | 1 | (2,846,062) | I | 21,678,364 | Receivables - Trade |
| December 31, 2016 | Noncurrent | Current | Reclassified | Collected | Additions | January 1, 2017 | Account |
| | | | written off/ | Amount | | | |
| | | | Amount | | | | |
| | | | ions | Deductions | I | | |

Schedule C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements (cont.)

December 31, 2017

Media Merge Corporation (MM)

| (P 57,607,795) | 1 0- | ₽- (₽57,607,795) | | (P 113,553) | (P 66,660,589) | ₽9,166,347 | Total |
|------------------------------|-----------------|------------------|--|---------------------|----------------------------|-----------------|---------------------|
| (69,631,521) | 1 | (69,631,521) | 1 | 1 | (66,858,979) | (2,772,542) | Payables - Trade |
| ₱12,023,726 | 7 | ₱─ ₱12,023,726 | 7 | (₱113,553) | ₽198,390 | ₱11,938,889 | Receivables - Trade |
| Noncurrent December 31, 2017 | Noncurrent | Current | Amount written off/ Reclassified | Amount Collected | Additions | January 1, 2017 | Account |
| | | | ons | Deductions | | | |

Digify, Inc.

| ±1,200 | 7 | ±1,200 | 7 | 12,730,000 | (+1,540,000) | (±1,507,700) | 1 0131 |
|-------------------|---------------------|---------|------------------------------|---------------------|--------------|-----------------|------------------------|
| Ð1 200 | ŧ | Ð1 300 | ŧ | 77U 020 CE | (D1 5/10 00) | (±1 307 000) | Total |
| ı | 1 | ı | ı | 2,938,066 | (1,550,086) | (1,387,980) | Payable - Trade |
| ₽1,200 | T | ₱ 1,200 | 7 | 7 | ₽1,200 | 70 | Receivables - Nontrade |
| December 31, 2017 | Noncurrent December | Current | written oil/ Reclassified | Amount Collected | Additions | January 1, 2017 | Account |
| | | | | • | | | |
| | | | ons | Deductions | 1 | | |

Schedule C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements (cont.)

December 31, 2017

RGMA Network, Inc. (RGMA Network)

| (1 83,929,990) | ''t | (283,929,990) | #- | # 41,487,115 | l) (#125,335,854) | (2 81,251) | I otal |
|----------------------------|----------------|---------------------------|--------------|--------------------------|-------------------|------------------------|------------------------|
| (202 020 000) | , | (200 000) | = | | (2) 22 22 27 4 | (301 071) | |
| (83,982,231) | 1 | (83,982,231) | I | | (171,920,058) | (81,251) | Payables - Trade |
| ₱52,241 | " | ₽52,241 | 74 | $(\cancel{P}46,531,963)$ | ₱46,584,204 | - 1 | Receivables - Nontrade |
| December 31, 2017 | Noncurrent | Current | Reclassified | Collected | Additions | January 1, 2017 | Account |
| | | | written off/ | Amount | | | |
| | | | Amount | | | | |
| | | | ons | Deductions | I | | |

Schedule D. Intangible Asset - Other Asset December 31, 2017

| Description | Beginning balance | Additions at cost | Charge to cost and expenses | Charged to other accounts | Ending balance |
|---------------------|-----------------------|-------------------|-----------------------------|---------------------------|----------------|
| | Datailce | Additions at cost | and expenses | accounts | Ending balance |
| Program and film | | | | | |
| rights | ₽1,053,445,697 | ₽1,181,069,718 | (P 898,068,378) | ₽- | ₽1,336,447,037 |
| Story format rights | 7,185,812 | 9,690,475 | (7,185,812) | _ | 9,690,475 |
| Software cost | 71,711,958 | 45,764,649 | (23,362,883) | _ | 94,113,724 |
| | ₽1,132,343,467 | ₽1,236,524,842 | (₽928,617,073) | ₽– | ₽1,440,251,236 |

Schedule E. Long-Term Debt December 31, 2017

| | Amount | Amount shown under caption | Amount shown under |
|-------------------------|--------------|--------------------------------|--------------------------|
| Title of Issue and Type | Authorized | "Current portion of long term | caption "Long term debt" |
| of Obligation | by Indenture | debt" in related balance sheet | in related balance sheet |

Not Applicable: The Company has no long-term debt as at December 31, 2017.

Schedule F. Indebtedness to Related Parties (Long-Terms from Related Companies) December 31, 2017

| | Balance, | Balance, |
|------|-----------------|-------------------|
| Name | January 1, 2017 | December 31, 2017 |

Not Applicable: The Company has no indebtedness to a related party as at December 31, 2017.

Schedule G. Guarantees of Securities of Other Issuers December 31, 2017

| Name of Issuing Entity of | Title of Issue of | Total Amount | Amount Owned | |
|---------------------------|-------------------|--------------|--------------------|-----------|
| Securities Guaranteed by | Each Class of | Guaranteed | by Person for | |
| the Company for which | Securities | and | which the | Nature of |
| this statement is filed | Guaranteed | Outstanding | Statement is Filed | Guarantee |

Not Applicable: The Company has no guarantees of securities of other issuers as at December 31, 2017.

Schedule H. Capital Stock **December 31, 2017**

| | | Number of shares issued | Number of shares | | | |
|-----------|---------------|-------------------------|------------------|---------------|------------|-------------|
| | | and outstanding | reserved | | | |
| | | as shown under | for options, | | | |
| | | related | warrants, | Number of | Directors, | |
| | Number of | statements of | conversion | shares held | officers, | |
| Title of | shares | financial | and other | by related | and | |
| issue | authorized | position caption | rights | parties | employees | Others |
| Common | 5,000,000,000 | 3,361,047,000* | NA | 3,070,679,148 | 6,373,542 | 283,994,310 |
| Preferred | 7,500,000,000 | 7,499,507,184** | NA | 7,428,344,388 | 46,944 | 71,115,852 |

^{*}Net of treasury stock totaling 3,645,000 shares. **Net of treasury stock totaling 492,816 shares.

GMA NETWORK, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION FOR THE YEAR ENDED DECEMBER 31, 2017

| Unappropriated retained earnings, beginning | ₱3,658,170,324 |
|---|-----------------|
| Adjustments: | |
| Deferred tax assets - net, beginning | (144,105,050) |
| Unappropriated retained earnings, as adjusted, beginning | 3,514,065,274 |
| Add: Net income actually earned/realized during the period | |
| Net income of the Parent Company closed to Retained Earnings | 2,524,709,338 |
| Less: Non-actual/unrealized loss (income) | , , , |
| Provision for deferred income tax | 3,102 |
| Unrealized foreign exchange gain (other than cash and cash | |
| equivalents) | (18,859,765) |
| Net income actually earned/realized during the year | 2,505,852,675 |
| Less: | |
| Dividends declaration during the year | (3,547,944,859) |
| Treasury stocks | (28,483,171) |
| Underlying shares of the acquired Philippine Deposit Receipts | (5,790,016) |
| Unappropriated Retained Earnings Available for Dividend | |
| Declaration, Ending | ₽2,437,699,903 |

GMA NETWORK, INC. AND SUBSIDIARIES LIST OF PHILIPPINE FINANCIAL REPORTING STANDARDS EFFECTIVE AS AT DECEMBER 31, 2017

| AND INTER | E FINANCIAL REPORTING STANDARDS RPRETATIONS at December 31, 2017 | Adopted | Not Adopted | Not Applicable |
|---------------------|---|---------|----------------|-------------------|
| | for the Preparation and Presentation of Financial Statements ramework Phase A: Objectives and qualitative characteristics | X | | |
| PFRSs Pract | ice Statement Management Commentary | | | X |
| Philippine Fi | inancial Reporting Standards | | | |
| PFRS 1 (Revised) | First-time Adoption of Philippine Financial Reporting Standards | | | X |
| | Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | | | X |
| | Amendments to PFRS 1: Additional Exemptions for First-time Adopters | | | X |
| | Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters | | | X |
| | Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters | | | X |
| | Amendments to PFRS 1: Government Loans | | | X |
| | Amendments to PFRS 1: First-time Adoption of Philippine Financial Reporting Standards - Meaning of Effective PFRSs | | | X |
| PFRS 2 | Share-based Payment | | | X |
| | Amendments to PFRS 2: Vesting Conditions and Cancellations | | | X |
| | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions | | | X |
| | Amendments to PFRS 2: Definition of Vesting Condition | | | X |
| | Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions* | Not | Early Adop | ted |
| PFRS 3 | Business Combinations | X | | |
| (Revised) | Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination | X | | |
| | Amendment to PFRS 3: Scope Exceptions for Joint Arrangements | X | | |
| PFRS 4 | Insurance Contracts | | | X |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | X |
| | Amendments to PFRS 4: Applying PFRS 9, Financial Instruments, with PFRS 4* | | | X |

| AND INTER | E FINANCIAL REPORTING STANDARDS RPRETATIONS at December 31, 2017 | Adopted | Not Adopted | Not Applicable | | | | | |
|-----------|--|---------|-------------------|-------------------|--|--|--|--|--|
| PFRS 5 | Non-current Assets Held for Sale and Discontinued Operations | | | X | | | | | |
| | Amendments to PFRS 5: Changes in Method of Disposal | | | X | | | | | |
| PFRS 6 | Exploration for and Evaluation of Mineral Resources | | X | | | | | | |
| PFRS 7 | Financial Instruments: Disclosures | X | | | | | | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | X | | | | | | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | X | | | | | | | |
| | Amendments to PFRS 7: Improving Disclosures about Financial Instruments | X | | | | | | | |
| | Amendments to PFRS 7: Disclosures - Transfers of Financial Assets | X | | | | | | | |
| | Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities | X | | | | | | | |
| | Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures | | | X | | | | | |
| | Amendments to PFRS 7: Servicing Contracts | | | X | | | | | |
| | Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements | | | X | | | | | |
| PFRS 8 | Operating Segments | X | | | | | | | |
| | Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to Condensed Interim Financial Statements | X | | | | | | | |
| PFRS 9 | Financial Instruments* | No | t Early Adop | ted | | | | | |
| | Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures* | No | Not Early Adopted | | | | | | |
| | Financial Instruments - New hedge accounting requirements* | No | t Early Adop | ted | | | | | |
| PFRS 10 | Consolidated Financial Statements | X | | | | | | | |
| | Amendments to PFRS 10: Investment Entities | | | X | | | | | |
| | Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception | | | X | | | | | |
| PFRS 11 | Joint Arrangements | X | | | | | | | |
| | Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations | | | X | | | | | |
| PFRS 12 | Disclosure of Interests in Other Entities | X | | | | | | | |
| | Amendment to PFRS 12: Investment Entities | | | X | | | | | |
| | Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception | | | X | | | | | |
| | Amendment to PFRS 12: Clarification of the Scope of the Standard* | X | | | | | | | |

| AND INTER | E FINANCIAL REPORTING STANDARDS PRETATIONS at December 31, 2017 | Adopted | Not Adopted | Not Applicable |
|--------------|---|---------|----------------|-------------------|
| PFRS 13 | Fair Value Measurement | X | | |
| | Amendment to PFRS 13: Short-term Receivables and Payables | X | | |
| | Amendment to PFRS 13: Fair Value Measurement - Portfolio Exception | | | X |
| PFRS 14 | Regulatory Deferral Accounts | | | X |
| PFRS 15 | Revenue from Contracts with Customers* | No | t Early Adop | oted |
| PFRS 16 | Leases* | No | t Early Adop | oted |
| Philippine A | ccounting Standards | | | |
| PAS 1 | Presentation of Financial Statements | X | | |
| (Revised) | Amendment to PAS 1: Capital Disclosures | X | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | X |
| | Amendments to PAS 1: Presentation of Items of Other Comprehensive Income | X | | |
| | Amendments to PAS 1: Clarification of the Requirements for Comparative Information | X | | |
| | Amendments to PAS 1: Disclosure Initiative | X | | |
| PAS 2 | Inventories | X | | |
| PAS 7 | Statement of Cash Flows | X | | |
| | Amendments to PAS 7: Statement of Cash Flows, Disclosure Initiative* | X | | |
| PAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors | X | | |
| PAS 10 | Events after the Reporting Period | X | | |
| PAS 11 | Construction Contracts | | | X |
| PAS 12 | Income Taxes | X | | |
| | Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets | X | | |
| | Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets | X | | |
| PAS 16 | Property, Plant and Equipment | X | | |
| | Amendment to PAS 16: Classification of Servicing and Equipment | X | | |
| | Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation | | | X |
| | Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization | | | X |
| | Amendment to PAS 16: Bearer Plants | | | X |
| PAS 17 | Leases | X | | |

| AND INTERI | FINANCIAL REPORTING STANDARDS PRETATIONS t December 31, 2017 | Adopted | Not Adopted | Not Applicable | | | | |
|---------------------|---|---------|----------------|-------------------|--|--|--|--|
| PAS 18 | Revenue | X | | | | | | |
| PAS 19 | Employee Benefits | X | | | | | | |
| (Revised) | Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures | | | X | | | | |
| | Amendments to PAS 19: Employee Benefits - Defined Benefit Plans: Employee Contributions | | | X | | | | |
| | Amendments to PAS 19: Regional Market Issue Regarding Discount Rate | X | | | | | | |
| PAS 20 | Accounting for Government Grants and Disclosure of Government Assistance | | | X | | | | |
| PAS 21 | The Effects of Changes in Foreign Exchange Rates | X | | | | | | |
| | Amendment: Net Investment in a Foreign Operation | | | X | | | | |
| PAS 23 (Revised) | Borrowing Costs | | | X | | | | |
| PAS 24 | Related Party Disclosures | X | | | | | | |
| (Revised) | Amendments to PAS 24: Key Management Personnel | X | | | | | | |
| PAS 26 | Accounting and Reporting by Retirement Benefit Plans | | | | | | | |
| PAS 27 | Separate Financial Statements | | | X | | | | |
| (Amended) | Amendments to PAS 27: Investment Entities | | | X | | | | |
| | Amendments to PAS 27: Equity Method in Separate Financial Statements | | | X | | | | |
| PAS 28 | Investments in Associates and Joint Ventures | X | | | | | | |
| (Amended) | Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception | | | X | | | | |
| | Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value* | No | t Early Adop | ted | | | | |
| PAS 29 | Financial Reporting in Hyperinflationary Economies | | | X | | | | |
| PAS 32 | Financial Instruments: Disclosure and Presentation | X | | | | | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | X | | | | |
| | Amendment to PAS 32: Classification of Rights Issues | | | X | | | | |
| | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities | | | X | | | | |
| | Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments | | | X | | | | |
| PAS 33 | Earnings per Share | X | | | | | | |

| AND INTE | E FINANCIAL REPORTING STANDARDS RPRETATIONS at December 31, 2017 | Adopted | Not Adopted | Not Applicable |
|----------|--|---------|----------------|-------------------|
| PAS 34 | Interim Financial Reporting | X | | |
| | Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities | X | | |
| | Amendments to PAS 34: Disclosure of Information Elsewhere in the Interim Financial Report | X | | |
| PAS 36 | Impairment of Assets | X | | |
| | Amendments to PAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets | X | | |
| PAS 37 | Provisions, Contingent Liabilities and Contingent Assets | X | | |
| PAS 38 | Intangible Assets | X | | |
| | Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization | | | X |
| | Amendments to PAS 38: Clarification of Acceptable Methods of Amortization | | | X |
| PAS 39 | Financial Instruments: Recognition and Measurement | X | | |
| | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | X | | |
| | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions | | | X |
| | Amendments to PAS 39: The Fair Value Option | | | X |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | X |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | | | X |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | | | X |
| | Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives | | | X |
| | Amendment to PAS 39: Eligible Hedged Items | | | X |
| | Amendments to PAS 39: Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting | | | X |
| PAS 40 | Investment Property | X | | |
| | Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner Occupied Property | X | | |
| | Amendments to PAS 40: Investment Property, Transfers of Investment Property* | | | X |
| PAS 41 | Agriculture | | | X |
| | Amendments to PAS 41: Bearer Plants | | | X |

| AND INTER | FINANCIAL REPORTING STANDARDS PRETATIONS t December 31, 2017 | Adopted | Not Adopted | Not Applicable | |
|---------------|--|---------|----------------|-------------------|--|
| Philippine In | terpretations | | | | |
| IFRIC 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities | | | X | |
| IFRIC 2 | Members' Share in Co-operative Entities and Similar Instruments | | | X | |
| IFRIC 4 | Determining Whether an Arrangement Contains a Lease | X | | | |
| IFRIC 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | | | X | |
| IFRIC 6 | Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment | | | X | |
| IFRIC 7 | Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies | | | X | |
| IFRIC 8 | Scope of PFRS 2 | | | X | |
| IFRIC 9 | Reassessment of Embedded Derivatives | | | X | |
| | Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives | | | X | |
| IFRIC 10 | Interim Financial Reporting and Impairment | X | | | |
| IFRIC 11 | PFRS 2 - Group and Treasury Share Transactions | X | | | |
| IFRIC 12 | Service Concession Arrangements | | | X | |
| IFRIC 13 | Customer Loyalty Programmes | | | X | |
| IFRIC 14 | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | | | X | |
| | Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement | | | X | |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation | | | X | |
| IFRIC 17 | Distributions of Non-cash Assets to Owners | | | X | |
| IFRIC 18 | Transfers of Assets from Customers | | | X | |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments | | | X | |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine | | | X | |
| IFRIC 21 | Levies | X | | | |
| IFRIC 22 | Foreign Currency Transactions and Advance Consideration* | No | t Early Adop | ted | |
| SIC-7 | Introduction of the Euro | | | X | |
| SIC-10 | Government Assistance - No Specific Relation to Operating Activities | | | X | |
| SIC-12 | Consolidation - Special Purpose Entities | | | X | |
| | Amendment to SIC-12: Scope of SIC-12 | | | X | |
| SIC-13 | Jointly Controlled Entities - Non-Monetary Contributions by Venturers | | | X | |
| SIC-15 | Operating Leases - Incentives | | | X | |

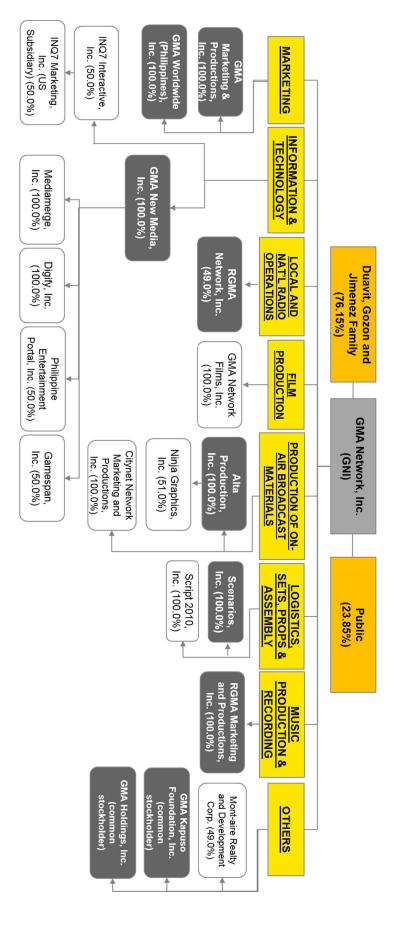
| AND INTE | NE FINANCIAL REPORTING STANDARDS RPRETATIONS s at December 31, 2017 | Adopted | Not Adopted | Not Applicable | | |
|-----------|---|---------|----------------|-------------------|--|--|
| SIC-25 | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders | | | X | | |
| SIC-27 | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | X | X | | | |
| SIC-29 | Service Concession Arrangements: Disclosures | | | X | | |
| SIC-31 | Revenue - Barter Transactions Involving Advertising Services | | | X | | |
| SIC-32 | Intangible Assets - Web Site Costs | X | | | | |
| Amendment | ed Effective Date: ts to PFRS 10 and PAS 28, Sale or Contribution of Assets between and its Associate or Joint Venture* | No | t Early Adop | ited | | |

^{*}Standards and interpretations which will become effective subsequent to December 31, 2017.

Note: Standards and interpretations tagged as "Not Applicable" are those standards and interpretations which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2017.

GMA NETWORK, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP



GMA NETWORK, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL RATIOS FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

| | | Dec | cember 31 |
|--------------------------|---|----------|-----------|
| Financial Ratios | Description | 2017 | 2016 |
| Current/liquidity ratio | Current assets over current liabilities | 2.71:1 | 2.88:1 |
| Asset to equity ratio | Total asset over total equity | 1.57:1 | 1.54:1 |
| Debt-to-equity ratio | Short-term loans over total equity | 0.05:1 | 0.06:1 |
| Net debt to equity ratio | Interest-bearing loans and borrowings less cash | | |
| | and cash equivalents over total equity | (0.19):1 | (0.27):1 |

| | | Y | ears Ended De | cember 31 |
|------------------------|------------------------------------|----------|---------------|-----------|
| Financial Ratios | Description | 2017 | 2016 | 2015 |
| Interest rate coverage | Earnings before interest, tax over | | | |
| ratio | interest expense | 158.94:1 | 307.66:1 | 75.57:1 |
| Gross profit margin | Gross profit over net revenues | 58.13% | 61.85% | 57.44% |
| Net income margin | Net income over net revenues | 16.68% | 21.87% | 15.49% |

COVER SHEET

COMPANY REGISTRATION AND MONITORING DEPARTMENT

| 31.4 | of Ameli | astian | | | | | | | | | | | | | | | | S | EC Re | gistra | ation | Numb | er | | , |
|------------------|--|--------------|--|--------|--------------|--------------|--------------|----------|-----------------|----------|-------------|----------|------------------|----------|-------------|---------|-------------------|----------|----------|----------|-------------|----------|-------|------|---|
| | re of Appli C G | | | 917 | 11 | | | | | | | | | | 5 | 2 | 1 | 3 | | | | | | | |
| | C 67 | 12 | | × () , | (L) | İ | | | | | | | | | L | L | <u> </u> | <u> </u> | <u> </u> | | | | | | |
| | - ₁ | т | <u>, </u> | | | - | r | | T Co | mpa | ny Na | me | | | | | <u> </u> | [| Γ | I | | | | | |
| GMA | NE | T | W | 0 | R | < | | _/ | N | C | | <u> </u> | | | | | <u></u> | L | l |] | L | | | | |
| | | Γ_ | | | | | | | T | | | | | | | | | <u> </u> | | | | | | | |
| | | <u></u> | <u> </u> | | | | L | L | 1 | L | <u> Г</u> | | | | | | | | | | | | - | | |
| | | | | | | | | | <u></u> | | L | | | | | | <u></u> | <u> </u> | <u></u> | L | | | | | |
| | | | | | | | | | | | <u> </u> | | | | | | | L | <u> </u> | | | | | | |
| <u> </u> | Principal Office (No./Street/Barangay/City/Town)Province) | | | | | | | | | | | | | | | | | | | | | | | | |
| 6 MA | NE | T | и | 0 | R | | | C | G | N | 7 | E | R | | Ľ | 0 | ς | A | <u></u> | C | 0 | R | Ν | E | R |
| TIMO | G | A | V | E | N | И | E | | D | 1 | 1 | 1 | M | A | N | | Ü | И | E | Z | 0 | N | | | |
| | [[] | | | | | | | | T | | | | | | | | | | | | | | | | |
| CITY | | <u></u> | | | | <u> </u> | | | <u></u> | <u></u> | <u> </u> | | | | | L | L | L | l T | l | L | | ZIP C | ODE | |
| | | | | | | | | | | <u> </u> | <u> </u> | | | | | | <u> </u> | | | <u> </u> | 7 | | | | |
| <u> </u> | 1 | | | | · - | | | | COMP | | | | | | | | | | | fobile | Numb | or | | | |
| Comp | any's Email | Addres | 8 5 | | I | | | Con | npany | 's Tele | phon | e Num | ber/s | | | | | | | Conie | HUIIIU | <u> </u> | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | CON | TACT Directo | PERS | ON IN | FORM/ | ATION er/Resi | dent Ad | nent of | the Cor | poratio | n | | | | | | | |
| Nam | e of Contact | Perso | | The de | signate | a perso | n <u>MUS</u> | | Emi | AL A de | iroee | | | | T | eleph | one N | umbei | r/s | 3 | | | le Nu | mber | |
| Atty. Ros | | | | V | ردا | cil | | be | obl | 146 | nc | ilai | c 1 | oae | pe | /. | Con | lg . | 816 | 35 | 16 | | | | |
| 7119.100 | 70170 | | H C 1 | | |] " | <u> </u> | | ontac | | | | | 7 | y | | | | | • | | | | | |
| | | | | | · · · · · · | | | <u>.</u> | Untac | . 1 010 | ,0110 | , (0 0.1 | | <u> </u> | | | | • | | | | | | | |
| · | | | · | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | - | o b | e ac | con | nplis | hed | by | ČRN | ĬĎΡ | erso | nne Date | Ī | | | | | Si | gnatu | ire | | |
| Assigned Process | or <u>:</u> | | | | | | | | | - | | | | | | | | | - | | | | | | |
| | | | ······································ | ., | | | | | | - - , | | | | | | | | | - | | | | | | |
| | | | | | | | | | | | ·········· | 1 | | | | - | | | | | | | | | |
| Document I.D. | | | | | | | | | | | | | | | | | | | | | | | | | |
| Received by Corp | orate Filin | g and | l Rec | ords | Divi | sion | (CFR | D) | | | | | | | | | · • · · · · · · · | | - | | | | | | |
| Forwarded to: | Corporat Green La Financial Licensing | ne U Anal | nit ysis a | | | | | Divis | sion | | | | | | | | | | - | | | | | | |



SECURITIES AND EXCHANGE COMMISSION

SEC FORM - ACGR

ANNUAL CORPORATE GOVERNANCE REPORT FOR 2016

| 1. | Report is | Filed | for the | Year | <u> 2016</u> |
|----|-----------|-------|---------|------|--------------|
|----|-----------|-------|---------|------|--------------|

6- 1 · C

- 2. Exact Name of Registrant as Specified in its Charter GMA NETWORK, INC.
- 3. Address of Principal Office
 GMA NETWORK CENTER, EDSA CORNER TIMOG AVENUE DILIMAN, QUEZON
 CITY

Postal Code

4. SEC Identification Number 5213

5. (SEC Use Only)
Industry Classification Code

- 6. BIR Tax Identification Number 000-917-916-000
- 7. Issuer's Telephone number, including area code (632) 982 7777
- 8. Former name or former address, if changed from the last report **NOT APPLICABLE**

ANNUAL CORPORATE GOVERNANCE REPORT FOR 2016

A. BOARD MATTERS

1) Board of Directors

| Number of Directors per Articles of incorporation | Nine (9) | h H - |
|---|----------|-------|
| Actual number of Directors for the year | Nine (9) | |

(a) Composition of the Board

Complete the table with information on the Board of Directors

| Director s Name | Type Executive (ED), Non- Executive (NED), or Independ ent Director (ID) | If Nominee, identify the principal | Nomination in the last election (if ID, state the relationship with the nominator) | Date first elect ed | Date last elect ed (if ID, state the numb er of years serve d as ID)1 | Elected when (Annual/ Special Meeting) | No. of Years served as director |
|-----------------------|--|--|--|---|---|--|---|
| Felipe L. Gozon | ED | FLG Management and Development Corporation | Nominated by Gilberto R. Duavit, Jr. as approved by the Nomination Committee | 1975 | 2016 | Annual Meeting | 41 |
| Gilberto M. Duavit | NED | Group Management & Development Inc. | Nominated by Gilberto R. Duavit, Jr. as approved by the Nomination Committee | 1974 - 1997 ; July 28, 2016 | 2016 | Annual Meeting | 3 years and 9 months |
| Gilberto R. | ED | Group Management | Nominated by Gilberto | 1999 | 2016 | Annual Meeting | 17 |

¹ Reckoned from the last annual stockholder's meeting on May 18, 2016.

| Duavit, | | & | R. Duavit, | | | | |
|------------|-------|---------------|--------------|------|----------|---|------|
| Jr. | | Development | Jr. as | | 1 | 1 | |
| J., | | inc. | approved by | | | | |
| | | 11107 | the | | | | |
| | | | Nomination | | | | |
| | | | Committee | | | | |
| | | FLG | Nominated | 2000 | 2016 | Annual | 16 |
| Anna | ED | l . | 1 | 2000 | 2010 | Meeting | |
| Teresa | | Management | by Gilberto | | | Wicoming | |
| М. | | and | R. Duavit, | | | | |
| Gozon- | | Development | Jr. as | | | | |
| Abrogar | | Corporation | approved by | | | | |
| | | | the | | | | |
| | | | Nomination | | | | |
| | | | Committee | | | | |
| Joel | NED | M.A. | Nominated | 2002 | 2016 | Annual | 14 |
| Marcelo | | Jimenez | by Gilberto | | | Meeting | |
| G. | | Enterprises, | R. Duavit, | | | | |
| Jimenez | | Inc./ | Jr. as | | | | |
| 3,1,10,101 | | Television | approved by | | | | |
| | | International | the | | | | |
| | | Corporation | Nomination | | | | |
| | | Corporation | Committee | | | | |
| Lours 1 | NED | M.A. | Nominated | 2002 | 2016 | Annual | 14 |
| Laura J. | NED | Jimenez | by Gilberto | 2002 | 2010 | Meeting | |
| Westfall | | | R. Duavit, | | | ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, | |
| | | Enterprises, | Jr. as | | | | |
| | | Inc./ | | | | | |
| | | Television | approved by | | | | |
| | | International | the | | | | |
| | | Corporation | Nomination | | | | |
| | -,,,- | | Committee | 0000 | 0040 | Annual | 14 |
| Felipe S. | ED | N/A | Nominated | 2002 | 2016 | 1 | ! ~+ |
| Yalong | | | by Gilberto | | İ | Meeting | |
| | | | R. Duavit, | | | | |
| | | | Jr. as | | | | |
| | | | approved by | | | | |
| | | | the | | | | |
| | | | Nomination | | 1 | | |
| ļ | | | Committee | | <u> </u> | | |
| Artemio | ID | N/A | Nominated | 2007 | 2016 | Annual | 9 |
| V. | | | by Gilberto | | | Meeting | |
| Panganib | | | R. Duavit, | | | | |
| an | | | Jr. as | | | | |
| Qi i | | | approved by | | | | |
| ł | | | the | | | | |
| | | | Nomination | | | | |
| | | | Committee | | - | | |
| | | | (Nominator | | | | |
| | | | has no | | | | |
| | | | relationship | | | | |
| | | | with the | | | | |
| | | | | | | | |
| ļ | | | Independent | | | | |
| | | 1 | Director) | 2007 | 2016 | Annual | 9 |
| Jaime C. | ID | N/A | Nominated | 2007 | 2010 | | ٦ |
| Laya | | | by Gilberto | | | Meeting | |
| - | | | R. Duavit, | | | | |
| | | | Jr. as | Ţ | 1 | l | J |

| approved by | |
|--------------|-----|
| the | |
| Nomination | |
| Committee | , , |
| (Nominator | |
| has no | |
| relationship | |
| with the | |
| independent | |
| Director) | |

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasis the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The Corporation believes that the essence of corporate governance is transparency.

- 1. All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.
- 2. Other information that shall always be disclosed includes the aggregate remuneration (including stock options) of all directors and senior management officers.
- All disclosed information shall be released via the approved stock exchange procedure for the company announcements as well as through the annual report.
- 4. The Board shall commit at all times to fully disclose non-confidential material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.
- 5. The Board shall be committed to respect the following rights of the stockholders:
 - A. Voting Right
 - B. Power of Inspection
 - C. Right to Information
 - D. Right to Dividends
 - E. Appraisal Right
- (c) How often does the Board review and approve the vision and mission?

in practice, the Board reviews and approves the Company's vision and mission every three years. In 2007, upon submission of the Manual on Corporate Governance, and in 2014 upon submission of the revision thereto pursuant to SEC Memorandum Circular No. 9, Series of 2014.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group^2

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

| Director's Name | Corporate Name of the Group Company Group Company Executive, Non-Executive, Independent). Indic if director is also the Chairman | | |
|-----------------|--|---|--|
| Felipe L. Gozon | GMA Marketing and Productions, Inc. | Chairman/Executive | |
| | Alta Productions Group, Inc. | Chairman/Non-Executive | |
| | Citynet Network Marketing and Productions, Inc. | Chairman/Non-Executive | |
| | Mont-Aire Realty and Development Corporation | Chairman/Non-Executive | |
| | Philippine Entertainment Portal, Inc. | Chairman/Non-Executive | |
| | RGMA Network, Inc. | Chairman and Non- Executive | |
| | GMA Kapuso Foundation, Inc. | Chairman of the Board of Trustees/Non-Executive | |
| | GMA New Media, Inc. | Chairman/Executive (CEO) | |

 $^{^{2}}$ The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

| Gilberto R. Duavit, Jr. | GMA Network Films, Inc. | Chairman/Non-Executive |
|----------------------------|---|--|
| | GMA Worldwide, Inc. | Chairman/Non-Executive |
| | GMA Marketing and Productions, Inc. | Vice-Chairman/Non- Executive |
| | GMA Holdings, Inc. | Director/President and Chief Executive Officer |
| | Scenarios, Inc. | Director/President and Chief Executive Officer |
| | RGMA Marketing and Productions, Inc. | Director/President and Chief Executive Officer |
| | MediaMerge Corp. | Director/President |
| | Alta Productions Group, inc. | Director/Non-Executive |
| | Optima Digital, Inc. | Director/Non-Executive |
| | Monte-Aire Realty and Development Corp. | Director/Non-Executive |
| | GMA Kapuso Foundation, Inc. | Trustee/Non-Executive |
| | Citynet Network Marketing and Productions, Inc. | Director/President |
| | GMA New Media, Inc. | Director/Non-Executive |
| Joel Marcelo G. Jimenez | Alta Productions, Inc. | Director/Chief Executive Officer |
| | RGMA Network, Inc. | Director/Non-Executive |
| | GMA New Media, Inc. | Director/Non-Executive |
| | Scenarios, Inc. | Director/Non-Executive |
| | GMA Worldwide, Inc. | Director/Non-Executive |
| | GMA Holdings, Inc. | Director/Non-Executive |
| | GMA Kapuso Foundation, Inc. | Trustee |
| | | |
| | | |

| Felipe S. Yalong | GMA Holdings, Inc. | Corporate Treasurer |
|-------------------------------------|-------------------------------------|---------------------------------|
| | Scenarios, Inc. | Director/Corporate Treasurer |
| | GMA Network Films, inc. | Director/Corporate Treasurer |
| | GMA Marketing and Productions, Inc. | Director/Non-Executive |
| | RGMA Network, Inc. | Director/Executive |
| | GMA Kapuso Foundation, Inc. | Corporate Treasurer |
| | Ohta Eilas has | Director/President |
| Atty, Anna Teresa G. Abrogar | GMA Films, Inc. | Director/Fresident |
| Abrogai | GMA Worldwide, Inc. | Director/President |
| | GMA Kapuso Foundation | Trustee |
| | | |
| Dr. Jaime Laya | GMA Holdings, Inc. | Independent Director |
| Chief Justice Artemio V. Panganiban | GMA Holdings, Inc. | Independent Director |

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

| Director's Name | Name of Listed Company | Type of Directorship (Executive, Non- Executive, Independent). Indicate If director is also the Chairman |
|--|--|--|
| Or, Jaime Laya Philippine Trust Company (Philtrust Bank) | | Director/Non-Executive |
| Chief Justice Artemio V. Panganiban | First Philippine Holdings Corporation | Independent Director/Non-Executive |

| Metro Pacific Investments Corp. | Independent Director/Non-Executive |
|--------------------------------------|---------------------------------------|
| Manila Electric Company | independent Director/Non-Executive |
| Robinsons Land Corporation | Independent Director/Non-Executive |
| Petron Corporation | independent Director/Non-Executive |
| Asian Terminals incorporated | Independent Director/Non-Executive |
| Philippine Long Distance Tel. Co. | Independent Director/Non-Executive |
| Jollibee Foods Corporation | Non-Executive |
| | |
| | |

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

| Director's Name | Name of the Significant Shareholder | Description of the relationship | |
|----------------------------------|-------------------------------------|-----------------------------------|--|
| Gilberto M. Duavit | Gilberto R. Duavit, Jr. | father-son | |
| Laura J. Westfall | Joel Marcelo G. Jimenez | sister-brother daughter-father | |
| Anna Teresa M. Gozon- Abrogar | Felipe L. Gozon | | |
| Felipe L. Gozon | Anna Teresa M. Gozon- Abrogar | father-daughter | |

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director of CEO may hold simultaneously? NO. In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

No limit is imposed because all of the Company's directors have shown extraordinary competence in performing their duties as such, notwithstanding their directorship in other corporations. This is evidenced by their active participation, valuable inputs and

almost complete attendance in the Board meetings as well as in their respective Committees' meetings.

| | Guidelines | Maximum Number of Directorships in other companies | |
|------------------------|------------|--|--|
| Executive Director | N/A | N/A | |
| Non-Executive Director | N/A | N/A | |
| CEO | N/A | N/A | |

(c) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

| Name of Director | Number of Direct Shares (COMMON) | Number of Direct Shares (Preferred) | Number of Indirect Shares/ Through (name of record owner) | % of Capital Stock |
|---|---|--|---|-----------------------|
| Felipe L. Gozon | 3,181 | 26,880 | N/A | 0.00% |
| Gilberto R. Duavit, Jr. | 4,007,005 | 12 | N/A | 0.00% |
| Joel Marcelo G. Jimenez | 325,003 | 6 | N/A | 0.00% |
| Anna Teresa M. Gozon-Abrogar | 529,003 | 6 | N/A | 0.00% |
| Gilberto M. Duavit | 8,345 | 20,028 | N/A | 0.00% |
| Laura J. Westfall | 2 | 6 | N/A | 0.00% |
| Felipe S. Yalong | 1,025,002 | 6 | N/A | 0.00% |
| Chief Justice Artemio V. Panganiban | 200,001 | 0 | N/A | 0.00% |
| Dr. Jaime Laya | 294,000 | 0 | N/A | 0.00% |
| TOTAL | 6,191,542 | 46,994 | N/A | 0.00% |

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.



| YES | NO |
|-----|----|
| | |

Identify the Chair and CEO:

| Chairman of the Board | Felipe L. Gozon |
|-----------------------|--|
| CEO/President | Chief Executive Officer: Felipe L. Gozon |
| | President: Gilberto R. Duavit |

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO:

| | Chairman | Chief Executive Officer |
|------------------|---|---|
| Role | Shall preside at all meetings of the Board of Directors | Execute on behalf of the Corporation contracts and agreements which the Corporation may enter into |
| | | Appoint employees below the level of Assistant Vice-President; |
| | | Exercise such other power and perform such other duties as the Board of Directors may from time to time fix or delegate |
| Accountabilities | Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary; Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the Management | Sign, endorse and deliver, in conjunction with other officials whom the Board may designate, all checks, drafts, bills of exchange, promissory notes and orders of payments or sums of money in the name and on behalf of the |
| | and the directors; and Maintain qualitative and timely lines of communication and information between the Board and Management; | corporation; |
| Deliverables | Reviews and approves the minutes of the meeting of the stockholders and the members of the Board of Directors | of the Corporation to the |

3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Company's By-laws provides that the Board of Directors shall annually, at their first meeting, elect a Chairman of the Board of Directors, a President, Vice-Presidents, and a Secretary, and may also from time to time appoint such other officers and agents as it may deem proper. The Board of Directors may create such additional positions as it may consider proper.

It further provides that the office of the Chairman, President, Vice-President, Treasurer, or Secretary becomes vacant by death, resignation, or otherwise, the remaining directors, if still constituting a quorum, by a majority vote choose a successor or successors who shall hold office for the unexpired term.

In case of temporary absence of any officer of the Corporation or for any other reason that the Board of Directors may deem sufficient, the Board of Directors may delegate the powers and duties for the time being to any other officers, provided that a majority of the Board concur therein and such delegation is not covered by any express prohibition in the By-laws.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

Yes. The Nomination Committee in the Board of Directors ensures that all nominees to the Board of Directors are competent and qualified to be nominated as Director based on internal guidelines so that:

- 1. There is a proper mix of competent directors that would continuously improve shareholder's value;
- 2. Directors will ensure a high standard of best practices for the Corporation and its stakeholders.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes, the Nomination Committee recommends guidelines in the selection of nominees for directorships based on the perceived needs of the Board of Directors with respect to the nature of the business of the Company.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

All of the members of the Company's Board of Directors have such powers and authorities as are set by Company's By-Laws, Manual on Corporate Governance, by Philippine law and rules.

| | Executive | Non-Executive | independent Director |
|------|---|---|--|
| Role | Determine the period, manner and conditions under which the Corporation shall | period, manner and conditions under which the | To be independent of management and be free from any business relationship which |

| | engage in the kinds of business as stated in the primary and secondary purposes of the Articles of Incorporation. | engage in the kinds of business as stated in the primary and secondary purposes of the Articles of Incorporation. | could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company. |
|------------------|--|--|--|
| | Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives | Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives | Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives |
| | Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practice | Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practice | Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practice |
| Accountabilities | Determine the declaration of dividends out of profits or surplus | Determine the declaration of dividends out of profits or surplus | Determine the declaration of dividends out of profits or surplus |
| | Institute, maintain, defend, compromise or drop any litigation in which the Corporation or its officers may be interested as plaintiff or defendant, in connection with the business of the Corporation. | Institute, maintain, defend, compromise or drop any litigation in which the Corporation or its officers may be interested as plaintiff or defendant, in connection with the business of the Corporation. | institute, maintain, defend, compromise or drop any litigation in which the Corporation or its officers may be interested as plaintiff or defendant, in connection with the business of the Corporation. |
| | Adopt a system of internal checks and balances | Adopt a system of internal checks and balances | Adopt a system of internal checks and balances |
| | Identify key risk areas and key performance indicators and monitor these | areas and key performance indicators and | Identify key risk areas and key performance indicators and monitor these |

| | | | Continue state also a |
|--------------|---|---|---|
| | factors with due diligence; | factors with due diligence; | factors with due diligence; |
| | Properly discharge Board functions by meeting regularly | Properly discharge Board functions by meeting regularly | Properly discharge Board functions by meeting regularly |
| Deliverables | Submit annually to the regular general meeting of the stockholders the Balance Sheet, Profit and Loss Statement, and Annual Report to the Condition of the Corporation | Submit annually to the regular general meeting of the stockholders the Balance Sheet, Profit and Loss Statement, and Annual Report to the Condition of the Corporation | Submit annually to the regular general meeting of the stockholders the Balance Sheet, Profit and Loss Statement, and Annual Report to the Condition of the Corporation |
| | Provide sound strategic policies and guidelines to the corporation on major capital expenditures. | Provide sound strategic policies and guidelines to the corporation on major capital expenditures. | Provide sound strategic policies and guidelines to the corporation on major capital expenditures. |
| | Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance; | Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance; | Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance; |
| | Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, | Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, | would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, |

major stockholders, associates, affiliates, major affiliates. major stockholders, officers stockholders. including and directors, officers and officers spouses. their directors, including directors, including and children spouses, their spouses. their dependent siblings children and children and dependent siblings and parents, and of dependent siblings interlocking director and parents, and of and parents, and of relationships by interlocking director the interlocking director members relationships of by relationships Board. members of the members of the Board. Board.

Provide the company's definition of "independence" and describe the company's compliance to the definition.

"Independence" means not having a relationship with the corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Company does not have a policy providing for a limit in the term of its independent directors. However, the Company adopts the qualifications and standards on the nomination and appointment/election of independent directors prescribed under the Securities Regulation Code. The said qualifications and standards are also expressly contained in the Company's Manual on Corporate Governance.

- 5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)
 - (a) Resignation/Death/Removal Indicate any changes in the composition of the Board of Directors that happened during the period: NOT APPLICABLE

| Name | Position | Date of Cessation | Reason |
|---------------------------|---------------------------|-------------------|--|
| Michael John R. Duavit | Non-Executive Director | June 20, 2016 | Election as Member of the House of Representatives |

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

| Procedure Process Adopted | Criteria |
|---------------------------|----------|

| (i) Executive | The Nomination | (1) Holder of at least one |
|--------------------|------------------------------|---|
| Directors | Committee, in | share of stock of t |
| | determining the qualified | Corporation; |
| | nominees to the Board of | (2) He shall be at least |
| | Directors, shall consider | college graduate or ha |
| | the following in addition to | sufficient experience |
| | the relevant provision of | managing the business |
| | the Articles of | substitute for such form |
| | Incorporation and the By- | education; |
| | laws of the Corporation: | (3) He shall be at least twe |
| | · · | five (25) years old; |
| | (1) That the director | (4) He shall have proven |
| | to be appointed | possess integrity a |
| | possesses the | probity; and |
| | Qualifications as | (5) He shall be assiduous; |
| | set by the | , |
| | Company's By- | |
| | laws, Manual on | |
| | Corporate | |
| | Governance, the | |
| | law and the rules. | |
| | (2) That the director | |
| | to be appointed | |
| | possesses none | |
| | of the permanent | |
| | disqualifications | |
| | set by the | |
| | Company's | |
| | Manual on | |
| | Corporate | |
| | Governance, the | |
| • | law and the rules. | |
| | (3) That the director | |
| | to be appointed | |
| | possesses none | |
| | of the temporary | |
| | disqualifications | |
| | set by the | |
| | Company's | |
| | Manual on | |
| | Corporate | |
| | Governance, the | |
| | law and the rules. | |
| | idy and morales. | |
| | | |
| | | |
| | | |
| (ii) Non-Executive | The Nomination | (1) Holder of at least one share of stock of |
| Directors | Committee, in | Cital C |
| | determining the qualified | Corporation; |
| | nominees to the Board of | (2) He shall be at leas college graduate or h |
| | Directors, shall consider | |

| 1 | the relevant provision of | managing the business to |
|--------------------------------|--|---|
| | the Articles of Incorporation and the Bylaws of the Corporation: | substitute for such formal education; (3) He shall be at least twenty five (25) years old; (4) Least the party proyects |
| | (1) That the director to be appointed possesses the Qualifications as set by the Company's Bylaws, Manual on Corporate Governance, the law and the rules. | (4) He shall have proven to possess integrity and probity; and (5) He shall be assiduous; |
| | (2) That the director to be appointed possesses none of the permanent disqualifications set by the Company's Manual on Corporate Governance, the law and the rules. (3) That the director to be appointed possesses none of the temporary disqualifications set by the Company's Manual on Corporate Governance, the law and the rules. | |
| (iii) Independent Directors | The Nomination Committee, in determining the qualified nominees to the Board of Directors, shall consider the following in addition to the relevant provision of the Articles of Incorporation and the By- laws of the Corporation: | (1) Is independent of Management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the Company and includes any person who: |
| | (1) That the director to be appointed | Is not a director or officer of the covered company or of its related companies or any |

- possesses the Qualifications as set by the Company's Bylaws, Manual on Corporate Governance, the law and the rules.
- (2) That the director to be appointed possesses none of the permanent disqualifications set by the Company's Manual on Corporate Governance, the law and the rules.
- (3) That the director to be appointed possesses none of the temporary disqualifications set by the Company's Manual on Corporate Governance, the law and the rules.

- of its substantial shareholders except when the same shall be an independent director of any of the foregoing;
- Does not own more than two percent (2%) of the shares of the covered company and/or its related companies or any of its substantial shareholders;
- Is not related to the director, officer or substantial shareholder of the covered company, and of its related companies or any of its substantial shareholders.
- Is not acting as a nominee or representative of any director or substantial shareholder of the covered company, and/or any of its related companies and/or of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;
- 5. Is not acting as a nominee or representative of any director or substantial shareholder of the covered company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;
- 6. Has not been employed in any executive capacity by the covered company, any of its related companies and/or with any of its substantial shareholders within the last five (5) years;
- 7. Is not retained, either personally or through his firm or any similar entity, as professional adviser, by that covered company, any of its related companies and/or any of its substantial shareholders, within the last five (5) years; or

8. Has not engaged and does engage in transaction with the covered company and/or with any of its related companies and/or with any of its shareholders, substantial whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, than transactions other which are conducted at length and are arms immaterial. b. Re-appointment (1) Holder of at least one (1) Nomination The (i) Executive share of stock of the Committee, Directors Corporation; determining the qualified (2) He shall be at least a b renominees to college graduate or have appointed to the Board of sufficient experience in Directors, shall consider managing the business to the following in addition to substitute for such formal the relevant provision of education: Articles of (3) He shall be at least twenty Incorporation and the Byfive (25) years old; laws of the Corporation: (4) He shall have proven to integrity and possess probity; and (1) That the director (5) He shall be assiduous; rebe to appointed maintains the Qualifications as the bγ By-Company's laws, Manual on Corporate Governance, the law and the rules. (2) That the director to be appointed possesses none of the permanent disqualifications the рy Company's on Manual

| | Corporate Governance, the law and the rules. (3) That the director to be appointed possesses none of the temporary disqualifications set by the Company's Manual on Corporate Governance, the law and the rules. | |
|---------------------------------|--|--|
| (ii) Non-Executive Directors | The Nomination Committee, in determining the qualified nominees to be re- appointed to the Board of Directors, shall consider the following in addition to the relevant provision of the Articles of incorporation and the By- laws of the Corporation: (1) That the director to be re- appointed maintains the Qualifications as set by the Company's By- laws, Manual on Corporate Governance, the law and the rules. | (1) Holder of at least one (1) share of stock of the Corporation; (2) He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education; (3) He shall be at least twenty five (25) years old; (4) He shall have proven to possess integrity and probity; and (5) He shall be assiduous; |
| | (2) That the director to be appointed possesses none of the permanent disqualifications set by the Company's Manual on Corporate Governance, the law and the rules. (3) That the director to be appointed possesses none | • |

| | of the temporary disqualifications set by the Company's Manual on Corporate Governance, the law and the rules. | |
|--------------------------------|--|---|
| | | |
| (iii) Independent Directors | The Nomination Committee, in determining the qualified nominees to b re- appointed to the Board of Directors, shall consider the following in addition to the relevant provision of the Articles of Incorporation and the By- laws of the Corporation: | (1) Is independent of Management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the Company and includes any person who: |
| | (1) That the director to be reappointed maintains the Qualifications as set by the | Is not a director or officer of the covered company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing; |
| | Company's By- laws, Manual on Corporate Governance, the law and the rules. | Does not own more than two percent (2%) of the shares of the covered company and/or its related companies or any of its substantial shareholders; Is not related to the director, |
| | (2) That the director to be appointed possesses none of the permanent disqualifications set by the Company's | officer or substantial shareholder of the covered company, and of its related companies or any of its substantial shareholders. 4. Is not acting as a nominee or representative of any director or substantial |
| | Manual on Corporate Governance, the law and the rules. (3) That the director to be appointed | shareholder of the covered company, and/or any of its related companies and/or of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement; |
| | possesses none of the temporary disqualifications set by the Company's Manual on | Is not acting as a nominee or representative of any director or substantial shareholder of the covered company, and/or any of its |

related companies and/or Corporate substantial Governance, the its shareholders, pursuant to a iaw and the rules. Deed of Trust or under any contract or arrangement; 6. Has not been employed in any executive capacity by the covered company, any of its related companies and/or with any of its substantial shareholders within the last five (5) years; 7. Is not retained. either personally or through his firm or any similar entity, as professional adviser, by that covered company, any of its related companies and/or substantial of its shareholders, within the last five (5) years; or 8. Has not engaged and does engage any ín transaction with the covered company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which director is а shareholder. substantial transactions than other which are conducted at iength and arms immaterial Permanent Disqualification a. Any person convicted by final (i) Executive In case any vacancy shall by judgment or order among Directors occur competent judicial directors, such vacancy administrative body of any crime may be filled by the that (a) involves the purchase or remaining directors at any sale of securities, as defined in meeting at which a the Securities Regulation Code; guorum shall be present. (b) arises out of the person's Any such vacancy may conduct as an underwriter, also be filled by the investment broker. dealer, stockholders entitled to principal distributor, adviser. vote at any meeting held mutual fund dealer, futures during such vacancy.

commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or body of administrative competent jurisdiction from: (a) acting as underwriter, broker, adviser, dealer. investment principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a quasi-bank, trust bank. company, investment house or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities:

> The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other administered by Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a selforganization regulatory suspending or expelling him

- from membership, participation or association with a member or participant of the organization.
- c. Any person convicted by final judgment or order by court or competent administrative body of an offense involving moral turpitude or fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- d. Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully counseled, abetted, aided. or procured induced violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other administered by Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas;
- e. Any person judicially declared to be insolvent;
- f. Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs;
 - g. Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment; and,
 - h. Any person engaged in or connected with any business which competes with or is antagonistic to that of the Corporation. Without limiting the

generality of the foregoing, a person shall be deemed to be so engaged or connected: i. If he is an officer, manager, director, consultant, controlling person of, or the owner (either of record or beneficially) of 5% or more of any outstanding class of shares of, any other corporation or entity engaged in a business which the Board, by a majority determines to competitive or antagonistic to that of the Corporation; ii. If the Board, in the exercise of its judgment in good faith, determines by a majority vote that he is the nominee of any person set forth in the immediately preceding subparagraph (i). Any person convicted by final (ii) Non-Executive in case any vacancy shall judament or order among Directors occur competent iudicial O. directors, such vacancy administrative body of any crime may be filled by the that (a) involves the purchase or remaining directors at any sale of securities, as defined in meeting at which a the Securities Regulation Code; quorum shall be present. (b) arises out of the person's Any such vacancy may conduct as an underwriter, also be filled by the dealer, investment stockholders entitled to broker. distributor. vote at any meeting held adviser. principal mutual fund dealer, futures during such vacancy. merchant. commission commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a guasi-bank, trust company, investment house or as an affiliated person of any of them: b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or body of administrative competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser,

principal distributor, mutual fund commission futures dealer, merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a guasi-bank, bank. company, investment house or investment company; engaging in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities:

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a selfregulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization.

- c. Any person convicted by final judgment or order by court or competent administrative body of an offense involving moral turpitude or fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- d. Any person finally found by the Commission or a court or other administrative body to have

willfully violated, or willfully abetted. counseled. aided. or procured the induced violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other administered bv Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas;

- e. Any person judicially declared to be insolvent;
- f. Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs;
- g. Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment; and,
- h. Any person engaged in or connected with any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged or connected:
 - i. If he is an officer, manager, director, consultant, controlling person of, or the owner (either of record or beneficially) of 5% or more of any outstanding class of shares of, any other corporation or entity engaged in a business which the Board, by a majority vote, determines to be competitive or antagonistic to that of the Corporation;

ii. If the Board, in the

exercise of its judgment in good faith, determines by a majority vote that he is the nominee of any person set forth in the immediately preceding subparagraph (i). a. Any person convicted by final (iii) Independent In case any vacancy shall judgment or order amona Directors occur iudicial directors, such vacancy competent administrative body of any crime may be filled by the that (a) involves the purchase or remaining directors at any sale of securities, as defined in meeting at which a the Securities Regulation Code; quorum shall be present. (b) arises out of the person's Any such vacancy may conduct as an underwriter, also be filled by the investment dealer, stockholders entitled to broker. principal distributor, adviser, vote at any meeting held mutual fund dealer, futures during such vacancy. merchant. commission commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a quasi-bank, trust bank, company, investment house or as an affiliated person of any of b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or body of administrative competent jurisdiction from: (a) acting as underwriter, broker, adviser, investment dealer. principal distributor, mutual fund commission futures dealer, merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a quasi-bank, trust bank. company, investment house or (c) investment company; engaging in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities: The disqualification shall also apply if such person is currently

the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other administered þν law Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a selforganization regulatory suspending or expelling him from membership, participation or association with a member or participant of the organization.

- c. Any person convicted by final judgment or order by court or competent administrative body of an offense involving moral turpitude or fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts:
- d. Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully counseled, aided. abetted, induced or procured violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other administered by the Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas;
- e. Any person judicially declared to be insolvent;
- f. Any person finally found guilty by a foreign court or equivalent

financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; g. Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment; and, h. Any person engaged in or connected with any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged or connected: i. If he is an officer, manager, director, consultant, controlling person of, or the owner (either of record or beneficially) of 5% or more of any outstanding class of shares of, any other corporation or entity engaged in a business which the Board, by a majority determines to vote. competitive or antagonistic to that of the Corporation; ii. If the Board, in the exercise of its judgment in good faith, determines by a majority vote that he is the nominee of any person set forth in the immediately preceding subparagraph (i). d. **Temporary** Disgualification Refusal to fully disclose the In case any vacancy shall (i) Executive extent of his business interest occur among Directors as required under the Securities directors, such vacancy Regulation Code and its may be filled by the Rules and implementing remaining directors at any

| | meeting at which a quorum shall be present. Any such vacancy may also be filled by the stockholders entitled to vote at any meeting held during such vacancy. | b. | Regulations. This disqualification shall be in effect as long as his refusal persists; Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of directors during his incumbency, or any |
|---------------------------------|--|----|---|
| | | | twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election; |
| | | C. | Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity; |
| | | d. | Being under preventive suspension by the Corporation; |
| | | e. | If the independent director becomes an officer or employee of the same corporation he shall be automatically disqualified from being an independent director; and, |
| | | f. | Conviction that has not yet become final referred to in the grounds for the disqualification of directors. |
| (ii) Non-Executive Directors | In case any vacancy shall occur among the directors, such vacancy may be filled by the remaining directors at any meeting at which a quorum shall be present. Any such vacancy may also be filled by the | a. | Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists; |
| | stockholders entitled to vote at any meeting held during such vacancy. | b. | Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of directors during his incumbency, or any |

| | | | twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election; |
|--------------------------------|--|----|---|
| | | c. | Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity; |
| | | d. | Being under preventive suspension by the Corporation; |
| | | е, | If the independent director becomes an officer or employee of the same corporation he shall be automatically disqualified from being an independent director; and, |
| | | f. | Conviction that has not yet become final referred to in the grounds for the disqualification of directors. |
| (iii) Independent Directors | In case any vacancy shall occur among the directors, such vacancy may be filled by the remaining directors at any meeting at which a quorum shall be present. Any such vacancy may also be filled by the | a. | Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists; |
| | stockholders entitled to vote at any meeting held during such vacancy. | b. | Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of directors during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election; |
| | | C. | Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect |

until he has cleared himself of any involvement in the alleged irregularity; under preventive d. Being suspension by the Corporation; e. If the independent director becomes an officer or employee of the same corporation he shall be automatically disqualified from being an independent director; and, Conviction that has not yet become final referred to in the grounds for the disqualification of directors. e. Removal The Company adopts the criteria set by in case of any vacancies (i) Executive the Philippine Corporation Code on the in the Board of Directors Directors Removal of Directors, Under Section 28 constituting a quorum, of the said Code, removal of a Director may fill the same by the may be with or without cause; however, affirmative vote of a removal without cause cannot be used majority of such to deprive minority or members of the remaining members for right of representation to which they term unexpired the may be entitled under Section 24 of the subject to the Article IV Corporation Code requiring cumulative of the 1) (Section (Villanueva, Cesar, The Company's By-laws on votina 28. Qualification and Term of citing Sec. Corporate Law. Corporation Code). Office. Any director may be removed from The stockholders of the office by a vote of the stockholders corporation may at any holding or representing two-thirds (2/3) special meeting depose of the outstanding capital stock. When or remove from office any the removal is for cause, the two-thirds director or directors. (2/3) vote is the minimum requirement including any director or to remove a director (lbid). directors appointed by the of Directors Board When the removal is without cause, the pursuant to the provisions two-thirds (2/3) vote is also enough to of Section 1 of Article IV remove a director. The exception is that Qualification when the director is elected by the Term of Office) and in minority through cumulative voting, he case of such removal the may not be removed without cause stockholders may choose even if there is two-thirds (2/3) vote successor (lbid). successors to hold office for the unexpired term. In case of any vacancies | The Company adopts the criteria set by (ii) Non-Executive

the Philippine Corporation Code on the in the Board of Directors Directors Removal of Directors. Under Section 28 constituting a quorum, of the said Code, removal of a Director may fill the same by the may be with or without cause; however, affirmative vote of a removal without cause cannot be used majority of such to deprive minority or members of the remaining members for right of representation to which they term unexpired may be entitled under Section 24 of the subject to the Article IV Corporation Code requiring cumulative 1) of the (Section The (Villanueva, Cesar. voting Company's By-laws on Corporate Law, citing Sec. 28, Qualification and Term of Corporation Code). Office. Any director may be removed from The stockholders of the office by a vote of the stockholders corporation may at any holding or representing two-thirds (2/3) special meeting depose of the outstanding capital stock. When or remove from office any the removal is for cause, the two-thirds directors. director or (2/3) vote is the minimum requirement including any director or to remove a director (ibid). directors appointed by the Directors of When the removal is without cause, the pursuant to the provisions two-thirds (2/3) vote is also enough to of Section 1 of Article IV remove a director. The exception is that Qualification and (on when the director is elected by the Term of Office) and in minority through cumulative voting, he case of such removal the may not be removed without cause stockholders may choose even if there is two-thirds (2/3) vote successor successors to hold office (ibid). for the unexpired term. The Company adopts the criteria set by In case of any vacancies (iii) Independent the Philippine Corporation Code on the in the Board of Directors Directors Removal of Directors. Under Section 28 constituting a quorum, of the said Code, removal of a Director may fill the same by the may be with or without cause; however, affirmative vote of a removal without cause cannot be used such majority of to deprive minority or members of the remaining members for right of representation to which they unexpired term the may be entitled under Section 24 of the subject to the Article IV Corporation Code requiring cumulative of the 1) (Section (Villanueva, Cesar, The Company's By-laws on voting 28. Corporate Law, citing Sec. Qualification and Term of Corporation Code) Office. Any director may be removed from The stockholders of the office by a vote of the stockholders corporation may at any holding or representing two-thirds (2/3) special meeting depose of the outstanding capital stock. When or remove from office any the removal is for cause, the two-thirds director or directors. (2/3) vote is the minimum requirement including any director or to remove a director (ibid). directors appointed by the Directors Board of When the removal is without cause, the pursuant to the provisions two-thirds (2/3) vote is also enough to of Section 1 of Article IV

Term of Office) and in

Qualification

and

remove a director. The exception is that

when the director is elected by the

| | | case of such removal the stockholders may choose a successor or successors to hold office for the unexpired term. | |
|--------------------|--------------------------|---|------------------------------------|
| | statement | | |
| Except | as may be pro | vided under the existing | laws and rules, the Company has no |
| | Executive | tatement of the Board of Di | N/A |
| (1) | Directors | INC | 1 107 1 |
| (ii) | Non-Executive | N/A | N/A |
| () | Directors | | |
| (iii) | Independent | N/A | N/A |
| | Directors | | |
| Except specific | policy on suspe | ension of the Board of Direc | |
| (i) | Executive Directors | N/A | N/A |
| (ii) | Non-Executive | N/A | N/A |
| | Directors | | |
| (iii) | Independent Directors | N/A | N/A |

Voting Result of the last Annual General Meeting

All the directors received the unanimous vote of all shareholders present and represented during the Annual Stockholders' Meeting constituting 92.16% of the Company's common shares and 99.04% of the Company's preferred shares.

| Name of Director | Votes Received | |
|-------------------------------------|----------------|---|
| Gilberto R. Duavit | Unanimous | |
| Felipe L. Gozon | Unanimous | |
| Felipe S. Yalong | Unanimous | |
| Anna Teresa M. Gozon-Abrogar | Unanimous | |
| Joel Marcelo G. Jimenez | Unanimous | A |
| Laura J. Westfall | Unanimous | |
| Michael John R. Duavit | Unanimous | |
| Dr. Jaime Laya | Unanimous | |
| Chief Justice Artemio V. Panganiban | Unanimous | |

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

The members of the Corporation's board of directors are annually required to attend a Corporate Governance Seminar conducted by Sycip Gorres & Velayo.

- (b) State any in-house training and external courses attended by Directors and Senior Management³ for the past three (3) years.
 - (1) Strategic Planning
 - (2) Election and Election-related briefings and planning
 - (3) Performance Management Briefings
- (c) Continuing education program for directors; programs and seminar and roundtables attended during the year.

| Name of Director/Officer | Date of Training | 3 | Program | | of Traini stitution | ng |
|---------------------------------|----------------------|-----|-------------------------|-----------------|------------------------|-----|
| Gilberto R. Duavit, Jr. | December 11 2014 | 1, | Corporate Governance | Sycip Velayo | Gorres | and |
| | September 17 2015 | 7, | Corporate Governance | Sycip Velayo | Gorres | and |
| | November 10 2016 | 0, | Corporate Governance | Sycip Velayo | Gorres | and |
| | | | | | | |
| Felipe L. Gozon | December 1: 2014 | 1, | Corporate Governance | Sycip Velayo | Gorres | and |
| | September 1 | 7, | Corporate Governance | Sycip Velayo | Gorres | and |
| | November 1 2016 | 0, | Corporate Governance | Sycip Velayo | Gorres | and |
| Felipe S. Yalong | December 1 2014 | 1, | Corporate Governance | Sycip Velayo | Gorres | and |
| | September 1 2015 | 7, | Corporate Governance | Sycip Velayo | Gorres | and |
| | November 1 2016 | 10, | Corporate Governance | Sycip Velayo | Gorres | and |
| Anna Teresa M. Gozon-Abrogar | December 1 2014 | 11, | Corporate Governance | Sycip Velayo | Gorres | and |

³ Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

| | September 17, 2015 | Corporate Governance | Sycip Gorres and Velayo |
|---|-----------------------|---|--------------------------------------|
| | November 10, 2016 | Corporate Governance | Sycip Gorres and Velayo |
| Joel Marcelo G. Jimenez | December 11, 2014 | Corporate Governance | Sycip Gorres and Velayo |
| | September 17, 2015 | Corporate Governance | Sycip Gorres and Velayo |
| | November 10, 2016 | Corporate Governance | Sycip Gorres and Velayo |
| Laura J. Westfall | December 11, 2014 | Corporate Governance | Sycip Gorres and Velayo |
| | September 17, 2015 | Corporate Governance | Sycip Gorres and Velayo |
| | November 10, 2016 | Corporate Governance | Sycip Gorres and Velayo |
| Gilberto M. Duavit | November 10, 2016 | Corporate Governance | Sycip Gorres and Velayo |
| Dr. Jaime Laya | February 4, 2014 | Corporate Governance & Risk Management Summit | The Institute of Corporate Directors |
| | February 18, 2015 | Orientation Course for Corporate Governance | The Institute of Corporate Directors |
| | September 17, 2016 | Corporate Governance Training Program | The Institute of Corporate Directors |
| Chief Justice Artemio V. Panganiban | February 4, 2014 | Corporate Governance & Risk Management Summit | The Institute of Corporate Directors |
| | February 18, 2015 | Orientation Course for Corporate Governance | |
| | February 5, 2016 | Corporate Governance | SGV & Co. |

| Marissa Flores | December 2014 | 11, | Corporate Governance | Sycip Gorres & Velayo |
|---------------------------|-------------------|-----|-------------------------|---|
| | September 2015 | 17, | Corporate Governance | Sycip Gorres & Velayo |
| | November 2016 | 10, | Corporate Governance | Sycip Gorres & Velayo |
| | | | | |
| Ronaldo P. Mastrili | December 2014 | 11, | Corporate Governance | Sycip Gorres & Velayo |
| | September 2015 | 17, | Corporate Governance | Sycip Gorres & Velayo |
| | November 2016 | 10, | Corporate Governance | Sycip Gorres & Velayo |
| | | | | |
| Lilybeth G. Rasonable | December 2014 | 11, | Corporate Governance | Sycip Gorres & Velayo |
| | September 2015 | 17, | Corporate Governance | Sycip Gorres & Velayo |
| | November 2016 | 10, | Corporate Governance | Sycip Gorres & Velayo |
| Engr. Elvis B. Ancheta | December 2014 | 11, | Corporate Governance | Sycip Gorres & Velayo |
| | September 2015 | 17, | Corporate Governance | Sycip Gorres & Velayo Sycip Gorres & Velayo |
| | November 2016 | 10, | Corporate Governance | Sycip Gories & Velayo |
| Atty. Eduardo P. Santos | December 2014 | 11, | Corporate Governance | Sycip Gorres & Velayo |
| | September 2015 | 17, | Corporate Governance | Sycip Gorres & Velayo |
| | November 2016 | 10, | Corporate Governance | Sycip Gorres & Velayo |

| Atty. Roberto Parel | Ο. | December 2014 | 11, | Corporate Governance | Sycip Gorres & Velayo |
|------------------------|----|-------------------|-----|-------------------------|-----------------------|
| | | September 2015 | 17, | Corporate Governance | Sycip Gorres & Velayo |
| | | November 2016 | 10, | Corporate Governance | Sycip Gorres & Velayo |
| Lizelle Maralag | | November 2016 | 10, | Corporate Governance | Sycip Gorres & Velayo |
| | | | | | |

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

| Business Conduct & | Directors | Senior | Employees |
|--------------------------|---|---|---|
| Ethics | | Management | |
| (a) Conflict of Interest | The Corporation adheres to the standards set under SEC Memorandum Circular No. 6 Series of | The Company' Handbook (p. 11 express provision Interest", to wit: | l) contains an |
| | 2009 (Revised Code of Corporate Governance) which states that a director should observe the conduct fair business transactions with the corporation, and ensure that his personal interest does not conflict with the interests of the corporation. | "Employees are working directly or supplier, client or working for the Name manner, prohibited from seasking and accelanything of value clients, visitors personally or throany purpose." | r indirectly for a competitor while letwork. In the employees are seking, soliciting, pting favors or from suppliers, and the like, |
| | The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advance for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual | There is also a full DISHONESTY ANI INTEREST – under Code of Conduct punishable with prom 30 days dismissal (depending case of News at (NPA), the Group Ethics and E | D CONFLICT OF the Company's . Offenses are benalties ranging suspension to .ng on gravity). |

("Manual"). includes or potential conflict of which section interest may arise on particular on the part of the director, "Independence/Conflict of Interest". he should fully disclose and should not participate in their decision-making process. A director who continuing has а material conflict interest should seriously consider resigning from his position. A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that the corporation, or stands to acquire or gain financial advantage at the expense of the corporation. Under the Company's The network's Supply and Asset (b) Conduct Management Department (SAMD) Manual Business Revised on has policies on "ACCREDITATION Corporate Governance, and Fair Dealings OF SUPPLIERS GENERAL a director shall conduct POLICY AND PROCEDURES FOR fair business PURCHASING", and Accreditation transactions with the acceptance Letter and Business Corporation, shall act Practices, wherein the conduct of judiciously and ensure business and fair dealings is continuing the discussed, as found in the following soundness. parts of its policies: effectiveness and adequacy of the Corporation's control Policy on Accreditation of Suppliers: environment. Section V (General Guidelines), Item b - Requirements Accreditation 2) Section V, Item C -Factors in Supplier Evaluation 3) Section V, Item E -Cancellation Grounds for Accreditation General Policy and Procedures for Purchasing: V (General Section 1) Guidelines), Item 3 - Bidding 2) Section V, Item 4 - Award Contracts of 1 3) Section V, Item 13 -Prohibition 4) Section VII - Purchasing Standards and Ethics

| | | Attached with this file are the softcopies of the policies for your reference. |
|---|---|--|
| (c) Receipt of gifts from third parties | There is Policy on "Solicitation/Acceptance of Gifts/Favors" issued to all in May 2009. | There is Policy on "Solicitation/Acceptance of Gifts/Favors" issued to all in May 2009. |
| | | For NPA, its Manual includes a particular section on "Bribes & Gifts". |
| (d) Compliance with Laws & Regulations | The Company has in place several policies and rules intended to ensure that the Network is compliant with existing laws and regulations as well as regulatory requirements. Moreover, the Company's Compliance Officer, Corporate Secretary and its internal and external counsels regularly issue memoranda addressed to the directors in order to inform and remind them of existing laws and policies. | The Company has in place several policies and rules intended to ensure that the Network is compliant with existing laws and regulations as well as regulatory requirements. These policies pertain to the exhibition of programs/ads, airing of electoral campaign materials, operation the purpose of its TV and radio stations, engagement of child talents, use of copyrighted materials, among others. Trainings/seminars are regularly conducted to facilitate dissemination and compliance with said policies. |
| (e) Respect for Trade Secrets/Use of Non-public Information | The Company executes and adheres to non-disclosure/confidentiality agreements respecting trade secrets and confidential information of other parties transacting business with the Network. Unauthorized disclosure of trade secretes/confidential information by employees is subject to disciplinary action under the Code of Conduct. | The Company executes and adheres to non-disclosure / confidentiality agreements respecting trade secrets and confidential information of other parties transacting business with the Network. Unauthorized disclosure of trade secretes/confidential information by employees is subject to disciplinary action under the Code of Conduct. |
| (f) Use of Company Funds, Assets & Information | To ensure the integrity in the use of funds, assets and information, specific offenses have been identified in the Code of Conduct, specifically, in the | funds, assets and information, specific offenses have been identified in the Code of Conduct, specifically, in the following sections of said Code: |

| | | (4) O BLADDOODDIATE |
|--|--|--|
| | following sections of said Code: | (1) C. INAPPROPRIATE CONDUCT AND BEHAVIOR; |
| | (1) C. INAPPROPRIATE CONDUCT AND BEHAVIOR; | (2) D. DISHONESTY AND CONFLICT OF INTEREST; (3) E. MISUSE OF COMPANY |
| | (2) D. DISHONESTY | PROPERTY; and |
| | AND CONFLICT OF INTEREST; | (4) F. ENDANGERING HEALTH, SAFETY & SECURITY. |
| | (3) E. MISUSE OF COMPANY PROPERTY; and | As regards 'confidential information', there is a specific "Policy on Handling Confidential Information", implemented since |
| | (4) F. ENDANGERING HEALTH, SAFETY & SECURITY. | February 2002 |
| | As regards 'confidential information', there is a specific "Policy on Handling Confidential Information", implemented since February 2002. | |
| (g) Employment & Labor Laws & Policies | The Company has several policies and rules that ensure compliance with labor laws, rules and regulations. These include policies on benefits, which even prescribe rates over what are legally mandated. | The Company has several policies and rules that ensure compliance with labor laws, rules and regulations. These include policies on benefits, which even prescribe rates over what are legally mandated. |
| (h) Disciplinary Action | Under the Company's Revised Manual on Corporate Governance, in case of violation of its provisions, the following penalties shall be imposed, after notice and hearing, on the company's directors: | Aside from Labor Code, these are governed by: (1) Revised Policy on Employee Discipline (effective as of Sept. 1, 2015); (2) Revised Code of Conduct (effective as of April 1, 2017); and (3) Collective Bargaining Agreement (CBA) effective 2014-2019. |
| | (1) in the case of first violation, the subject person shall be reprimanded; (2) Suspension from shall be | |

| | imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation as determined by the Board. (3) For third violation, the maximum penalty of removal from office may be imposed. | |
|-------------------------|---|---|
| | The commission of a third violation of this Revised Manual by any member of the board of the Company or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship. | |
| (i) Whistle Blower | The Company has no formal 'whistleblower policy". However, the Company has a mechanism by which anyone can give feedback to top management at any time via the "Letter to the Chairman", through drop boxes strategically situated within the Network premises. | The Company has no formal 'whistleblower policy". However, we have mechanism by which anyone can give feedback to top management at any time via the "Letter to the Chairman", through drop boxes strategically situated within the Network premises. |
| | The performance appraisal form also has the 'Remarks' portion that allows subordinates to give feedback/comments to superiors. | The performance appraisal form also has the 'Remarks' portion that allows subordinates to give feedback/comments to superiors. |
| (j) Conflict Resolution | The Company has no express policy on | Under the Revised Policy on Employee Discipline (effective Sept. |

conflict or resolving disputes between and among directors. Nonetheless, pursuant Company's the to Manual Revised on Corporate Governance, Directors are expected to act in a manner characterized transparency, accountability fairness.

If all else fails, conflict may be resolved either through voluntary or compulsory arbitration. 1, 2015), there is provision on Conciliation/Mediation, which will apply: (a) in cases where the aggrieved party is a co-employee; and (b) when the penalty prescribed for the offense is less than dismissal. (N.B. Item #s 6 and 7provide for the detailed procedures for Conciliation and Mediation.)

Outside the scope of the provisions of "Conciliation and Mediation", disputes (official only) are elevated first to the immediate superior, then to next level superior, then department/group head. If still not resolved, the issue may be referred to HRDD (sometimes, with Legal) to help mediate the issues.

In case dispute is with rank-and-file (RF) employee and/or the Union, there is specific procedure for 'grievance' outlined in the CBA (Article XIII).

If all else fails, conflict may be resolved either through voluntary or compulsory arbitration.

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes, the Directors, Senior Management and Employees were all furnished copies of the Revised Code of Conduct. Orientations of managers and employees were also conducted as of March 30, 2017.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

The implementation and monitoring of the Code of Conduct (as well as the NPA Manual) is a "line" function. The management within the concerned departments oversees the compliance with the Code and the Manual. Any possible violation is investigated at department level, then, endorsed to the Human Resources Development Department (HRDD). HRDD conducts administrative investigations observing due process. If a rank and file (RF) employee is involved, the Union is required to take part in the proceedings. After the investigations, HRDD writes a report of its findings with recommendations, clears the report with Legal, then submits to the President & COO (in some cases, submission is also to the Chairman & CEO) for final approval of the recommendation.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.

| Related Party Transactions | Policies and Procedures |
|--|--|
| (1) Parent Company | The Corporation believes that |
| (2) Joint Venture | the essence of corporate |
| (3) Subsidiaries | governance is transparency. It |
| (4) Entities Under Common Control | is the Company's policy that all |
| (5) Substantial Stockholders | material information, such as |
| (6) Officers including spouse/ children/ siblings/ parents | related party transactions shall be disclosed. |
| (7)Directors including spouse/ children/ siblings/parents | |
| (8) Interlocking director relationship of Board of Directors | |

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved. **NOT APPLICABLE**

| | Details of Conflict of Interest (Actual or Probable) | | |
|----------------------------------|--|--|--|
| Name of Directors/ | N/A | | |
| Name of Officer/s | N/A | | |
| Name of Significant Shareholders | N/A | | |

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers, and significant shareholders.

| | Directors/Officers/Significant Shareholders |
|---------|--|
| Company | Under the Company's By-laws, no person shall qualify |
| Group | or be eligible for nomination or election to the Board of Directors if he is engaged in or connected with any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the |

| foregoing, a person shall be deemed to be so engaged or connected: |
|--|
| (a) If he is an office, manager, director, consultant, controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any other corporation or entity engaged in a business which the Board, by a majority vote, determines to be antagonistic to that of the Corporation; or |
| (b) If the Board, in the exercise of its judgment in good faith, determining whether or not a person set forth in determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business |

and family relationship.

(5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family, commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company.

| Name of Related Significant Shareholders | Type of Relationship | Brief Description | |
|---|----------------------|--|--|
| Gilberto M. Duavit and Gilberto R. Duavit, Jr. | Familial | Gilberto M. Duavit is the father of Gilberto R. Duavit, Jr. | |
| Felipe L. Gozon and Anna Teresa M. Gozon-Abrogar | Familia | Felipe L. Gozon is the father of Anna Teresa M. Gozon-Abrogar | |
| Joel Marcelo G. Jimenez Laura J. Westfall | Familial | Felipe L. Gozon's sister, Carolina L. Gozon- Jimenez, is the mother of Joel Marcelo G. Jimenez and Laura J. Westfall | |

(Note, however, that all of the aforementioned shareholders are record and beneficial holders of <u>less</u> than 5% equity).

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company: NOT APPLICABLE

⁴ Family relationship up to the fourth civil degree either by consanguinity or affinity.

| Name of Related Significant Shareholders | Type of Relationship | Brief Description |
|---|----------------------|-------------------|
| N/A | N/A | N/A |

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company: **NOT APPLICABLE**

| Name of Shareholders | % of Capital Stock affected (Parties) | Brief Description of the Transaction |
|----------------------|---------------------------------------|---|
| N/A | N/A | N/A |

(6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and the third parties, including regulatory authorities.

| | Alternative Dispute Resolution System |
|--|---|
| Corporation & Stockholders Corporation & Third Parties | The Company has not had any |
| Corporation & Regulatory Authorities | disputes with its Stockholders and Regulatory Authorities, thus there has been no need for the application of a dispute resolution process. With respect to the conflict or differences with third companies, it is the Company's practice to first exert all possible avenues to reach an amicable settlement, before going into litigation. |

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

As a matter of practice and policy, the Company's Board of Directors consistently meets every quarter.

2) Attendance of Directors

| Board | Name | Date of Election | No. of Meetings Held during the year | No. of Meetings Attended | % |
|--------|-----------------|---------------------|--|--------------------------------|-------------|
| airman | Felipe L. Gozon | May 18, 2016 | 5 | 5 | <u>100%</u> |

| Member | Gilberto R. Duavit, Jr. | May 18, 2016 | 5 | <u>5</u> | 100% |
|-------------|----------------------------------|--------------|----------|----------|-------------|
| Member | Joel Marcelo G. Jimenez | May 18, 2016 | 5 | 5 | <u>100%</u> |
| Member | Felipe S. Yalong | May 18, 2016 | 5 | 5 | 100% |
| Member | Anna Teresa M. Gozon- Abrogar | May 18, 2016 | 5 | 5 | 100% |
| Member | Michael John R. Duavit⁵ | May 18, 2016 | 3 | 5 | 60% |
| Member | Laura J. Westfall | May 18, 2016 | <u>5</u> | 5 | 100% |
| Independent | Artemio V. Panganiban | May 18, 2016 | <u>5</u> | <u>5</u> | 100% |
| Independent | Jaime C. Laya | May 18, 2016 | 5 | 5_ | 100% |

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

No.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

No. A majority of the number of directors as fixed in the Company's Amended Articles of Incorporation shall constitute quorum for the transaction of corporate business, and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board. However, the Company adopts the provisions of applicable laws and rules for matters which require 2/3 votes of the board members.

- 5) Access to information.
 - (a) How many days in advance are board papers for board of directors meetings provided to the board?

One month to one week before the meeting.

(c) Do Board members have independent access to Management and the Corporate Secretary?

Yes.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain.

Yes, the Company's Corporate Secretary is a lawyer and member of the Philippine Bar.

(e) Committee Procedures

⁵Cong. Michael John R. Duavit resigned as director on June 20, 2016 due to his election as member of the House of Representatives.

⁶ Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

| YES | V | NO | |
|-----|---|----|--|
|-----|---|----|--|

| Committee | Details of the Procedure |
|-------------------|--|
| Executive | Management provides the |
| Audit | members of the committees |
| Nomination | complete, adequate and timely |
| Remuneration | information about the matters to |
| Others (specific) | be taken in their meetings. |
| | Moreover, the members of the Committees are given independent access to the Management and the Corporate Secretary as well as the Corporate records. |
| | Finally, the members of the Board, either individually or as a Board, and in furtherance of their duties and responsibilities, have access to the Company's external counsel to seek independent professional advice at the corporation's expense. |

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice, and if so, provide details:

| Procedures | Details |
|---|---|
| The members of the Board of Directors, may via telephone call, email or a written letter/memorandum, seek advice from the Company's external counsel. | In furtherance of their duties and responsibilities, the members of the Board of Directors may seek independent professional advice at the Corporation's expense. |

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

| Existing Policies | | Changes | Reason | | |
|-------------------|-----------------|------------------------------|------------------------------|--|--|
| Under | Company's | Citasi ale italian | In order to reconcile the | | |
| Collective | | 11.0 | provisions of the Collective | | |
| Agreement, | in the event of | required to have at least 10 | Bargaining Agreement | | |
| | disability. the | | (CBA) with that of the | | |

| employee is entitled to benefits regardless of the years of service. However, under the Retirement Plan the employee is required to have at least ten (10) years of Credited Service. | benefits. He may avail such | Benefit Plan | Retirement ("Retirement |
|---|-----------------------------|--------------|----------------------------|
|---|-----------------------------|--------------|----------------------------|

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

| Process | CEO | Top 4 Highest Paid Management Officers |
|---|--|--|
| (1) Fixed remuneration | The compensation of the CEO is recommended by the EXCOM and approved by the Board of Directors. | Approved by the Executive Committee as may be recommended by the Compensation and Remuneration Committee of the Board of Directors |
| (2) Variable remuneration | N/A | N/A |
| (3) Per diem allowance | All per diem and allowances are recommended and approved by the Executive Committee and Board Directors. | N/A |
| (4) Bonus | N/A | Declared by the Executive Committee (as may be recommended by the Compensation and Remuneration Committee of the Board of Directors) and paid to all employees during mid-year, November and December. |
| (5) Stock Options and other financial instruments | N/A | N/A |
| (6) Others (specify) | N/A | N/A |

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

| Policy Cor | Structure of ompensation Packages | How Compensation is Calculated |
|------------|-----------------------------------|--------------------------------|
|------------|-----------------------------------|--------------------------------|

| Executive Directors | The compensation of the CEO, Executive Directors and non- |
|-------------------------|---|
| Non-Executive Directors | executive directors, are recommended by the Executive Committee and approved by the Board of Directors. Similarly, all per diem and allowances are all approved by the Executive Committee and Board Directors. The members of the Board of Directors receive a total of not |
| | more than 2.5% of the net income of the Company, 1.5% of which is paid to the members of the Executive Committee and the remaining 1% is distributed pro rata to the members of the Board. |

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowance, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

During the Annual Stockholders' Meeting, the stockholders may vote to ratify or revoke the acts and decisions of the Board of Directors. However, there was no remuneration scheme specifically submitted to the stockholders for approval for the past three (3) years.

| | Remuneration Scheme | Date of Stockholders' Approval |
|-----|---------------------|-----------------------------------|
| N/A | | N/A |

3) Aggregate Remuneration

Complete the following table on aggregate remuneration accrued during the most recent year:

| Remuneration Item | Executive Directors | Non-Executive Directors (other than independent directors) | Independent Directors | |
|--|------------------------|--|--------------------------|--|
| (a) Fixed Remuneration | 127.346,265 | <u>N/A</u> | N/A | |
| (b) Variable Remuneration | N/A | N/A | <u>N/A</u> | |
| (c) Per Diem Allowance | 10,558,824 | 5.691,177 | 1,664,706 | |
| (d) Bonuses (including Profit Sharing) | 209,080,508 | 29,166,667 | <u>7,777.778</u> | |
| (e) Stock Options and/or other financial instruments | <u>N/A</u> | <u>N/A</u> | N/A | |
| (f) Others (specify) | N/A | N/A | N/A | |
| TOTAL | 346,985,596 | 34,857.843 | 9,442,484 | |

| Other Benefits | Executive Directors | Non-Executive Directors (other than independent directors) | Independent Directors | |
|--|------------------------|--|--------------------------|--|
| 1) Advances | N/A | N/A | N/A | |
| 2) Credit granted | N/A | N/A | N/A | |
| 3) Pension Plan/s Contribution/Expenses | <u>18,886,732</u> | N/A | N/A | |

| 4) Rension Plans, Obligations incurred | N/A | N/A | N/A |
|---|-----------|-----|------|
| 5) Life Insurance Premium | 121,040 | N/A | N/A |
| 6) Hospitalization Plan / Premium | 63,095 | N/A | N/A |
| 7) Car Plan* | 9.560,000 | N/A | N/A_ |
| 8) Others (specify) | N/A | N/A | N/A |

^{*}once every 4 years

4) Stock Rights, Options and Warrants

(a) Board of Directors NOT APPLICABLE

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

| • | Director's Name | Number of Direct Option/Rights/ Warrants | Number of Direct Option/Rights/ Warrants | Number of Equivalent Shares | Total % from Capital Stock |
|---|-----------------|---|--|-----------------------------------|-------------------------------------|
| | N/A | N/A | N/A | N/A | N/A |

(b) Amendments of incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting: **NOT APPLICABLE**

| incentive Program | Amendments | Date of Stockholders' Approval |
|-------------------|------------|--------------------------------|
| N/A | N/A | N/A |

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration during the financial year:

| Name of Officer/Position | Total Remuneration |
|--|--------------------|
| Marissa L. Flores, Lizelle G. Maralag, | |
| Rizalina Garduque, Leah Nuyda | 33.975,009.27 |
| Carmela Teopaco | |

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

| | | No. of Members | | | | | | |
|--|-------------------------------------|---------------------------------|---|---|--|---|---|--|
| | Committee | E xe cu tiv e Di re ct or (E D) | Non- Exec utive Direc tor (NED | inde pen den t Dire ctor (ID) | Committee Charter | Functions | Key Responsibiliti es | Power |
| | Executive | 2 | 1 | 0 | Revised Manual on Corporate Governance | The Executive Committee, in accordance with the authority granted by the Board, or during the absence of the Board, shall act by majority vote of all its members of such specific matters within the competence of the Board as Directors as may from time to time be delegated to the Executive Committee, except with respect to certain matters exclusively vested in the Board of Directors. | All actions of the Executive Committee shall be reported to the Board of Directors at the meeting thereof following such action and shall be subject to revision or alteration by the Board of Directors. | Executive Committee which is within the scope of its powers shall not require the ratification or approval |
| A STATE OF THE PROPERTY OF THE | Audit and Risk Manageme it | 1 | 2 | 2 | Audit Committee Charter | a. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations; b. Provide oversight over Management's activities in managing credit, market, liquidity, | responsible to the Board of Directors, shall act independently of management and shall be provided with resources as may be necessary, including access to outside | The Audit Committee shall assist the Board of Directors in its fiduciary responsibility for the over-all effectiveness of risk management systems and both the internal and external audit functions of the Corporation. |

| MALAY HARVY INTO A MALAY HARVY | | | | | | operational, legal and other risks of the corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities; c. Perform oversight functions over the corporation's internal and external auditors. It should ensure that the internal and external | that will enable it to fulfill its functions satisfactorily. It shall meet at least four (4) times a year. | |
|--------------------------------|------------|---|---|---|--|--|--|--|
| | | | | | | internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions; d. Review the reports submitted by the internal and external auditors; | | |
| | Nomination | 2 | 1 | 1 | Revised Manual on Corporate Governance | | Nomination Committee shall be responsible for ensuring that the selection of new members of the Board of | candidates nominated to become a member of the Board of Directors in accordance with pertinent provisions of the Articles of Incorporation and Bylaws of the |

| | | | T | |
|------|------|----|---|---|
| | | | | b. Recommend guidelines in the selection of nominees for directorships which may include the following based on the perceived needs of the Board of Directors at a certain point in time: |
| | | | | i. The nature of the business of the corporations of which his is a director; ii. Age of the director; iii. Number of |
| | | | | directorship/a ctive memberships and officerships in other corporations or organizations, |
| | | | | and iv. Possible conflicts of interest. c. Recommend guidelines in the determination of the |
| | · | | | optimum number of directorships/active memberships and officerships in other corporations allowable for members of the Board of Directors. The capacity of directors to serve with diligence shall not be compromised. |
| | | EA | | d. Recommend to the Board of Directors regarding |

| Г | | | | | | | | the size and |
|----|--|---|-------|---|-----------------------------|-------------------------|--------------------------|---|
| | | | | | | | | composition of the |
| | | ļ | [| | | | Í | Board in view of long- |
| | | | | | | | | term business plans, |
| | | | | | | | | and the needed |
| ļ | | | | | | | | approximate skills and characteristics of the |
| 1 | | | | | | · | | Board members. |
| L | | | - | | m. in al Manual | To recommend a formal | Recommend a | The Nomination |
| | Compensat | 1 | 2 | 2 | Revised Manual on Corporate | and transparent | formal and | Committee shall report |
| | ion and Remunerati | | | | Governance | remuneration and | transparent | directly to the Board of |
| ļ | on | | | | Covomanos | compensation system | procedure for | Directors in performing |
| | 011 | | | | | for the Directors and | developing a | its mission to provide |
| | | | | | | key executives and to | policy on | the shareholders with |
| | | | | | | provide assurance that | | an independent and |
| | | | | | | this system is properly | remuneration | objective evaluation and assurance that |
| | | | | | | functioning. | and for fixing the | the membership of the |
| | | | | | | | remuneration | Board of Directors is |
| | | | | | | | packages of | competent and will |
| | | | | | | | corporate | foster the long-term |
| | | | | | | | officers and | success of the |
| Ì | | | | | | | directors, and | Corporation and |
| | | | | | | | provide | secure its sustained |
| į | and the same of th | | | | | | oversight over | competitiveness. |
| | | | | | | | remuneration of senior | |
| | | | | | | | management | |
| | | | | | | | and other key | |
| | | | | | | | personnel | |
| | | | | | | | ensuring that | |
| | | | | | | | compensation | |
| | | | | | | | is consistent | |
| | | | | | | | with the | |
| | | | | | | | Corporation's | |
| | | | | | | | culture, strategy and | |
| | | | | | | | control | |
| | | | | | | | environment. | |
| | | | | | , | | | |
| | | | | | | | Recommend a | |
| , | | | | | | | form on Full | |
| \$ | | | | | | <u>{</u> | Business Interest | |
| | Į | | | | | | Disclosure as | |
| | The state of the s | | | | | | part of the pre- | |
| | | | | | | | employment | |
| | | | | | | | requirements | |
| | l. | | | | | | for all | |
| | | | | | | | incoming | |
| | | | | | | | officers; | |
| | | | | | | | Disallow any | |
| | | | | | | | director to | |
| | | | | | | | decide on his | |
| | | | | | | | or her own | |

| remumeration. Review (if any) of the existing Human Resources Development or Personnel Handbook, to strengthen provision on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with at stautory requirements that must be periodically met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandabile disclosure of aggregate compensation of tits executive ensating year and the ensuing year as previous facal year and the ensuing year as previous facal year and the ensuing year as previous facal year and the ensuing year as previous facal year and the ensuing year as previous facal year and the ensuing year as prescribed | | | | | Review (if any) of the existing Human Resources Development | |
|---|-----|------|-----|---|---|--------|
| Review (if any) of the existing Human Resources Development or Personnel Handbook, to strengthen provision on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a cicar, concise and understandabile disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | Review (if any) of the existing Human Resources Development | |
| any) of the existing Human Resources Development or Personnel Handbook, to strengthen provision on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compilance of personnel concerned with all statutory requirements that must be pendicially met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable of disciousire of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | any) of the existing Human Resources Development | |
| any) of the existing Human Resources Development or Personnel Handbook, to strengthen provision on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compilance of personnel concerned with all statutory requirements that must be pendicially met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable of disciousire of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | any) of the existing Human Resources Development | |
| existing Human Resources Development or Personnel Handbook, to strengthen provision on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandabl e disclosure of aggregate compensation of tits executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | existing Human Resources Development | |
| Human Resources Development or Personnel Handbook, to strengthen provision on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concemed with all statutory requirements that must be pendicially met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandabl e disclosure of aggregate compensation of Its executive executive efficers for the previous fiscal year and the ensuing year as prescribed | | | | | Human Resources Development | |
| Development or Personnel Handbook, to strengthen provision on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory reoutrements that must be periodically met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable of disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuring year as prescribed. | | | | į | Development | |
| or Personnel Handbook, to strengthen provision on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statulory requirements that must be periodically met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable e discosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | Development | 1 |
| or Personnel Handbook, to strengthen provision on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statulory requirements that must be periodically met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable e discosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | D-u-annol | |
| strengthen provision on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year and the ensuing year as prescribed | | | | | or Personnel | |
| provision on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of aggregate compensation of the executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | Handbook, to | |
| conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory reculrements that must be periodically met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable edisclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | strengthen | s each |
| interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable e disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuring year as presecribed | | | | | provision on | |
| salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandabl e disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | conflict of | |
| benefits policies, promotion and career advancement directives and compliance of personnel concerned with ali statutory requirements that must be periodically met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandabl e disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as presecribed | | | | | interest, | |
| policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandabl e disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year are prescribed | | | | | salaries and | |
| promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | Line | | | | |
| career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandabl e disciosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | 1 1 | | | |
| advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandabl e disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | | |
| directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandabl e disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | | |
| compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandabl e disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | | |
| personnel concerned with all statutory requirements that must be periodically met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandabl e disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | | |
| concerned with all statutory requirements that must be periodically met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandabl e disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | | |
| with all statutory requirements that must be periodically met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandabl e disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | | |
| statutory requirements that must be periodically met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandabl e disclosure of aggregate compensation of its executive officers for the previous fiscal year as prescribed | | | | | | |
| requirements that must be periodically met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandabl e disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | J | | | | | |
| that must be periodically met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandabl e disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | 1 | | | | | |
| periodically met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandabl e disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | | 1 |
| met in their respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | | |
| respective posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandabl e disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | periodically | |
| posts. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandabl e disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | | |
| Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandabl e disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | | |
| Corporation's annual reports, information and proxy statements a clear, concise and understandabl e disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | posts. | |
| Corporation's annual reports, information and proxy statements a clear, concise and understandabl e disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | ! | | | Describe in the | |
| annual reports, information and proxy statements a clear, concise and understandabl e disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | | |
| reports, information and proxy statements a clear, concise and understandabl e disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | | |
| information and proxy statements a clear, concise and understandabl e disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | | |
| and proxy statements a clear, concise and understandable edisclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | reports, | |
| statements a clear, concise and understandable e disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | | |
| clear, concise and understandabl e disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | | |
| and understandabl e disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | • | | |
| understandable e disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | | |
| e disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | f . | | | | | |
| aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | | |
| compensation of its executive executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | aggregate | |
| of its executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | compensation | |
| executive officers for the previous fiscal year and the ensuing year as prescribed | | | | | of its | |
| previous fiscal year and the ensuing year as prescribed | | | | | | |
| year and the ensuing year as prescribed | | | | | | |
| ensuing year as prescribed | | | | | previous fiscal | |
| as prescribed | | | | | | |
| | | | | | ensuing year | |
| | | | | | | |
| | | | | | by the | |
| Securities and | | | | | | |
| Exchange | | | 1 | 1 | | I . |

| | | Commission or other regulator agency. | |
|---------------------|--|---------------------------------------|--|
| Others (specify) | | | |

2) Committee Members

(a) Executive Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|-----------------|----------------------------------|------------------------|----------------------------|--------------------------------|------|--|
| Member (ED) | Felipe L. Gozon | May 18, 2016 | 25 | 25 | 100% | Over ten years (re- appointed annually since 1975) |
| Chairman | Gilberto R. Duavit, Jr. | May 18, 2016 | 25 | 25 | 100% | Over ten years (re- appointed annually since 2002) |
| Member (NED) | Joel Marcelo Jimenez | May 18, 2016 | 25 | 25 | 100% | Over ten years)re- appointed annually since 1999) |
| Member (ID) | N/A | N/A | N/A | N/A | N/A | N/A |

(b) Audit and Risk Management Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|----------------|----------------------|------------------------|----------------------------|--------------------------------|------|---|
| Chairman | Dr. Jaime C. Laya | May 18, 2016 | 7 | 7 | 100% | 8 years (reappointed annually since 2007) |
| Member (ED) | N/A | N/A | N/A | N/A | N/A | N/A |

| Member (NED) | Michael John R. Duavit | May 18, 2016 | 4 | 3 | 75% | 2 years (resigned as director on June 20, 2016) |
|-----------------|--|--------------|---|---|------|---|
| | Laura J. Westfali | May 18, 2016 | 7 | 7 | 100% | 8 years (re- appointed annually since 2007) |
| | Anna- Teresa M. Gozon- Abrogar | May 20, 2015 | 7 | 7 | 100% | 8 years (re- appointed since 2007) |
| Member (ID) | Chief Justice Artemio V. Panganiban | May 18, 2016 | 7 | 7 | 100% | 8 years (reappointed since 2007) |

Disclose the profile or qualifications of the Audit Committee members.

Dr. Jaime C. Laya, Filipino, 78 years old, has been an independent Director of GMA Network, Inc. since 2007. He is the Chairman and President of Philippine Trust Company (Philtrust Bank), Director of Ayala Land, Inc., Manila Water Company, Inc., and Philippine AXA Life Insurance Company, Inc. He also serves as Chairman of Don Norberto Ty Foundation, Inc. and Escuela Taller de Filipinas Foundation, Inc.; Trustee of St. Paul University - Quezon City, Cultural Center of the Philippines, Metropolitan Museum of Manila, Yuchengco Museum, Fundación Santiago, Inc., Ayala Foundation, Inc., and other foundations. He writes a weekly column for the *Manila Bulletin*.

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

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

Laura J. Westfall, Filipino, 49 years old, has been a Director of the Company since 2000. She held the following positions in the Company — Senior Vice President of Corporate and Strategic Planning and Senior Vice President for Finance. In addition, she has served as Chairperson and President of GMA New Media. Prior to joining the Company, she worked for BDO Seidman – Los Angeles, an international audit and management consulting firm. She currently holds various positions in the Menarco Group of Companies and serves as Board Member of Coffee Bean and Tea Leaf Philippines, Bronzeoak Clean Energy, Inc., and Museo Pambata.

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

Anna Teresa M. Gozon, Filipino, 45 years old, has been a Director of the Company since 2000. She graduated valedictorian from grade school and high school at Colegio San Agustin. She graduated cum laude, BS Management Engineering from Ateneo de Manila University and obtained her Bachelor of Laws degree from the University of the Philippines where she graduated valedictorian, cum laude. She later obtained her Master of Laws from Harvard University.

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

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

Chief Justice Artemio V. Panganiban, Filipino, 80 years old, has been an Independent Director of the Company since 2007. In 1995, he was named a Justice of the Supreme Court and in 2005, he was appointed Chief Justice of the Philippines — a position he held until December 2006. At present, he is also an Independent Director of these firms: First Philippine Holdings Corp., Metro Pacific Investments Corp., Manila Electric Company, Robinsons Land Corp., GMA Holdings, Inc., Philippine Long Distance Telephone Co., Petron Corporation, Bank of the Philippine Islands, Asian Terminals, Asian Hospital, Inc. and a regular Director of Jollibee Foods Corporation. He is also a Senior Adviser of Metropolitan Bank, Chairman, Board of Advisers of Metrobank Foundation, Adviser of Double Dragon Properties, Chairman of the Board of the Foundation for Liberty and Prosperity, President of the Manila Cathedral Basilica Foundation, Chairman Emeritus of Philippine Dispute Resolution Center, Inc., and Member, Advisory Board of the World Bank (Philippines) and of the Asian Institute of Management Corporate Governance Council. He also is a column writer of The Philippine Daily Inquirer.

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

He obtained his Associate in Arts, "With Highest Honors" and later his Bachelor of Laws, with

cum laude and "Most Outstanding Student" honors from the Far Eastern University. He placed sixth among more than 4,200 candidates who took the 1960 Bar examinations. He is likewise the recipient of several honorary doctoral degrees from various universities.

Describe the Audit Committee's responsibility relative to the external auditor.

The Audit Committee's responsibilities relative to the external auditor are as follows:

- (1) Evaluate and approve the Annual Audit Plans, programs, scope and frequency submitted by the External Auditor.
- (2) Evaluate all significant issues reported by the External Auditor relating to the adequacy, efficiency and, effectiveness of policies, controls, processes, and activities of the Corporation.
- (3) Ensure that other non-audit work provided by the External Auditor is not in conflict with his functions as External Auditor. The External Auditor shall not at the same time provide the service of Internal Auditor to the company.
- (4) Review the external auditor's management letter and the responses from management and serve as a useful channel of communication between the Board of Directors and External Auditors on matters related to and arising out of the external audit.
- (5) Nominate/re-nominate the External Auditor to the shareholders through the Board of Directors. The nominated External Auditor should enable an environment of good corporate governance as reflected in the Corporation's financial records and reports.

(c) Nomination Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|-----------------|-------------------------------------|------------------------|----------------------------|--------------------------------|------|--|
| Chairman | Gilberto R. Duavit, Jr. | May 18, 2016 | 1 | 1 | 100% | 9 years (re- appointed annually since 2007) |
| Member (ED) | Felipe L. Gozon | May 18, 2016 | 1 | 1 | 100% | 9 years (reappointed annually since 2007) |
| Member (NED) | Joel Marcelo G. Jimenez | May 18, 2016 | 1 | 1 | 100% | 9 years (re- annually appointed since 2007) |
| Member (ID) | Chief Justice Artemio V. Panganiban | May 18, 2016 | 1 | 1 | 100% | 9 years (reappointed annually since 2007) |

(d) Compensation and Remuneration Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|-----------------|--|------------------------|----------------------------|--------------------------------|------|--|
| Chairman | Felipe L. Gozon | May 18, 2016 | 1 | 1 | 100% | 9 years (re- appointed since 2007) |
| Member (ED) | N/A | N/A | N/A | N/A | N/A | N/A |
| Member (NED) | Michael John R. Duavit | May 18, 2016 | 1 | 1 | 100% | 2 years (appointed in 2015 & 2016) |
| | Laura J. Westfall | May 18, 2016 | 1 | 1 | 100% | 9 years (re- appointed annually since 2007) |
| Member (ID) | Chief Justice Artemio V. Panganiban | May 18, 2016 | 1 | 1 | 100% | 9 years (reappointed annually since 2007) |

3) Changes in the Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the change: **NOT APPLICABLE**

| Name of Committee | Name | Reason |
|-------------------|------------------------|--|
| Executive | N/A | N/A |
| Audit | Michael John R. Duavit | Election as Member of the House of Representatives |
| Nomination | N/A | N/A |
| Remuneration | Michael John R. Duavit | Election as Member of the House of Representatives |
| Others (Specify) | N/A | N/A |

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year:

| Name of Committee | Work Done | Issues Addressed |
|---|--|--|
| Executive | Acted on matters delegated to | No issues outside the |
| | it by the Board of directors | ordinary course of |
| | which matters were acted | business were |
| | upon in the ordinary course of | addressed (see |
| | business (the acts of the | attached) |
| | Executive Committee during | |
| | the year 2016 are attached in | |
| | the minutes of every meeting). | |
| Audit | Meetings with the internal | The Committee |
| | auditor on and external auditor | requested Management |
| | on the Financials of the | to look into summarizing |
| | Company. | the results of previous discussions with the |
| | The Committee reviewed and | various departments of |
| | The Committee reviewed and recommended the approval of | the Company based on |
| | the 2016 Consolidated | meetings held to |
| | Financial Statements as | precisely identify risks, |
| | prepared by the external | possibilities etc. Based |
| | auditors. | on the summary, the |
| | | Committee will present |
| | | to the Board a risk |
| | | evaluation to the extent |
| | | that it is possible to be |
| | | done within the |
| | | Company. If it is not |
| | | possible to be done |
| | | within the Company, |
| | | then the Company will |
| | | engage a third party that is aware of the |
| | | developments in the |
| | | media industry so that a |
| | | comprehensive |
| | | presentation and |
| | | analysis can be done on |
| | | the risks facing the |
| | | Company and what can |
| | | be done to mitigate |
| | | these risks. |
| | | _ |
| | | The head of the |
| | | Corporate Planning |
| | | Department of the |
| | | Company was designated to monitor |
| | | the courses of action |
| | | taken by the |
| *************************************** | ! | departments to manage |
| 1 | | the risks. |
| Bli. diam | Appointment of the Directors | |
| Nomination | Appointment of the Directors | TWO SIGNATURANTE ASSUES |

| | for the forthcoming year | encountered addressed | and |
|---------------------------|--|--------------------------------------|---------------|
| Compensation Remuneration | Recommendation of Salaries and Bonuses of Directors, | No significant encountered addressed | issues and |
| Others (Specify) | N/A | N/A | |

5) Committee Program

Provide all list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

| Planned Programs | Issues to be Addressed |
|---|--|
| To fix its own written rules of procedure: | No specific issues yet to be addressed |
| The Committee requested Management to summarize the results of previous discussions with the various departments of the Company during meetings held to precisely identify risks, possibilities etc. Based on the summary, the Committee will present to the Board a risk evaluation to the extent that it is possible to be done within the Company. If it is not possible to be done within the Company, then the Company will engage a third party that is aware of the developments in the media industry so that a comprehensive presentation and analysis can be done on the risks facing the Company and what can be done to | No specific issues yet to be addressed |
| The head of the Corporate Planning Department of the Company was designated to monitor the courses of action taken by the departments to manage the risks. To fix written guidelines in the determination of the optimum number of directorships/active memberships and officerships in other corporations allowable for members of the Board of Directors. | be addressed |
| _ | To fix its own written rules of procedure; The Committee requested Management to summarize the results of previous discussions with the various departments of the Company during meetings held to precisely identify risks, possibilities etc. Based on the summary, the Committee will present to the Board a risk evaluation to the extent that it is possible to be done within the Company. If it is not possible to be done within the Company, then the Company will engage a third party that is aware of the developments in the media industry so that a comprehensive presentation and analysis can be done on the risks facing the Company and what can be done to mitigate the risks. The head of the Corporate Planning Department of the Company was designated to monitor the courses of action taken by the departments to manage the risks. To fix written guidelines in the determination of the optimum number of directorships/active memberships and officerships in other corporations allowable for members of the Board of |

| | regarding the size and composition of the Board in view of long-term business plans, and the needed appropriate skills and characteristics of the Board members. | |
|------------------|--|--|
| Remuneration | To recommend a written framework of remuneration and evaluation for the members of the Board of Directors and key executives | No specific issues yet to be addressed |
| Others (Specify) | N/A | N/A |

F. RISK MANAGEMENT SYSTEM

- 1) Disclose the following:
 - (a) Overall risk management philosophy of the company;

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

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

During its meeting on November 11, 2016, the Board of Directors discussed the current processes and practices of the Company to manage risks. During the said meeting, the Board's Audit Committee requested Management to summarize the results of discussions among the various departments of the Company during meetings held to precisely identify risks, possibilities etc. Based on the summary, the Committee will present to the Board a risk evaluation to the extent that it is possible to be done within the Company. If it is not possible to be done within the Company, then the Company will engage get an third party that is aware of the developments in the media industry so that a comprehensive presentation and analysis can be done on the risks facing the Company and what can be done to mitigate the risks.

The Board designated the head of the Corporate Planning Department of the Company to monitor the courses of action taken by the departments to manage the risks.

(c) Period covered by the review;

NOT APPLICABLE.

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

Periodic review is conducted by the Audit and Risk Management Committee which assists the Board in the oversight of the company's risk management, ensures that it has the proper controls in place, identifies and evaluates significant risk exposures and contributes to the improvement of risk management and control systems (please refer to answer in 1(b) above)

(e) Where no review was conducted during the year, an explanation why not.

N/A. A review of the existing risk management practices by the Company was conducted by the Board of Directors during its meeting on November 11, 2016.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

| Risk Exposure | Risk Management Policy | Objective |
|---|---|--|
| Radio and Television broadcasting are highly competitive business; GMA stations compete for listeners/viewers and advertising revenues within their respective markets directly with other radio and or television stations, a well as other media such as cable television and/or cable radio, newspapers, magazines, the internet, billboard adveritising, among others. Audience Ratings and market shares are subject to change, and any change in a particular market could have a material adverse effect on the revenues of our stations located in that market. | The GMA Network's Board of Directors and management are mindful of the risks and uncertainties inherent in the business. In the formulation of corporate strategy and business decision-making, potential risks are always taken into account. Necessary steps are taken to minimize, if not eliminate, such risks. | Considering the potential impact of various risks to the company's ability to deliver quality content across multiple platforms, the Company has established a Programming Committee that deliberates weekly on the programming issues and strategies of the network. Regular monthly meetings of the Company's officers are also held to discuss plans, operational issues and strategies, implementation of projects and recommendations for improvements. |

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to policy), along with the objective for each kind of risk: NOT APPLICABLE, please refer to answer in 1 (b) above.

| Risk Exposure | Risk Management Policy | Objective |
|---------------|------------------------|-----------|
| N/A | N/A | N/A |

(c) Minority Shareholders NOT APPLICABLE, please refer to answer in 1 (b) above.

Indicate the principal risk of the exercise of controlling shareholders' voting power:

| | Risk to Minority Shareholders | |
|-----|-------------------------------|--|
| N/A | | |

3) Control System Set Up

(a) Company NOT APPLICABLE, please refer to answer in 1 (b) above.

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company.

| Risk Exposure | Risk Assessment (Monitoring and measurement Process) | Risk Management and Control (Structures, Procedures, Actions Taken) |
|---------------|--|---|
| N/A | N/A | N/A |

(b) Group NOT APPLICABLE, please refer to answer in 1 (b) above.

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company.

| Risk Exposure | Risk Assessment (Monitoring and Measurement Process) | Risk Management and Control (Structures, Procedures, Actions Taken) |
|---------------|--|---|
| N/A | N/A | N/A |

(c) Committee

Indentify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanism, and give details of its functions.

| Committee/ Unit | Control Mechanism | Details of its Functions |
|-------------------------------------|--|--|
| Audit and Risk Management Committee | Recommends improvements in risk management systems and improvement on policies and procedures. | The purpose of the Audit Committee is to lead the general evaluation and to provide assistance in the continuous improvement of the Corporation's risk management, control, and governance processes as designed by management and provide assurance that these are properly functioning. This is to ensure that risks are properly identified, evaluated and managed. The Audit Committee provides assessment and independent recommendations on risk management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management. |

| i i | J. | |
|-----|--|--|
| | The state of the s | |
| L I | \ <u>\</u> | |
| t I | | |
| i i | | |
| | | |
| | | |
| l i | | |
| | | |
| | | |
| | | |

G. INTERNAL AUDIT CONTROL

INTERNAL AUDIT CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

- (a) Explain how the internal control system is defined for the company; Internal control as a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: a.) effectiveness and efficiency of operations; b.) reliability of financial reporting; and c.) compliance with laws and regulations.
- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate-One of the duties and responsibilities of a Director is to ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment. Further, the Audit and Risk Management Committee assists the Board in the oversight of the company's risk management, ensures that it has proper controls in place, identifies and evaluates significant risk exposures and contributes to the improvement of risk management and control systems.
- (c) Period covered by the review;-Year 2016
- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and-The Audit and Risk Management Committee reviews the effectiveness and adequacy of internal control system annually based on the results of the audits and assessment of the internal and External Audit.
- (e) Where no review was conducted during the year, an explanation why not. -Not applicable

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

| Role | Scope | indicate whether in- house or Outsource internal Audit Function | Name of Chief Internal Auditor/ Auditing Firm | Reporting process |
|---|--|---|--|--|
| To provide an independent objective assurance and consulting services designed to add | Purpose and Scope of Work: The purpose of Internal Audit is to examine and evaluate | in-house Internal Audit Function | Atty, Eduardo P. Santos- First Vice President for Internal Audit | Reporting functionally to the Audit and Risk Management Committee and administratively |

value and improve the organization's operations. It assists the organization achieve its objectives by bringing systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process.

whether the Corporation's risk management, controls and processes, as designed by management are adequate, efficient, and functioning in a manner to ensure that:

- 1. Programs, plans, goals and objectives are achieved.
- 2. Employee's actions are in compliance with policies, code of conduct, standards, procedures, and applicable laws and regulations.
- 3. Authorities and responsibilities are clear, properly assigned and documented.
- 4. Risks are appropriately identified, evaluated, and managed.
- 5. Changes in functions, services, processes, and operations are properly evaluated.
- 6. Significant legislative or regulatory issues impacting the Corporation are recognized and addressed appropriately.

to the Chairman/ CEO. Its activities are guided and performed in accordance with the revised "International Standards for the Professional Practice of internal Auditing" and "Code of Ethics" developed by the Institute of Internal Auditors (IIA) and/or any other auditing standards as may be developed by the Internal Audit.

| | 7. Control | | } | 1 |
|----|-------------------|---|---|---|
| | activities are | | | |
| | | | | |
| | integral part of | | | |
| | daily operations. | | | |
| | The minimum | | | |
| | internal control | | | |
| | mechanisms for | | | |
| | management's | | | |
| | operational | Į | | |
| | responsibility | | | |
| | shall center on | | | |
| | | | | |
| | the Chief | | | |
| | Executive | | | |
| | Officer, being | | | |
| | ultimately | ļ | | |
| | accountable for | | | |
| | the | | | |
| | corporation's | ŀ | | |
| ļ | organizational | | | |
| | and procedural | | | |
| | controls. | | | |
| | | | | |
| | 8. Adequate | | | |
| | controls are | | | |
| | incorporated | | | |
| l | into information | | | [|
| | technology | | | |
| l | systems. | | | |
| | - | | | |
| | 9. Assets or | | | |
| ĺ | resources are | | | |
| ļ | acquired | | | |
| ļ | economically, | | | |
| ١ | used efficiently, | | | |
| ١ | and adequately | | | |
| l | protected or | | | |
| l | safeguarded. | | | |
| l | | | | |
| | 10. Financial | | | |
| - | management | | | |
| | and operating | | | |
| | information are | | | |
| l | reliable, timely, | | | |
| l | relevant, | | | |
| | accurate, | | | |
| | accessible, and | | | |
| | provided in a | | | |
| | consistent | | | |
| | format. | Į | | |
| | | | Į | |
| | 11. Channels of | | | |
| | communication | | | |
| | are effective to | | | |
| | ensure that | | | |
| | interaction with | | | |
| | business units, | | | |
| | corporate | | | |
| | centers, or | | | |
| | divisions occurs | | | |
| _f | | | | |

| as needed. | | |
|-------------------------------|--|--|
| Continuous | | |
| quality improvement is | | |
| fostered in the business unit | | |
| and corporate | | |
| center's control processes. | | |

- (a) Do the appointment and/or removal of the Internal Auditor or the accounting/auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee? Yes, one of the responsibilities of the Audit and Risk Management Committee is to organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal.
- (b) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel? The Internal Auditor has direct and unfettered access to the Board of Directors, Audit and Risk Management Committee and to all records, properties and personnel. The Internal Auditor is reporting directly to the Audit and Risk Management Committee and to the Chairman/CEO of GMA Network, Inc. Further, the Internal Auditor is invited to attend the Board of Directors and Audit and Risk Management Committee meetings. The Internal Audit Department also has full access to any of the Company's records, physical properties, and personnel relevant to the performance of audit procedures.
- (b) Resignation, Re-assignment and Reasons

Disclose any registration/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

| Name of Audit Staff | Reason |
|---|--------|
| Not applicable, no internal audit staff has resigned nor re-assigned to date. | |
| | |

(c) Progress against Plans, issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

| Progress Against Plans | The progress of Annual Internal Audit Plan vs. Actual is being monitored through monthly reporting of Internal Audit's accomplishments to the Audit and Risk Management Committee and the Management, and through quarterly |
|------------------------|---|
| | meetings with the Audit and Risk |

| | Management Committee. | |
|-------------------------|---|--|
| Issues ^[1] | Audit issues noted during the examination are discussed with the procession owners/auditee. After discussion, an autreport is issued containing the identification audit issues or findings as well as to corresponding recommendations to recommendations to recommendations audit to ascertain that all autrecommendations were actual implemented. | |
| Findings ^[2] | Findings are reported to the Management through the Internal Audit Report, and to the Audit and Risk Management Committee through the Internal Audit Updates during the Audit and Risk Management Committee meetings. | |
| Examination Trends | The examination is done using the risk-based approach. | |

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) Preparation of an audit plan inclusive of a timeline and milestones;

The Internal Audit Process includes Managing the Internal Audit Activities, part of which is the preparation of the Annual Internal Audit Plan.

Planning and managing the internal audit activity

- 1.1 Understanding the business and control environment
- 1.2 Risk Assessment
- 1.3 Managing the internal audit activity
 - 1.3.1 Planning work schedules
 - 1.3.2 Staffing and budgets
 - 1.3.3 Approval by Board (Audit and Risk Management Committee) and Senior Management

The Annual Internal Audit Pian is being submitted to the Audit and Risk Management Committee for approval.

Conduct of examination based on the plan;

The process of conducting the examination based on the plan is also part of the internal Audit Process under "Internal audit engagement". It includes the following:

2.1 Engagement planning

- 2.1.1 Familiarization, preliminary survey/research and setting of initial objectives and scope
 - 2.1.2 Opening conference with auditee
- 2.1.3 Preparation of audit engagement work program and allocation of audit resources

^{[1] &}quot;Issues" are compliance matters that arise from adopting different interpretations.

^{[2] &}quot;Findings" are those with concrete basis under the company's policies and rules.

2.2 Performing the Engagement

- 2.2.1 Identifying, gathering data
- 2.2.2 Analyzing/Evaluating data/information
- 2.2.3 Documenting/recording data/information

2.3 Communicating Results

- 2.3.1 Draft audit report
- 2.3.2 Review of draft audit report
- 2.3.3 Exit conference with auditee
- 2.3.4 Preparation of final audit report
- 2.3.5 Disseminate approved audit report

2.4 Follow-up and monitoring

- 2.4.1 Audit follow-up
 - 2.4.2 Disseminate approved report
- 3) Evaluation of the progress in the implementation of the plan;

The progress in the implementation of the plan is being monitored through monthly reporting of Internal Audit's accomplishments to the Audit and Risk Management Committee and to the Management, and through quarterly meetings with the Audit and Risk Management Committee.

4) Documentation of issues and findings as a result of the examination;

Documentation of the audit engagement (including issues and findings) is done thru the auditor's work papers. There is a duly approved process and procedures for the proper preparation of audit's work papers. Portion of the approved work paper preparation process/procedures are shown below:

Work paper preparation

The work paper file documents the work the auditor has done. The work papers serve as the connecting link between the audit assignment, the auditor's fieldwork and the final report. Work papers contain the records of planning and preliminary surveys, the audit program, audit procedures, fieldwork and other documents relating to the audit. Most importantly, the work papers document the auditor's conclusions and the reasons those conclusions were reached. The disposition of each audit finding identified during the audit and its related corrective action should be documented.

in the preparation of the audit work papers, the following should be observed:

- Work papers should be completed throughout the audit;
- The work papers should provide a basis for evaluating the internal Audit's quality assurance program and demonstrate compliance with the international Standards for the Professional Practice of Internal Auditing (ISPPIA):
- Work papers should be economical to prepare and not difficult to review.
- Work papers should be complete but concise-a usable record of work performed. Auditors should include in their work papers only what is essential; and, they should ensure that each work paper included serves a purpose that relates to an audit procedure. Work papers that are created and later determined to be unnecessary should be deleted.

Also, the findings, issues and other relevant information in the audit engagement are further documented in the minutes of the closing meeting, and the final internal audit engagement report.

5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;

Through the follow-up and monitoring process, the status of the audit findings and issues are tracked as to the auditee's committed implementation plans.

- 6) Conduct of the foregoing procedures on a regular basis.
- (d) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "implementation".

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "implementation".

| Policies and Procedures | Implementation |
|---|----------------|
| Purchasing Policy | Implemented |
| Accreditation of Suppliers Policy | Implemented |
| Program Related Policy & Procedures on Food Entitlement & Requirement | Implemented |
| Policy on Engagement of Catering Service Providers | Implemented |
| Policy on Disposal of Vehicles | Implemented |
| Employees' Accountability on Company Assets Policy | Implemented |
| Disbursement Policy | Implemented |
| Policy on Advances Subject to Liquidation-Trade | implemented |
| Cash Advance-Miscellaneous Expenses and Production Fund (News and Public Affairs) Policy | implemented |
| Cash Advance Miscellaneous Expenses Production Fund (Entertainment TV and QTV) | Implemented |
| Scheduling, Airing, and Billing of Spots | Implemented |
| Policy on Political Ads | Implemented |
| Company Vehicle Utilization-Trip Ticket Policy | Implemented |
| Vehicle Rental Policy | Implemented |
| Vehicle Use Policy | Implemented |
| Policy on the Issuance, Utilization, Archiving and Borrowing of Tapes | Implemented |
| Information Security Policy | Implemented |
| Efficient Use/Deployment of Engineering Technical Facilities, Equipment & Manpower Policy | Implemented |
| Policy on Timekeeping and Attendance | Implemented |

| Solicitation/Acceptance of Gifts/Favors Policy | Implemented |
|---|-------------|
| Policy on Employee Discipline | implemented |
| Policy on Dealing with Employee Relatives | Implemented |
| Policy on Local Travel | Implemented |
| Policy on Foreign Travel | Implemented |
| Policy on the Use of Car/Public Transport for Official Business | implemented |
| Policy on Recruitment, Selection and Hiring | Implemented |
| Policy on Employees' Promotion | Implemented |

(e) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

| Auditors (Internal and External) | Financial Analyst | Investment Banks | Rating Agencies |
|---|-------------------|------------------|-----------------|
| The following are the mechanisms established by the company to safeguard the independence of external and internal auditors: | | | |
| a. The Audit and Risk Committee: • Ensures that the other non- audit work provided by the External Auditor is not in conflict with his functions as External Auditor. The External Auditor shall not at the | | | |
| same time provide the services of internal auditor of the | | | |

| | | 1 | ı | I |
|---|-----------------------------------|---|---|----------|
| - | Company. | | | j |
| - | Organize an | • | | |
| | internal audit | | | |
| | department | | | |
| | and consider | | | |
| | the | | | |
| | appointment of | | | |
| | an | | | |
| | independent | | | |
| | internal auditor | | | |
| | and the terms | | | |
| | and the terms | | | |
| | of its | | | |
| | | | | |
| | engagement and removal. | | | |
| | | | | |
| | Evaluate and | | | |
| | determine the | | | |
| | non-audit work, | | ļ | |
| | if any, of the | | | |
| | external | | j | |
| | auditor and | | | |
| | review | | | |
| | periodically the non-audit fees | | | |
| | paid to the | | | |
| İ | external | | | |
| - | auditor and to | | | |
| | the | | | |
| | corporation's | | | |
| | overall | | | |
| | consultancy | | | |
| ļ | expenses. The | | | |
| Ì | committee | : | | |
| ĺ | shall disallow | | | |
| | any non-audit | | | |
| 1 | work that will | | | |
| l | conflict with his | | | |
| - | duties as an | | | |
| | external | | | |
| | auditor or may | | | |
| ļ | pose a threat | | | |
| 1 | to his | | | |
| | independence. | | | |
| ļ | The non-audit | | | |
| | work, if | | | |
| | allowed, | | | |
| | should be | | | |
| | disclosed in | İ | | |
| | the | | | |
| | corporation's | | | |
| | annual report. | ļ | | |
| ļ | Establish and | | | |
| ĺ | identify the | | | |
| | reporting line | | | |
| | of the Internal | | | |
| | Auditor to | | | <u> </u> |

| enable him to properly fulfill his duties and responsibilities. He shall | | |
|--|--|--|
| functionally report directly | | |
| to the Audit | | |
| and Risk Management | | |
| Committee. | | |

(f) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

The Company's Compliance Officer and Chief Executive Officer annually submits a certification (SEC Form MCG-2002) to this Honorable Commission stating that the Company substantially adhered to and complied with the provisions of its Revised Manual on Corporate Governance, as prescribed by SEC Memorandum Circular No. 6, Series of 2009. Beginning year 2013, in lieu of the filing of a Certificate of Compliance with the Manual of Corporate Governance, the Company submits the Annual Corporate Governance Report. The first report in 2013 was signed by its Chairman and Chief Executive Officer, Compliance Officer and Independent Directors while the updates thereto were based on matters approved by the Board of Directors.

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

| | Policy | Activities |
|--------------------|---|---|
| Customer's Welfare | The Company recognizes and treats its clients (agencies and advertisers) as its partners. | Provide excellent service through: -cost efficient packages to maximize clients' budget. |
| | | -creative executions to better improve delivery of their campaigns |
| | | Provide relevant information regarding the network's programs to aid them in preparing their media plans |
| | | Ensure proper implementation and billing of all negotiated placements as confirmed through telecast orders. |

| | | contracts and agreements |
|---|---|--|
| Supplier/contractor selection | 1. Accreditation of | 1.1) Section V (General |
| practice | Suppliers | Guidelines), Item B - |
| practice | | Requirements for |
| | | Accreditation |
| | 2 Conoral Policy and | Acorealization |
| | 2. General Policy and | 1.2) Section V, Item C – |
| | Procedures for | |
| | Purchasing | Factors in Supplier Evaluation |
| | | 1.3) Section V, Item E – Grounds for Cancellation of Accreditation |
| | | 2.1) Section V (General Guidelines), Item 3 – Bidding |
| | | 2.2) Section V, Item 4 – Award of Bids/Contracts |
| Environmentally friendly value-chain | 1. Energy Conservation | 1.1) Conversion of office and utility lights to LED to reduce electricity consumption |
| | 2. Waste Management | 2.1) Fabrication of segregation/waste bins to properly segregate biodegradable, non- |
| | 3. Sewage Treatment | biodegradable and recyclable materials |
| | 4. DEND G | 2.2) Proper disposal of recyclable materials |
| | 4. DENR Compliance | 3.1) Operation of Sewage Treatment Plant and use of |
| | 5. Other Green Practices | recycled water for GMA Annex Building (Studios) |
| | | 4.1) Compliance with DENR regulations on proper disposal of toxic/hazardous waste |
| | | 5.1) Use of eco-friendly cleaning materials and supplies |
| Community interaction | 1. GMA G.I.V.E.S. (Guide, Interact, Volunteer, Educate, Serve) | 1.1) GMA G.I.V.E.S. is the Network's employee-volunteer group that engages in various CSR/volunteering activities. |
| Anti-corruption programmes and procedures | General Policy and Procedures for Purchasing | 1.1) Section V, Item 13 – Prohibition |
| | | 1.2) Section VII - Purchasing |
| | | <u> </u> |

| | 2. Policy on acceptance of gifts3. Conflict of Interest4. Suggestion Box | Ethics and Standards 2.1) Guidelines on accepting gifts covering all employees. 3.1) Guidelines on conflict of interest covering all employees 4.1) Suggestion boxes are strategically placed all over the Network's compound where employees can leave |
|--------------------------------|--|--|
| | 5. Letter to Supplier on Accreditation acceptance and Business Principle Guidelines 6. Audit | messages/letters that are read and acted upon by the CEO 5.1) Suppliers are notified of the accreditation acceptance and business principle guidelines |
| Safeguarding creditor's rights | 1. Corporate Vision 2. Core Values | 6.1) Conducts regular audit 1.1) We provide the best returns to our shareholders 2.1) We uphold integrity and Transparency |
| | | 2.2) We are driven by our Passion for Excellence 2.3) We Strive for Efficiency in everything we do |
| | Compliance with SEC required reports | 2.4) We pursue Creativity and Innovation 3.1) Submission of required reports to the SEC (Annual Reports, etc.) |

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

The Company's annual report, distributed to shareholders during the Annual Stockholders' Meeting as well as select recipients, contains a special feature on the Company's Corporate Responsibility programs and initiatives.

- 3) Performance-enhancing mechanisms for employee participation.
 - (a) What are the company's policy for its employees' safety, health, and welfare?
 - (b) Show data relating to health, safety and welfare of its employees.

Answers to letters (a) and (b) are as follows:

<u>For letters (a) & (b):</u> The Company aims to create a motivational environment that fosters better cooperation and retention of talented and skilled employees for a long period of time. In order to achieve this, the Company instituted various policies and programs to promote employees' welfare, safety, and health.

Aside from providing statutory benefits, the Company also provides superior health benefits for the employees to enjoy. These Company benefits include: annual physical examination (APE), leave benefits (above statutorily provided), optical subsidy, health and life insurance, medicine reimbursements, among others.

As part of promoting the welfare and safety of employees, the Company provides various activities and programs like: livelihood programs, pre-retirement planning program, sports tournaments, family day outing, annual safety drills, health fairs, and various employee engagement programs like Christmas party, birthday lunch with the Chairman, and general assemblies, which bring employees closer together

(c) State the company's training and development programmes for its employees. Show the data.

The Company has various learning and development programs that are intended to reinforce management, leadership, functional, technical-creative, and behavioral competencies of employees across the organization. Most of these programs are institutionalized and customized to fit the needs of the company. Per record, 2,000 employees have benefited from the various learning and development programs offered by the Company. The annual average of employees/managers who are given trainings are at 890±.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.

The Company puts premium on "meritocracy". Thus, it implements a Performance Appraisal (PA) System that serves as a tool to determine employees' performance against set standards. This System serves as a basis in determining the appropriate reward for employees' good performance and contribution in the attainment of the desired business results. In addition to the employees' annual salary increase and the mandated 13th month pay – depending on business performance – the Company may grant bonuses to recognize the performance of employees. The Company also has a Continuous Improvement Awards Program (CIAP), whereby employees who have made significant contribution/s in improving work processes, systems, methods, products or solutions to problems that resulted to generation of savings are recognized and rewarded. For Senior Managers and Executives, there is a car plan.

4) What are the company's procedure for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.

The Company has an existing Memo (042-2008) issued by the Chairman & CEO in July 2008, prescribing a "no retaliation" policy for employees who complain of violations of rules by co-employees or officers. No less than top management (Chairman & CEO and the President & COO) mandates that complaints are duly investigated and concluded, with appropriate penalties (if warranted) meted out to the erring party/ies.

I. DISCLOSURE AND TRANSPARENCY

- 1) Ownership Structure
 - (a) Holding 5% shareholding or more

Common Shares

| Shareholder | Number of Shares | Percent | Beneficial Owner |
|--|------------------|---------|--|
| GMA Holdings, Inc. | 815,392,400 | 24.23% | PCD Nominee Corp. |
| Group Management & Development Inc. | 789,813,389 | 23.47 | The Record Owner is Beneficial Owner |
| FLG Management and Development Corporation | 677,213,227 | 20.13% | The Record Owner is the Beneficial Owner |
| M.A. Jimenez Enterprises, Inc. | 453,882,095 | 13.49% | The Record Owner is the Beneficial Owner |
| Television International Corporation | 334,378,037 | 9.94% | The Record Owner is the Beneficial Owner |

Preferred Shares

| Shareholder | Number of Shares | Percent | Beneficial Owner |
|--|------------------|---------|--|
| Group Management & Development Inc. | 2,625,805,208 | 35.01% | The Record Owner is the Beneficial Owner |
| FLG Management and Development Corporation | 2,181,898,644 | 29.09% | The Record Owner is the Beneficial Owner |
| M.A. Jimenez Enterprises, Inc. | 1,508,978,826 | 20.12% | The Record Owner is the Beneficial Owner |
| Television International Corporation | 1,111,661,610 | 14.82% | The Record Owner is the Beneficial Owner |

| Name of Senior Management | Number of Direct Shares | Number of Indirect Shares/Through (name of record owner) | % of Capital Stock |
|------------------------------|----------------------------|---|-----------------------|
| Felipe L. Gozon | 3,181 | N/A | 0.00% |
| Gilberto R. Duavit, Jr. | 4,007,006 | N/A | 0.00% |
| Felipe S. Yalong | 1,025,002 | N/A | 0.00% |

2) Does the Annual Report disclose the following:

| Key Risks | Yes |
|---|-----|
| Corporate objectives | Yes |
| Financial performance indicators | Yes |
| Non-financial performance indicators | Yes |
| Dividend policy | Yes |
| Details of whistle-blowing policy | No |
| Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners | Yes |
| Training and/or continuing education programme attended by each director/commissioner | No |
| Number of board of directors/commissioner's meetings held during the year | Yes |
| Attendance details of each director/commissioner in respect of meetings held | Yes |
| Details of remuneration of the CEO and each member of the board of directors/commissioners | Yes |

3) External Auditor's Fee

| Name of Auditor | Audit Fee | Non-Audit Fee |
|-----------------|-----------|---------------|
| SGV & Co | PhP6.3M | None |

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

External

- 1. TV
- 2. Radio
- 3. Online (Websites)
- 4. Newsletter
- 5. Annual Report
- 6. Social Media (Facebook, Twitter, etc.)

Internal

- 1. Intranet
- 2. Email blast
- 3. Quarterly General Assembly
- 4. Monthly Birthday Lunch with the CEO
- 5. Family Day (Yearly Outing)
- 6. Christmas Party
- 7. Newsletter
- 8. Internal memos
- 5) Date of release of audited financial report:

April 8, 2016

6) Company Website

Does the company have website disclosing up-to-date information about the following?

| Business Operations | Yes |
|---------------------------------------|-----|
| Financial | Yes |
| Statements/Reports (current and prior | |
| years) | |
| Materials provided in | Yes |
| briefing to analysts and media | |
| Shareholding structure | Yes |
| Group corporate | Yes |
| structure | |
| Downloadable annual report | Yes |
| Notice of AGM and/or EGM | Yes |
| Company's | Yes |
| constitution | |
| (company's by-laws, | |
| memorandum and | |
| articles of association) | |

Should any of the foregoing information be not disclosed, please indicate the reason thereon.

7) Disclosure of RPT

| RPT | Relationship | Nature | Value |
|--|---|---|-------|
| Advances to Alta Tierra Resources (as of December 31, 2012) | Alta Tierra is an affiliate of the Company. Alta Tierra's outstanding shares are 8.2% owned by Majent Management and Development Corporation, and 91.8% by Group Management and | The Company's advances to Alta Tierra Resources are non-interest bearing. | ₽4 M |

| Advances to RGMA Network, Inc. (as of December 31, 2006) Advances to RGMA Network, Inc. (as of December 31, 2006) December 31, 2006) Advances to RGMA As of the date hereof, RGMA's outstanding shares are 49% owned by the Company, 17.8% owned by Rachel Espiritu, 17.8% owned by the Jimenez family through Television International Corporation and 15.3% owned by the Gozon family through FLG Management and Development Corporation. Advances to Mont-Aire, with the remaining 51% being owned by the Duavit,family, Gozon family and million worth of Million into P38.3 million for RGMA's working capital requirements. On February 21, 2006, the Company's Board of Directors approved the conversion of a portion of such advances in the amount of P168 million into 7,205,882 shares of RGMA with a par value of P1.00 per share, representing approximately 49% of the outstanding capital stock of RGMA. The SEC approved the conversion of the advances into equity as of February 6, 2007. Advances to Mont-Aire, with the remaining 51% being owned by the Duavit,family, Gozon family and million worth of | | Development Inc | | |
|--|----------------------|---|---|--------------------------------------|
| Aire 49% of Mont-Aire, with the remaining 51% being owned by the Duavit,family, Gozon family and Month advances, the Company converted the amount of P38.3 million into P38.3 million worth of | Network, Inc. (as of | hereof, RGMA's outstanding shares are 49% owned by the Company, 17.8% owned by Rachel Espiritu, 17.8% owned by the Jimenez family through Television International Corporation and 15.3% owned by the Gozon family through FLG Management and Development | 2006, the Company's Board of Directors approved the conversion of a portion of such advances in the amount of P168 million into 7,205,882 shares of RGMA with a par value of P1.00 per share, representing approximately 49% of the outstanding capital stock of RGMA. The SEC approved the conversion of the advances into equity as of February 6, 2007. | RGMA's working capital requirements. |
| Mont-Aire. Simultaneoulsy, the other shareholders of Mont-Aire, namely, Group Management and Development, Inc. Television international Corporation and FLG Management and Development Corporation converted advances in the aggregate amount of P 23. 5 million made by them to Mont-Aire into P23.5 million worth of common shares of Mont-Aire. The SEC approved the conversion of the advances into equity on February 17, 2006. | | 49% of Mont-Aire, with the remaining 51% being owned by the Duavit,family, Gozon family and Jimenez Family. | Of the P121.4 million advances, the Company converted the amount of P38.3 million into P38.3 million worth of common shares of Mont-Aire. Simultaneoulsy, the other shareholders of Mont-Aire, namely, Group Management and Development, Inc. Television International Corporation and FLG Management and Development Corporation converted advances in the aggregate amount of P 23.5 million made by them to Mont-Aire into P23.5 million worth of common shares of Mont-Aire. The SEC approved the conversion of the advances into equity on February 17, 2006. | |
| Agreements with As of the date The Company has an RGMA is paid to | Agreements with | As of the date | The Company has an | RGMA is paid by |

| RGMA Network, Inc. ("RGMA") | hereof, RGMA's outstanding shares are 49% owned by the Company, 17.8% owned by Rachel Espiritu, 17.8% owned by the Jimenez family through Television International Corporation and 15.3% owned by the Gozon family through FLG Management and Development Corporation. | existing agreement with RGMA for the latter to provide general management, programming and research, events management, on-air monitoring of commercial placements, certificates of performance, billing and collection functions, and local sales service for the 25 radio stations of the Company | management and marketing fees based on billed Sales. |
|--|--|---|--|
| Marketing agreement with GMA Marketing | Wholly-owned subsidiary of the Company | the Company. Under the marketing agreement GMA Marketing agreed to sell television advertising spots and airtime in exchange for which GMA Marketing will be entitled to a marketing fee and commission. Apart from this, the Company likewise engaged the services of GMA Marketing to handle and mount promotional events as well as to manage the encoding, scheduling of telecast/broadcast placements and subsequent monitoring of sales implementations. | Fixed monthly service fees. |
| Belo Gozon Elma Parel Asuncion and Lucila Law Office | Other than Felipe L. Gozon, who is part of the Gozon family, one of the principal shareholders of the Company, and director of the Company since 1975, some of the lawyers of Belo Gozon Elma Parel Asuncion and Lucila eventually assumed | The Company and the law firm of Belo Gozon Elma Parel Asuncion & Lucila was engaged by the Company as its external counsel. | Legal, Consulting and retainer's fees |

| | | |
|--|-----------------------|------|
| | certain positions and | |
| | functions in the | |
| | Company either in | , |
| | their individual | |
| | capacities or as part | |
| | of the functions of | |
| | Belo Gozon Elma | |
| | Parel Asuncion and | |
| | Lucila eventually | |
| | assumed certain | |
| | positions and | |
| | functions in the | |
| | Company either in | |
| | their individual | |
| | capacities or as part | |
| | of the functions of | |
| | Belo Gozon Elma | |
| | Parel Asuncion & | |
| | Lucila as the | |
| | Company's external | |
| | counsel. | |

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

In order to safeguard the interest of the Company especially the minority shareholders, all material information that could potentially affect share price, such as related party transactions, are publicly disclosed. Moreover, the Company ensures compliance with existing laws, rules and regulations, pertaining to such transactions.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-Laws

| Quorum Required | The holders of a majority of the shares of the subscribed stock of the corporation outstanding, present in person or by proxy at any meeting of stockholders, shall constitute a quorum for the transaction of business, except as may otherwise |
|-----------------|---|
| | specially be provided with respect to particular matters by applicable statutory provisions in force at the time of voting with respect to such matters. All provisions of the Company's By-laws which specify or relate to the powers of the stockholders or to action which may be taken by the stockholders at or in connection with |

| The state of the s | |
|--|--|
| | meetings thereof shall be interpreted as |
| | |
| | referring to the holders of shares of stock of |
| • | the corporation. If there is no quorum at |
| | |
| | any meeting, the stockholders present in |
| | person and by proxy at such meeting may |
| | adjourn from time to time to secure the |
| | |
| | attendance of a quorum and no notice of |
| | any such adjournment need be given. |

(b) Systems Used to Approve Corporate Acts

Explain the system used to approve corporate acts

(c) Stockholders' Rights

List any Stockholders' rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code:

Existing laws and rules are deemed incorporated and form part of the Company's policy on the rights of its stockholders. Thus, no rights of the stockholders differ from those laid down in the Corporation Code.

| Stockholders' rights under the | Stockholders' rights <u>not</u> in the | |
|--|--|--|
| Corporation Code | Corporation Code | |
| The Corporation adopts the same rights found in the Corporation Code | The Corporation adopts the same rights found in the Corporation Code | |

Dividends

| Declaration Date | Record Date | Payment Date |
|------------------|----------------|--------------|
| April 2, 2009 | April 29, 2009 | May 11, 2009 |

| March 25, 2010 | April 14, 2010 | May 7, 2010 | |
|------------------|-------------------|--------------------|--|
| October 28, 2010 | November 17, 2010 | December 8, 2010 | |
| March 11, 2011 | April 8, 2011 | May 5, 2011 | |
| March 28, 2012 | April 16, 2012 | May 9, 2012 | |
| August 1, 2012 | August 22, 2012 | September 14, 2012 | |
| March 21, 2013 | April 17, 2013 | May 14, 2013 | |
| April 2, 2014 | April 24, 2014 | May 19, 2014 | |
| March 30, 2015 | April 24, 2015 | May 19, 2015 | |
| April 8, 2016 | April 25, 2016 | May 16, 2016 | |

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/ Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meeting.

The Company's Corporate Secretary files with the Securities and Exchange Commission and the Philippine Stock Exchange a Notice of the Annual Stockholders' Meeting and distributes the same to the stockholders upon approval of SEC no later than 15 business days before the said meeting. The agenda for the meeting is also included in the notice. Moreover, during the Stockholders' Meeting, the Chairman elicits questions or points of clarification from the stockholders present and represented for which the Company provides microphones at the floor during the open forum. Finally, glossy copies of the annual report as well as CD copies thereof are made available to the stockholders during the Annual Stockholders' Meeting.

| 2. Measures Adopted | Communication Procedure |
|---------------------|-------------------------|
| See answer in (1) | See answer in (1) |
| | |
| | |

- 8. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
 - a. Amendments to the company's constitution:

The Company adopts the provisions of the Corporation Code on amendments to and revisions of the Articles of Incorporation which provides that any provision or matter stated in the articles of incorporation may be amended by a majority vote of the Board of Directors or Trustees and the vote or written consent of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

b. Authorization of additional share.

The Company adopts the requirements of the laws, as well as the rules and regulations of this Commission and of the Philippine Stock Exchange on the issuance/authorization of additional shares.

c. Transfer of all or substantially all assets, which in effect results in the sale of the company

The Company adopts the requirements of the laws, as well as the rules and regulations of this Commission and of the Philippine Stock Exchange on the transfer of all or substantially all assets.

9. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

Yes.

a. Date of sending out notices: Preliminary SEC Form 20-IS filed on April 12, 2016 and uploaded on the Philippine Stock Exchange Website on even date:

Definitive 20-IS filed on April 19, 2016, uploaded on the Philippine Stock Exchange Website on even date and distributed to the stockholders on April 25, 2016.

b. Date of the Annual/Special Stockholders' Meeting:

May 18, 2016

10. State, if any, questions and answers during the Annual/Stockholders' Meeting.

One of the stockholders commended the Chairman for his well-delivered report on the Company's financial and ratings performance and for the remarkable work of Management. He also requested that in the subsequent stockholders' meetings, the Chief of the Security Personnel of GMA should provide the guidelines on the review of the proof of identity/qualifications of the stockholders attending the meeting.

Another stockholder suggested that the attendees of the meeting be given souvenirs in the next stockholders' meeting.

A stockholder inquired on the Company's performance in Visayas and Mindanao to which the Chairman replied that GMA is behind ABS-CBN in Visayas and Mindanao, but GMA's lead in Mega Manila and Luzon compensates for GMA's shortfall in Visayas and Mindanao. Nonetheless the difference in the ratings of GMA and ABS-CBN is getting smaller and smaller in Visayas and Mindanao.

Moreover, a stockholder congratulated the Company for the remarkable work as shown by the Company's net income and cash dividend declaration to the stockholders. The stockholder then asked how much the income from affects GMA. The Chairman said that *Kaiye Serye* is under Tape, Inc. which is a blocktimer and GMA does not earn income from the show but only from blocktime fee that Tape, Inc. pays GMA. However, GMA is indirectly part of *Kalye Serye*'s success in the sense that when the ratings of *Kalye Serye* goes up the ratings of GMA also goes up and consequently the advertisers put more plugs to GMA's programs.

Upon a stockholders inquiry regarding the classes/forms of the Company's dividend declaration, the Chairman explained that there are two classes of dividends, cash and stock. The Chairman said that a company resorts to stock dividends when it needs cash. Fortunately for GMA, it has enough cash to support its operations. The Chairman said that since the Initial Public Offering of the Company, the Company has declared almost 100% of all its net income as cash dividends, which is the surest sign that the Company is in good financial health.

11. Result of Annual/Special Stockholders' Meeting's Resolutions

All matters were unanimously approved.

| 12. Resolution | 13. Approving | 14. Dissenting | 15. Abstaining |
|----------------|---------------|----------------|----------------|
| 16. | 17. | 18. | 19 |
| 20. | 21. | 22. | 23. |

24. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

May 18, 2016

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

NOT APPLICABLE

| Modifications | Reason for Modification | | |
|---------------|-------------------------|--|--|
| N/A | N/A | | |

- (f) Stockholders' Attendance
 - (i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

| Type of Meeting | Names of Board members / Officers present | Date of Meeting | Voting Procedure (by poll, show of hands, etc) | % of SH Attending in Person | % of SH in Proxy | Tota 1 % of SH atte nda nce |
|--------------------|---|------------------------|--|--|---|--|
| Annual | 9 | <u>May 18,</u> 2016 | Show of hands (for objections) | 0.00% (49.100) total and outstandin g shares | 96.92% (10.525,727, 036) total and outstandin g shares | 96.9 2% (10, 525, 776, 136) |
| Special | N/A | N/A | N/A | N/A | N/A | N/A |

(iii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

Yes, the Stock Transfer Services, inc.

(iv) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares. Yes, the Company's common shares carry one vote for one share. The Company's preferred shares have the same voting rights as the Common Shares.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

| | Company's Policies |
|-------------------------------------|--|
| Execution and acceptance of proxies | Any stockholder may in writing authorize any person or corporation to vote as the proxy of such stockholder at any meeting or meetings of the corporation; provided however, that such authorization in writing must be filed with or presented to the corporation prior to any meeting or meetings at which such proxy may act pursuant thereto and shall hold good until a written revocation of the same shall be superseded by another written authorization of later dates. |
| Notary | The Company does not require a proxy form to be notarized |
| Submission of Proxy | Duly accomplished proxies must be submitted to the Office of the Corporate Secretary not later than seven (7) working days prior to the date of the stockholders' meeting. |
| Several Proxies | N/A |
| Validity of Proxy | A proxy shall hold good until a written revocation of the same shall be superseded by another written authorization of later date. |
| Proxies executed abroad | Since the Company does not require a proxy form to be notarized, the same may be executed abroad |
| Invalidated Proxy | A proxy form is deemed valid so long as it is duly signed by the stockholder |
| Validation of Proxy | Validation of proxies shall be conducted by the Proxy Validation Committee at least five (5) working days prior to the date of the stockholders' meeting. |
| Violation of Proxy | The proxy is deemed valid so long as it is duly signed by the stockholder who is represented by the person authorized thereby. |

(h) Sending of Notices

State the company's policies and procedures on the sending of notices of Annual/Special Stockholders' Meeting

| Policies | | | | Procedure | | |
|----------|---------|--------|-----|-----------|-----|---|
| The | Company | adopts | the | rules | and | The Company's Corporate Secretary files |

| regulations as prescribed by the law, the Securities and Exchange Commission and the Philippine Stock Exchange. | with the Securities and Exchange Commission and the Philippine Stock Exchange a Notice of the Annual Stockholders' Meeting at least 25 business days before the meeting and distributes the same to the stockholders upon approval of SEC but not later than 15 business days before the said meeting. |
|---|--|
| | before the said meeting. |

(i) Definitive Information Statements and Management Report

| Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials | 1.689 holders of common shares and 37 holders of preferred shares | |
|---|---|--|
| Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners | April 25, 2016 | |
| Date of Actual Distribution of Definitive Information Statement and Management Report and other Materials held by stockholders | April 25, 2016 | |
| State whether CD format or hard copies were distributed | Both CD format and hard copies were distributed | |
| If yes, indicate whether requesting stockholders were provided hard copies | Requesting shareholders were provided with copies | |

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

| Each Resolution to be taken up deals with only one item | Yes |
|--|-----|
| Profile of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/ re-election | Yes |
| The auditors to be appointed or reappointed | Yes |
| An explanation of the dividend policy, if any dividend is to be declared | Yes |
| The amount payable for final dividends | Yes |
| Documents required for proxy vote | Yes |

Should any of the foregoing information be not disclosed, please indicate the reason thereto. $\mathbf{N/A}$

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

| Policies | Implementation |
|----------------------|--|
| Voting Right | Cumulative Voting shall be used in the election of directors |
| Power of Inspection | All shareholders shall be allowed to inspect corporate books and records including minutes of the Board meetings and stock registries during office hours in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions |
| Right to Information | The shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealings with the company, relationships among directors and key officers and aggregate compensation of directors and officers. |
| Appraisal Right | The shareholders' shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances: |
| | (1) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and |
| 6 0 | |



(b) Do minority stockholders have a right to nominate candidates for board of directors?
YES.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committees with this responsibility, if it has been assigned to a committee.

The Company's Corporate Communications Department handles all external communications (PR and Publicity) requirements while Corporate Affairs Division is in charge of internal communications. Corporate Affairs also handles CSR and other projects as determined by the Office of the Chairman and CEO.

The Company has a Crisis Communications manual that contains detailed policies and procedures in dealing with various crises. The Network also has a Media Plan Committee, chaired by the Executive Vice President, which regularly meets to discuss the Company's communication strategies, etc.

The Company holds a quarterly general assembly where the CEO provides updates to the employees. Other internal communication tools that ensure the smooth flow of information include the intranet, newsletter and email blasts.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders and the public in general.

In line with the Company's practice of transparency, it provides as much information as it can to the investing public.

The Company holds financial briefings attended by the Company's Senior Management; Chairman and Chief Executive Officer, President and Chief Operating Officer, Executive Vice President and Chief Financial Officer, President of Sales and Marketing and various Company officers. The briefings are attended not only by members of the press or financial analysts but at times retail investors. The Company submits to the PSE/SEC the presentation materials used during the briefing, the relevant press release/s, and additional disclosures (if any) during the Question and Answer portion of the briefing.

The Company proactively discloses information that may have been a result of an interview with an Officer during a corporate event, socials or even ambush interviews.

During the Company's Annual Stockholders Meeting, Philippine Deposit Receipt

(PDR) Holders (which by structure are not considered shareholders of the Company) are still allowed to attend as guests.

The Company through its Investor Relations Division meets with various Fund Managers, Investment, Financial and Research Analysts upon request. When possible, it also attends local and foreign investor Conferences.

The Company also maintains an Investor Relations section in its corporate website www.gmanetwork.com/corporate/ir http://www.gmanetwork.com/corporate/ir where one can download the Company's quarterly financials/annual reports, latest disclosures as well as the Company's IPO prospectus.

The Head of Investor Relations personally answers queries that are sent via email or telephone call regardless if they are not existing investors, retail as well as their investment size.

Disclose the contact details (e.g., telephone, fax and email) of the officer responsible for investor relations.

Investors Relations Officer Ayahl Ari Augusto P. Chio 10/F GMA Network Center 982-7777 ext 8042

| | Details |
|---------------------------------|---|
| (1) Objectives | To provide the investing public as much information possible that would allow them to make the best decision possible on whether to invest in the company or not. |
| (2) Principles | To provide equal access (for information or meetings) to anybody interested in the Company. |
| (3) Modes of Communications | The Company's Investor Relations can be reached through email (through the IR website), telephone and once the technical issues are resolved, through twitter. |
| (4) Investors Relations Officer | Ayahl Ari Augusto P. Chio 10/F GMA Network Center 982-7777 ext 8042 |

What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and the extraordinary transactions such mergers, and sales of substantial portions of corporate assets?

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

The Company adopts the requirements of the laws as well as the rules and regulations of the Securities and Exchange Commission and the Philippine Stock Exchange

relating to the acquisition of corporate control in the capital markets, and extraordinary transactions such as sale or merger.

With respect to the transaction price, it is the practice for the buyer and the seller to engage the services of a financial adviser to determine the same.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

| Initiative | Beneficiary |
|---|---|
| Pass-A-Book Ni Biguel (Book Exchange/Drive) | Veritas Parochiai School; Project 6 Elementary School |
| Kapuso Bloodletting Day 2016 | Philippine Red Cross |
| Mangrove planting in partnership with Maynilad | Residents/Communities along the coastline of Kawit, Cavite |
| Fun and educational activities with children surviving cancer | Children under the care of Kapwa Ko Mahal Ko and GMA Kapuso Foundation |
| Mandela Day celebration with the Embassy of South Africa | Children of Missionaries of Charity |
| Distribution of Noche Buena Packages with GMA Kapuso Foundation | Children of inmates at the Correctional Institution for Women |
| Outreach project with children | Children under the care of Food for the Hungry Philippines |

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

| | Process | Criteria |
|----------------------|------------------------|---|
| Board of Directors | | formance of its Directors, |
| Board Committees | | President, the Company is |
| Individual Directors | guided by the criteria | found in its Manual on |
| CEO/President | | as well as the requirements rules and regulations of this |

N. INTERNAL BREACHES AND SACTIONS

Discuss the internal policies on sanctions imposed for any violation nor breach of the corporate governance manual involving directors, officers, management and employees.

| Violations | Sanctions | |
|------------------|---|--|
| First Violation | Subject person shall be reprimanded | |
| Second Violation | Suspension from office shall be imposed. The duration of the suspension shall depend on the gravity of the violation as determined by the Board | |
| Third Violation | Maximum penalty of removal from office may be imposed | |

NB: All of the information/data herein provided, are based on the Company's available records as of <u>December 31, 2016</u>, and not necessarily from the personal knowledge of the affiants.

| Pursuant to the requirement of Governance Report is signed on behalf of on MAY 22 | the Securities and Exchange the registrant by the undersign 2017, 2017. | ge Commission, this Annual Corporatened, thereunto duly authorized, in the City |
|---|---|---|
| Chairr | SIGNATURES FELIRE L. GOZON man of the Board/Chief Execut | ive Officer |
| ARTEMIO V. PANGANIB Independent Director | AN | JAIME LAYA Independent Director |
| | In . | * |
| | ROBERTO RAFAEL V. LUCI Compliance Officer | LA |
| | | 2017 affiants exhibiting to me |
| SUBSCRIBED AND SWORN to before r their government-issued i.d.s, as follows: | me this day of | , 2017, affiants exhibiting to me |
| Name/No. | Date of Issue | Place of Issue |
| | Passport No. EB7372600 | Feb. 13, 2013/DFA Manila |
| Felipe L. Gozon | Passport No. DE0013400 | Dec. 15, 2015/DFA Manila |
| Chief Justice Artemio V. Panganiban | Passport No. EC3133727 | Jan. 7, 2015/DFA Manila |
| Dr. Jaime C. Laya Roberto Rafael V. Lucila | SSS ID No. 03-6383452-8 | Ogili 1, 2010. |
| Roberto Rafael V. Lucila | 000 15 110: 00 0000 :02 0 | |
| | | NOTARY PUBLIC |
| Doc No 104 | | 2 1 |
| D00110. | | Magu |
| Page No. () Book No. () | SALVADO | OR P. ESCALANTE |
| Series of % | | JBLIC FOR MAKATI CITY |
| | rewrited (4 | EMPERIMENTAL MILL |

MOTARY PUBLIC FOR MAKATI CITY
Appointment No. M-422
Until December 31, 2917
Rell of Attorneys No. 54688
MCLE Compliance Certificate No. V-0921983, 5-7-16
IBP No. 1483925 1-12-17, Quezon City
PTR No. 5912539 1-4-17, Makati City
The Athenaeum Bldg.,
160 L.P. Leviste St., Makati City