



**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

1. For the fiscal year ended: **December 31, 2017**
2. SEC Identification Number: **1803**                      3. BIR Tax Identification No.: **000-406-761-000**
4. Exact name of issuer as specified in its charter: **ABS-CBN CORPORATION AND SUBSIDIARIES**
5. **Philippines**  
Province, Country or other jurisdiction of  
incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code:
7. **ABS-CBN Broadcasting Center, Sgt. Esguerra Avenue corner Mother Ignacia St. Quezon City 1100**  
Address of principal office
8. **(632) 924-41-01 to 22 / (632) 415-22-72**  
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 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares of Stock Issued</u>
<b>Common Stock, P1.00 par value</b>	<b>872,123,642 shares</b>
<b>Preferred Stock, P0.20 par value</b>	<b>1,000,000,000 shares</b>
 Short-term & Long-term debt (current & non-current)	 <b><u>₱20.4 billion</u></b>

11. Are any or all of these securities listed on a Stock Exchange?  
Yes []    No []
- If yes, state the name of such stock exchange and the classes of securities listed therein:  
**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 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 []



**ABS-CBN CORPORATION  
ANNUAL REPORT**

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## **PART I - BUSINESS AND GENERAL INFORMATION**

### **1. Business Overview**

#### **1.1. Historical Background**

ABS-CBN Corporation (“ABS-CBN” or the “Company”) traces its roots from Bolinao Electronics Corporation (BEC), established in 1946 as an assembler of radio transmitting equipment. In 1952, BEC adopted the business name Alto Broadcasting System (ABS) and began setting up the country’s first television broadcast by 1953. On September 24, 1956, Chronicle Broadcasting Network (CBN), owned by Don Eugenio Lopez Sr. of the Lopez family, was organized primarily for radio broadcasting. In 1957, Don Eugenio Lopez Sr. acquired ABS and on February 1, 1967, the operations of ABS and CBN were integrated and BEC changed its corporate name to ABS-CBN Broadcasting Corporation. On August 16, 2010, the Philippine Securities and Exchange Commission (SEC) approved the change of Company’s corporate name to ABS-CBN Corporation. This change is a reflection of the Company’s diversified businesses in existing and new industries.

ABS-CBN achieved many firsts since it started the television industry in the country in 1953. However, with the imposition of martial law in September 1972, ABS-CBN ceased operations as the government forcibly took control of the Company. ABS-CBN resumed commercial operations in 1986 after the People Power or EDSA revolution.

Recovery after 14 years of absence was difficult as resources were scarce. Nevertheless, through relentless effort, ABS-CBN recaptured leadership in the Philippine television and radio industries by 1988. During the 1990s and the early part of the new millennium, the Company expanded and ventured into complementary businesses in cable TV, international distribution, mobile services, and magazine publishing among others.

#### **1.2. Lines of Business**

ABS-CBN is the Philippines’ leading media and entertainment company. The Company presents its operations into the following reportable segments:

- A. Media Networks and Studio Entertainment
- B. Cable, Satellite and Broadband
- C. Digital and Interactive Media
- D. Consumer Products and Experiences

#### **Media Networks and Studio Entertainment**

Media networks and studio entertainment is comprised of broadcast, global operations, film and music production, radio, digital terrestrial television, cable channels and publishing. This consists of local and global content creation and distribution through television and radio broadcasting.

**Broadcast** segment covers content creation and distribution mainly through free TV and radio with Channel 2 and DZMM as its flagship platforms. The content created is predominantly in Filipino and is aimed at the mass Filipino audience. The Company’s leading position in the Philippine television broadcasting industry is largely due to the popularity of its entertainment programs, including teleseryes, drama anthologies, situation comedies, variety, reality and game shows. On the other hand, news and public affairs programs have developed a reputation for the quality of news coverage that includes national, local and international events.

**Global** segment, through ABS-CBN International, North America, pioneered the international content marketing, promotion, distribution and licensing through Direct to Home (DTH), cable, Internet Protocol Television (IPTV), mobile and online through The Filipino Channel (TFC). It is available in all territories where there is a significant market of overseas Filipinos that include but

are not limited to North America, Middle East, Europe, and Asia Pacific. Other activities include international film distribution, remittance, retail, sponsorships and events.

**Films and Music** segment of the Company is composed of movie production, film distribution, audio recording and distribution and video and audio post production. Films and music needs are generally produced through its subsidiary ABS-CBN Film Productions Inc. (AFPI) or more popularly known as Star Cinema. Other movies are co-produced with other local or international producers or are simply distributed by AFPI. Music needs are also managed by AFPI to complement the recording needs of the Company's multi-talented artists and handle music publishing and composing requirements, respectively.

**Digital Terrestrial Television (DTT)** services were commercially launched in February 2015, pioneering the country's transition from analog to digital transmission. The Company continues to invest in DTT equipment to improve clarity of signal in certain areas of Mega Manila and Central Luzon. The business expanded its nationwide operation by building new digital signal transmitters in Davao City, Bacolod, Iloilo and Cagayan De Oro. The transition from analogue to digital resulted in an increase in its audience share. DTT also pioneered the Kapamilya Box Office (KBO), an affordable Pay-Per-View where Filipino families may choose to access premium content from their television sets or mobile devices by using ABS-CBN Mobile load to pay for the service.

**Narrowcast and Sports** caters to the needs of specific or targeted audiences or markets not normally addressed by the Broadcast business. Included in this line of business are cable programming and channel offerings such as Filipino movie channel, music channel, animé, upscale male sports content and upscale female lifestyle content. It also covers print, sports, and other niched programming via its UHF (Ultra High Frequency) channel. Narrowcast includes the following subsidiaries: Creative Programs, Inc. (CPI), and ABS-CBN Publishing, Inc. (API). As part of the Company's goal to elevate boxing as a sport in the country, it entered into a joint venture agreement with ALA Sports Promotions, Inc., (ALA Sports) a world class boxing organization and promotional company.

#### **CABLE, SATELLITE AND BROADBAND**

Cable, Satellite and Broadband include cable television services of Sky Cable Corporation (Sky Cable) and its subsidiaries in Metro Manila and in certain provincial areas in the Philippines. It offers both postpaid and prepaid packages as well as a la carte programming, broadband, internet phone, among others. Consumers are given various options that can be tailor fitted to suit their specific requirements including the ability to have a real triple-play service in the market that combines cable TV, broadband and internet phone. Catch up feature on missed programming via iWantv were provided as an option to the customers for a total pay TV entertainment package. Sky Cable accounts for nearly half of the total local pay TV market.

#### **DIGITAL AND INTERACTIVE MEDIA**

Digital and interactive media aim to provide Filipinos meaningful experiences online via engaging content and relevant platforms, whenever and wherever they prefer. It provides end-to-end services to internal lines of businesses and partner brands, from strategy and communication planning, content and product creation, business intelligence, social media analytics, and digital talent management. It also includes multi-channel and social marketing platforms.

**Wireless Telecommunications** ABS-CBN mobile's network sharing agreement with Globe Telecom enables ABS-CBN to deliver content in addition to traditional telecommunication services on mobile devices. Through the network-sharing agreement, Globe will provide capacity and coverage on its existing cellular mobile telephony network to ABS-CBN Convergence, Inc. (ABS-C) on a nationwide basis. The parties may also share assets such as servers, towers, and switches.

**Digital Publishing** segment covers ABS-CBN platforms that provide news, sports, entertainment and lifestyle content. This also includes the country's first and only YouTube-certified multi-channel network, Adober Studios, where content creators can publish, promote, and monetize their original videos. It also includes Stellar, the first influencer marketing platform in the Philippines designed to connect social media celebrities with more brands and more followers.

**OTT Platforms** refers to film and television content that are accessible online. This segment includes iWantTV, a service offered together with ABS-CBN's telecommunication and DTT services, Sky On Demand, a platform that allows Sky Cable subscribers to watch and stream their favorite shows, and TFC.tv, the online platform of The Filipino Channel.

## CONSUMER PRODUCTS AND EXPERIENCES

This segment is composed of live events, theme parks and consumer products.

### **Live Events**

The company delivers movie events, mall shows, concerts, theater musicals and plays, studio tours and corporate events to domestic and international locations.

### **Theme Parks**

The Company has also invested in a theme park more popularly known as *KidZania Manila*.

KidZania provides children and their parents a safe, unique, and very realistic educational environment that allows kids between the ages of four to twelve to do what comes naturally to them: role-playing by mimicking traditionally adult activities. As in the real world, children perform "jobs" and are either paid for their work (as a fireman, doctor, police officer, journalist, shopkeeper, etc.) or pay to shop or to be entertained. The indoor theme park is a city built to scale for children, complete with buildings, paved streets, vehicles, a functioning economy, and recognizable destinations in the form of "establishments" sponsored and branded by leading multi-national and local brands.

### **Licensing and Merchandising**

The Company sells ABS-CBN-branded merchandise through its physical and online stores, as well as through partner stores. It also includes the ABS-CBN Experience Store, where, in addition to selling ABS-CBN products, the store serves as a hub for events featuring the Company's artists and talents.

### **Home Shopping**

Launched in October 2013, A CJ O Shopping Corporation (A CJ O) is a joint venture between ABS-CBN and CJ O Shopping Corporation of Korea to provide online and TV home shopping in the Philippines.

## 1.3. Subsidiaries

The following is a list of the Company's active subsidiaries which ABS-CBN controls as of December 31, 2017:

Company	Place of Incorporation	Principal Activities	Date of Incorporation	Ownership (%)
<b>MEDIA NETWORK AND STUDIO ENTERTAINMENT</b>				
<b>Global:</b>				
ABS-CBN Global Ltd.	Cayman Islands	Holding company	January 3, 2002	<b>100.0</b>
ABS-CBN Europe Ltd.	United Kingdom	Cable and satellite programming services	May 8, 2003	<b>100.0</b>
ABS-CBN Europe Remittance Inc.	United Kingdom	Services - money remittance	2010	<b>100.0</b>

Company	Place of Incorporation	Principal Activities	Date of Incorporation	Ownership (%)
ABS-CBN Japan, Inc.	Japan	Cable and satellite programming services	March 22, 2006	100.0
ABS-CBN Middle East FZ-LLC	Dubai, UAE	Cable and satellite programming services	April 29, 2002	100.0
ABS-CBN Middle East LLC	Dubai, UAE	Trading	April 29, 2002	100.0
E-Money Plus, Inc.	Philippines	Services - money remittance	August 7, 2000	100.0
ABS-CBN Global Hungary Kft.	Budapest, Hungary	Holding company	February 9, 2009	100.0
ABS-CBN International, Inc.	California, USA	Cable and satellite programming services	March 22, 1979	100.0
ABS-CBN Australia Pty. Ltd.	Victoria, Australia	Cable and satellite programming services	May 18, 2004	100.0
ABS-CBN Canada, ULC	Canada	Cable and satellite programming services	March 8, 2007	100.0
ABS-CBN Global Remittance Inc.	California, USA	Services - money remittance	November 18, 2009	100.0
ABS-CBN Telecom North America, Inc.	California, USA	Telecommunications	April 19, 1995	100.0
ABS-CBN Canada Remittance Inc.	Canada	Services - money remittance	2011	100.0
ABS-CBN Global Netherlands B.V.	Amsterdam, Netherlands	Intermediate holding and financing company	May 19, 2009	100.0
<b>Films and Music:</b>				
ABS-CBN Film Productions, Inc.	Philippines	Movie production	March 25, 2003	100.0
Cinescreen, Inc.	Philippines	Theater operation	June 5, 2017	100.0
<b>Narrowcast and Sports:</b>				
ABS-CBN Publishing, Inc. (API)	Philippines	Print publishing	September 3, 1992	100.0
Creative Programs, Inc. (CPI)	Philippines	Content development and programming services	October 24, 2000	100.0
<b>Others:</b>				
ABS-CBN Center for Communication Arts, Inc.	Philippines	Educational/training	June 10, 1999	100.0
ABS-CBN Global Cargo Corporation	Philippines	Non-vessel operations common carrier	November 4, 2009	100.0
ABS-CBN Integrated and Strategic Property Holdings, Inc.	Philippines	Real estate	October 09, 2003	100.0
ABS-CBN Shared Service Center PTE. Ltd.	Singapore	Services – support	July 3, 2008	100.0
Medianow Strategies, Inc. (Medianow)	Philippines	Marketing, sales and advertising	August 22, 2014	79.7
Professional Services for Television & Radio, Inc.	Philippines	Services - production	January 9, 1995	100.0
Rosetta Holdings Corporation	Philippines	Holding company	April 3, 2009	100.0
Sarimanok News Network, Inc. (SNN)	Philippines	Content development and programming services	June 23, 1998	100.0
The Big Dipper Digital Content & Design, Inc.	Philippines	Digital film archiving and central library, content licensing and transmission	June 30, 2000	100.0
TV Food Chefs, Inc.	Philippines	Services - restaurant and food	January 23, 2001	100.0
iConnect Convergence, Inc.	Philippines	Services – call center	June 10, 2013	100.0
ABS-CBN Studios, Inc.	Philippines	Production facility	April 21, 2015	100.0
<b>DIGITAL AND INTERACTIVE MEDIA</b>				
Sapientis Holdings Corporation	Philippines	Holding company	June 29, 2009	100.0
Columbus Technologies, Inc.	Philippines	Holding company	December 29, 2011	70.0
ABS-CBN Convergence, Inc.	Philippines	Telecommunication	December 29, 2011	69.3
<b>PAY TV NETWORKS</b>				
Sky Vision Corporation	Philippines	Holding company	April 18, 1991	75.0
Sky Cable Corporation	Philippines	Cable television services	June 6, 1990	59.4
Bisaya Cable Television Network, Inc.	Philippines	Cable television services	April 8, 1993	59.4
Bright Moon Cable Networks, Inc.	Philippines	Cable television services	November 5, 1992	59.4
Cavite Cable Corporation	Philippines	Cable television services	July 11, 1991	59.4
Cepsil Consultancy and Management Corporation	Philippines	Cable television services	November 9, 1993	59.4
Davao Cableworld Network, Inc.	Philippines	Cable television services	September 11, 1992	59.4
Discovery Mactan Cable, Inc.	Philippines	Cable television services	November 29, 1995	41.6
HM Cable Networks, Inc.	Philippines	Cable television services	August 13, 1992	59.4
HM CATV, Inc.	Philippines	Cable television services	September 2, 1992	59.4
Hotel Interactive Systems, Inc.	Philippines	Cable television services	October 9, 1995	59.4
Isla Cable TV, Inc.	Philippines	Cable television services	February 9, 1996	59.4

Company	Place of Incorporation	Principal Activities	Date of Incorporation	Ownership (%)
Moonsat Cable Television, Inc.	Philippines	Cable television services	November 4, 1992	59.4
Pilipino Cable Corporation	Philippines	Cable television services	June 10, 1998	59.4
Satellite Cable TV, Inc.	Philippines	Cable television services	April 20, 1992	59.4
Sun Cable Holdings, Incorporated	Philippines	Holding company	February 18, 1995	59.4
Sun Cable Systems Davao, Inc.	Philippines	Cable television services	September 22, 1994	59.4
Sunvision Cable, Inc.	Philippines	Cable television services	June 2, 1994	59.4
Tarlac Cable Television Network, Inc.	Philippines	Cable television services	February 17, 1993	59.4
Telemondial Holdings, Inc.	Philippines	Holding company	January 19, 1994	59.4
JMY Advantage Corporation	Philippines	Cable television services	November 20, 1996	56.4
Cebu Cable Television, Inc.	Philippines	Cable television services	June 11, 1991	57.4
Suburban Cable Network, Inc.	Philippines	Cable television services	June 7, 1991	54.9
Pacific CATV, Inc. (Pacific)	Philippines	Cable television services	April 22, 1991	58.0
First Ilocandia CATV, Inc.	Philippines	Cable television services	November 26, 1991	54.9
Mactan CATV Network, Inc.	Philippines	Cable television services	July 5, 1993	56.6
Home-Lipa Cable, Inc.	Philippines	Cable television services	September 26, 1991	35.6
<b>CONSUMER PRODUCTS AND EXPERIENCES</b>				
ABS-CBN Theme Parks and Resorts Holdings, Inc.	Philippines	Holding company	July 16, 2012	100.0
ABS-CBN Themed Experiences, Inc.	Philippines	Attractions center	July 7, 2017	100.0
Play Innovations, Inc.	Philippines	Theme park	September 11, 2012	73.0
Play Innovations Hungary Kft.	Budapest, Hungary	Theme park	October 3, 2012	73.0

#### 1.4. Significant Philippine Associates and Affiliates

Company	Principal Activity	Date of Incorporation	Relationship
Lopez, Inc.	Holding Company	11 August 1967	Parent of ABS-CBN
Lopez Holdings Corporation*	Holding Company	08 June 1993	52.5 owned by Lopez, Inc.
AMCARA Broadcasting Network, Inc.	Television and radio broadcasting	11 April 1994	49.0 owned by ABS-CBN
A C J O	Home shopping	13 August 2013	50.0 owned by ABS-CBN
ALA Sports	Boxing promotions	4 December 2013	44.0 owned by ABS-CBN
Daum Kakao Corporation	Services	16 February 2015	50.0 owned by ABS-CBN
The Flagship, Inc.	Services	20 October 2015	40.0 owned by ABS-CBN

\*Formerly Benpres Holdings Corporation

## 1.5. Competition

### MEDIA NETWORK AND STUDIO ENTERTAINMENT

#### **Broadcast**

*Free-to-Air Television:* There are currently 11 commercial television stations – those which derive the majority of their revenues from the sale of advertising and airtime – in Mega Manila (which includes Metro Manila and parts of the nearby provinces of Rizal, Laguna, Cavite and Bulacan), with 7 on VHF (Very High Frequency) and 4 on UHF.

The Company's television broadcasting networks compete for advertising revenues, the acquisition of popular programming and for the services of recognized talent and qualified personnel. The Company's television stations also compete with other advertising media, such as radio, newspapers, outdoor advertising and cable television channels, as well as with home video exhibition, the Internet and home computer usage.

The major free-to-air broadcasting networks in the country, their corresponding Mega Manila channels, and their respective performance in total Philippines household ratings and audience share for January-December 2017, are as follows:

Network	Call Sign/Frequency	Total Philippines (January – December 2017)	
		Rating %	Share %
ABS-CBN Corporation	ABS-CBN 2	15.7	45.5
GMA Network Inc.	GMA 7	11.7	33.8
Associated Broadcasting Company	ABC 5 / TV5	1.7	5.0
Others		3.1	9.0

*\*Source: Kantar Media TV Audience Measurement – TV Homes*

The Company principally competes with 13 commercial free-to-air television stations in Mega Manila, including the channels of its major competitor, GMA Network, Inc. (GMA 7 or GMA Network) which owns and operates GMA 7. In 2011, GMA Network began airing GMA News TV on VHF channel 11 under an airtime agreement with ZOE Broadcasting Network.

NBN 4, RPN 9 and IBC 13 are owned and operated by the Philippine government, although there have been plans to privatize RPN 9 and IBC 13. Beginning 2008, Solar Entertainment Corporation, a Filipino company primarily engaged in the business of cable programming, entered into blocktime agreements with RPN 9, SBN 21 and RJTV 29. The 3 channels are currently airing Solar-produced and acquired programs and use the respective call signs: Solar TV, ETC and 2nd Avenue. In 2010, SBN 21 became a fully owned subsidiary of Solar. In 2011, Solar became a minority shareholder of RPN 9 and began broadcasting on another UHF channel Beam 31. In 2015, RPN 9 began airing as CNN Philippines.

In August 2008, ABC 5 was re-launched as TV5 after it entered into a blocktime agreement with Media Prima Berhad (MPB), a Malaysian company. The agreement stipulated that MPB would manage and operate the channel's entertainment programming. In October 2009, Mediaquest Holdings Inc., a unit of the Beneficial Trust Fund of the Philippine Long Distance Telephone Company (PLDT), acquired a 75% stake in ABC Development Corporation, operator of TV5, and had a separate agreement to acquire MPB Primedia, MPB's Philippine unit. In 2011, TV5 launched AksyonTV, a news channel, on UHF channel 41. In October 2017, TV5 entered into a partnership with ESPN to launch ESPN5, airing on both TV5 and Aksyon TV.

**Radio:** The Company's flagship radio stations, DZMM on the AM band and 101.9 in the FM band, compete with over 21 radio stations in each band in Mega Manila. The Company's other regional/provincial radio stations (3 in the AM band and 16 in the FM band) also compete with the regional radio stations of major radio broadcasting companies, such as Manila Broadcasting Company, Bombo Radyo, and Radio Mindanao Network.

The Company's radio network competes with other radio broadcasting entities for advertising revenues and for the services of recognized talent and qualified personnel. The Company's radio stations also compete with other advertising media and other forms of entertainment, including music products such as CDs and digital music.

**Programming:** ABS-CBN is a growing supplier of Filipino content for television and cable channels both in the Philippines and, increasingly, throughout the world. In-house produced contents have been and are still currently aired in numerous countries around the world, particularly in Southeast Asia, China, Africa, and Eastern Europe.

The Company faces competition for distribution of its programming from other producers of Filipino programming. ABS-CBN also competes with other programming providers for channel space and compensation for carriage from cable television operators and other multi-channel distributors. For such program services, distributors select programming based on various considerations, including the prices charged for the programming and the quality, quantity and variety of programming.

ABS-CBN's content library of in-house produced drama series, movies, reality shows, variety shows, documentaries, and the like, runs in the hundreds of thousands of hours combined. Moreover, the Company also has exclusive broadcast licenses for numerous popular local and foreign-acquired programs and movies.

Competition in acquiring foreign-produced programming and films has also been greater than in the previous years. The Company competes with other Philippine broadcast entities and pan-regional cable programming producers in acquiring broadcast rights to popular foreign TV shows and films.

## **Global**

**International Cable and Satellite Services:** The Company's DTH satellite subscription service in the United States presently competes with other satellite television and cable systems, national broadcast networks, and regional and local broadcast stations. Likewise, the Company's IPTV, cable and TFC in other territories such as Middle East, Europe, Australia, Canada, Japan and Asia Pacific, compete with other similar service providers and other entertainment means of the Filipino communities in these areas.

The Company also faces direct competition in terms of Filipino programming. In 2005, GMA Network launched its own Filipino cable channel in the United States, GMA Pinoy TV. GMA Network has already launched a second international cable channel, GMA Life TV.

## **Films and Music**

**Film Production and Distribution:** The production and distribution of feature films is a highly competitive business in the Philippines. Star Cinema competes for the services of recognized creative talents, both artists and production staff, and for film rights and scripts, which are essential to the success of a feature film. The Company likewise competes with other feature film producers, including other Filipino studios, smaller independent producers and major foreign studios such as Disney, Dreamworks, and Warner Brothers. Success in the Philippine movie business depends on the quality of the film, its distribution and marketing, and the public's response to the movie.

The number of films released by the Company's competitors in any given period may create an oversupply of product in the market, which may reduce the Company's share of gross box office admissions. Star Cinema also competes with other forms of entertainment and leisure time activities such as DVDs. Piracy also takes a considerable chunk of the Company's earnings potential.

*Music Production and Distribution:* The Company competes in the production and distribution of songs, jingles, musical scores and other music-related content with other local and foreign music publishers and independent composers and lyricists, as well as other forms of entertainment. The Company also competes in the acquisition of the services of artists and other talents. Piracy and illegal downloads of the Company's music content properties also adversely impact the Company's music production and distribution business.

## **DTT**

DTT broadcasting will soon replace the current analog transmission system, with the intention of improving the quality of broadcast service and reception, and for a better and more effective utilization of frequency spectrums. As the Department of Information and Communications Technology (DICT) rolls out the DTT broadcasting migration plan, with the vision of moving to fully digital TV by 2023, competition is also increasing for the Company.

In 2015, the Company commercially released the country's first digital terrestrial set-top box with freemium digital TV channels called ABS-CBN TVPlus. Aside from carrying free-to-air digital broadcasts of ABS-CBN and other digital broadcasters, it came with four (4) new digital TV channels exclusive to the Company's set-top box. As of end-2017, the Company has sold over 4 million of these set-top boxes.

In December 2017, GMA Network's digital TV signal was offered throughout Mega Manila area, for its free TV channels. DTT service will be improved for nearby provinces for its digital TV boxes. GMA is currently working to expand its DTT service into Visayas and Mindanao areas.

Other networks are seen to move into the digital TV space as DICT moves the schedule to total shut-off of analog TV services in April 2023.

## **Narrowcast and Sports**

ABS-CBN, through its subsidiaries SNN and CPI, also provides programming for 8 cable channels. These cable channels compete for viewership with other local cable programmers and pan-regional cable channels. Production and acquisition for cable programs, as well as the selling of airtime for advertising, are highly competitive. The Company also faces competition with other cable channels in terms of cable carriage among the numerous pay TV providers in the country. On the other hand, API also competes with other players in print industry.

## **CABLE SATELLITE AND BROADBAND**

SKYcable is a leading cable and broadband technology provider in the Philippines. SKYcable's main competitor in the pay TV business is Signal. SKYcable also competes with other small local operators in certain cities it operates in, but no other operator has the same scale and geographic reach as SKYcable.

SKYcable, through its SKYcable network, directly competes for viewer attention and subscriptions with other providers of entertainment, news and information, including other cable television systems, broadcast television stations and DTH satellite companies.

Cable television systems also face strong competition from all media for advertising revenues.

Important competitive factors include fees charged for basic and premium services, the quantity, quality and variety of the programming offered, signal reception, customer service, and the effectiveness of marketing efforts.

The broadband business where the Company's product, SkyMobi, operates in, has several direct competitors. These competitors range from large telecommunications companies to smaller and dedicated service providers catering to individuals and businesses alike. Key competitive factors include speed of service, coverage, and fees charged for broadband services.

## **DIGITAL AND INTERACTIVE MEDIA**

*Wireless Telecommunications:* ABS-CBN provides mobile telecommunications services through ABS-C. ABS-C is the newest entrant in the highly competitive industry dominated by Globe Telecom and Smart Communications.

*Digital Media:* The Company continues to be the #1 Philippine-based website across all categories beating out media competitors.

*OTT Platform:* ABS-CBN's OTT platforms compete with international OTT providers. Over the past year, a number of OTT players have entered the country. Key factors in this segment include new technologies that support the platform, easy access to online content, quality and quantity of content offered, and viewership habits.

## **CONSUMER PRODUCTS AND SERVICES**

*Theme Parks:* The Company establishes its position at the forefront of the educational entertainment industry in the Philippines through Kidzania. Kidzania is the fastest growing kids' educational entertainment concept in the world and is present in 24 locations in 19 countries with ABS-CBN spearheading in the country. The business is sponsored by the leading industry partners that provide technical expertise and know-how, they help guide the content with real life business practices, making the activities as authentic as possible.

### **1.6. Patents, Trademarks, Licenses, Franchises, Concessions and Royalty**

Republic Act No. 7966, approved on March 30, 1995, granted the Company the franchise to operate TV and radio broadcasting stations in the Philippines through microwave, satellite or whatever means including the use of new technologies in television and radio systems. The franchise is for a term of 25 years. ABS-CBN is required to secure from the National Telecommunications Commission (NTC) appropriate permits and licenses for its stations and any frequency in the TV or radio spectrum.

ABS-CBN's intellectual property includes content that the Company has produced. ABS-CBN owns various trademarks and copyright over most programs it produced. ABS-CBN has also acquired the rights over content of a number of third party production entities.

### **Third Party-owned Foreign and Local Film and Programs aired through the Networks**

ABS-CBN and its subsidiaries have licenses from foreign and local program and feature film owners to distribute the same through its networks. The licenses to distribute the foreign programs and foreign and local feature films grant ABS-CBN and its subsidiaries the right to distribute said programs and films on free TV, cable, and satellite in the Philippines and in territories wherein TFC is distributed. These licenses for TV rights have an average term of 2 to 3 years. Such programs comprise approximately 15% of the programming of Channel 2, approximately 65% of the content of Sports & Action, and close to 89% for all CPI cable channels collectively.

Star Cinema has the license to distribute local and foreign feature films in the Philippines for theatrical, TV, and video distribution, with limited ancillary rights. The licenses for foreign films have an average term of 10 to 15 years.

Aside from licenses, programs or events produced by third parties are aired through the networks of ABS-CBN and its subsidiaries under blocktime agreements or coverage and broadcast agreements entered into with such third party-producers.

### **Music Licenses**

ABS-CBN and its subsidiaries enter into agreements for the synchronization and use of music in its films and programs with the composers, publishers and record companies and producers. ABS-CBN is also in negotiation with the Filipino Society of Composers, Authors and Publishers, Inc. (FILSCAP) and the Sound Recording Rights Society (SOUNDSRIGHT), the collecting societies in the Philippines, for the public performance rights of music contained in such films or programs produced by ABS-CBN and its subsidiaries. Fees for public performance rights of The Filipino Channel are paid to the relevant collecting societies in the territories where the channels are located.

ABS-CBN also has various mechanical and synchronization licenses and distribution agreements with composers, publishers and record companies and producers, for the songs, albums, ringback tones, and videos it produces, manufactures, distributes or sells on physical or digital format and/or on digital and mobile service providers.

### **Government Regulations on Principal Products or Services**

The principal law governing the broadcasting industry is the Public Service Act (Commonwealth Act No. 146, as amended). Under this Act, the term “public service” encompasses owning, operating, managing, controlling in the Philippines, for hire or compensation, with general or limited clientele, whether permanent, occasional or accidental, and done for general business purposes, wire or wireless broadcasting stations. Accordingly, the business of ABS-CBN comes under the jurisdiction of the Public Service Commission, which was created under the same Act to have jurisdiction, supervision, and control over all public services, their franchises, equipment, and other properties, and in the exercise of its authority, to have the necessary powers and the aid of the public force.

The Act seeks to protect the public against unreasonable charges and inefficient service by public utilities, including companies engaged in television and radio broadcasting as well as to prevent excessive competition. Thusly, the Public Service Commission has been granted certain powers under the Act, including the issuance of a certificate of public convenience; the fixing and determination of the rates, tolls, charges, etc.; the fixing of just and reasonable standards, classifications, regulations, etc.; the establishment of reasonable rules, regulations, instructions; to suspend or revoke certificates issued under the Act.

The 1987 Philippine Constitution provides that “ownership and management of mass media shall be limited to citizens of the Philippines, or to corporations, cooperatives or associations wholly-owned and managed by such citizens” (Section 11, Article XVI). As a result, the Company is subject to a nationality restriction, which it has continuously and fully complied with.

Republic Act No. 7966, approved on March 30, 1995, granted the Company a new Congressional Franchise to operate TV and radio broadcasting stations in the Philippines through microwave, satellite or whatever means including the use of new technologies in television and radio systems. The Congressional Franchise is for a term of another 25 years. ABS-CBN is required to secure from the NTC appropriate permits and licenses for its stations and any frequency in the TV or radio spectrum. Under the Congressional Franchise, a special right is reserved to the President of the Philippines, in times of rebellion, public peril, calamity, emergency, disaster or disturbance of peace and order, to temporarily take over and operate the stations of the Company to temporarily suspend the operation of

any station in the interest of public safety, security and public welfare, or to authorize the temporary use and operation thereof by any agency of the government, upon due compensation to the grantee, for the use of the said stations during the period when they shall be so operated. Under the Congressional Franchise, the Company is required to: provide adequate public service time to enable the government through broadcasting stations to reach the population on important public issues; provide at all times sound and balanced programming; promote public participation such as in community programming; assist in the functions of public information and education; conform to the ethics of honest enterprise; and not use its stations for the broadcasting of obscene and indecent language, speech, act or scene, or for the dissemination of deliberately false information or wilful misrepresentation to the detriment of the public interest, or to incite, encourage, or assist in subversive or treasonable acts. The Company is not subject to any previous censorship of its broadcast or telecast provided that the Company observes self-regulation during any broadcast or telecast and shall cut off from the air the speech, play, act or scene, or other matter being broadcast or telecast if the tendency thereof is to propose or incite treason, rebellion or sedition, or the language used therein or the theme thereof is indecent or immoral.

The government departments and agencies that administer the laws governing the broadcasting industry and content are the NTC, the DICT, the Movie and Television Review and Classification Board (MTRCB), the Optical Media Board (OMB), and the Department of Labor and Employment.

The NTC primarily regulates the broadcasting industry. Its mandate extends to the regulation and supervision of radio and television broadcast stations, cable television (CATV) and pay television (Executive Order No. 546 and Executive Order No. 205). Its functions include the granting of certificates of public convenience and necessity/provisional authority to install, operate and maintain telecommunications, broadcast and CATV services; granting licenses to install, operate and maintain radio stations; allocate/sub-allocate and assign the use of radio frequencies; type-approving/type-accepting all radio communications, broadcast and customer premises equipment; conduct radio communications examination and issue radio operations certificate; prepare, plan and conduct studies for policy and regulatory purposes; monitor the operation of all telecommunications and broadcast activities; enforce applicable domestic and international laws, rules and regulations, prosecute violation thereof, and impose appropriate penalties/sanctions; issue licenses to operate land, maritime, aeronautical and safety devices; and perform such other telecommunications/broadcast-related activities as may be necessary in the interest of public service.

Notably, the NTC has issued a memorandum circular in November 2013, to begin the groundwork for the country's shift from analog to ISDB-T, the digital TV using the Japanese standard. This was prompted by the goal to help the country prepare for calamities. ABS-CBN has invested in facilities to improve signal quality and expand coverage of its television network, in preparation for this shift. DTT is considered the Company's next frontier in media and will provide its existing core media business accelerated growth through both enhanced content experience and opportunities to introduce other products and services to TV households.

Under the guidelines issued last December 17, 2014 by NTC, analog VHF TV service should neither be disrupted nor terminated until further orders from the NTC while operators are required to simulcast their digital terrestrial television broadcast (DTTB) service together with the analog TV service within one year upon the grant of authority to provide DTTB service. VHF TV operators that fail to simulcast within one year would lose their frequency to other qualified UHF TV operators. Analog UHF TV operators could go directly to DTTB service anytime during the one-year transition period but could also simulcast their DTTB service depending on the availability of frequencies. Entities with a valid Congressional franchise to provide TV broadcasting service may apply for an authorization to operate a DTTB service as long as the operators have the financial capacity and technical capability to install, operate, and maintain the proposed DTTB network.

The DICT is the primary policy, planning, coordinating, implementing and administrative entity of the Executive Branch of the government that will plan, promote and develop the national ICT agenda. Although the NTC is attached to the DICT for policy and program coordination, the DICT does not

have the power to review the acts and resolutions of the NTC.

The MTRCB is responsible for rating television and film for the Philippines. It classifies television programs based on their content. It is also the regulatory body that initiates plans and fosters cooperation in the industry to improve, upgrade and make viable the industry as one source of fueling the national economy.

The OMB was created, pursuant to the policy of the state to institute means to regulate the manufacture, mastering, replication, importation and exportation of optical media. To this end, the OMB has been empowered to formulate policies and programs necessary to accomplish the purposes of the Optical Media Act of 2003. It has also been granted the power to supervise, regulate, grant or renew licenses. Its power also encompasses inspections, obtaining search warrants, and acting as complainant in criminal prosecutions for violators of the Act. It can hear and resolve administrative cases against violators of the Act and impose sanctions, confiscate optical media, suspend, cancel or deny renewal of licenses.

In addition to the restrictions imposed by the government agencies, a broadcaster must also follow rules and industry standards promulgated by the Kapisanan ng mga Brodkaster sa Pilipinas (KBP), of which the Company is a member. The KBP is a self-regulating trade organization consisting of television and radio operators. It formulates policies and guidelines for the operations of its members and enforces programming and advertising rules.

#### **Costs and Effect of Compliance with Environmental Laws**

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate (ECC) prior to commencement. Through its regional offices or through the Environmental Management Bureau (EMB), the Department of Environment and Natural Resources (DENR) determines whether a project is environmentally critical or located in an environmentally critical area.

The ECC is a government certification that (i) the proposed project or undertaking will not cause a significant negative environmental impact; (ii) that the proponent has complied with all the requirements of the Environmental Impact System (EIS) system and; (iii) that the proponent is committed to implement its approved environmental management plan in the EIS or, if an IEE was required, that it will comply with the mitigation measures suggested therein. The ECC contains specific measures and conditions that the project proponent must undertake before and during the operation of a project, and in some cases, during the abandonment phase of the project to mitigate identified environmental impact.

ABS-CBN is not engaged in any project or activity that may require compliance with these requirements. For the past three years, there were no costs related to the effect of compliance with environmental laws.

However, if and when applicable, the Company shall apply for and secure proper permits, clearances or exemptions from the DENR, Department of Health, Civil Aviation Authority of the Philippines, and other regulatory agencies, for the installation and operation of proposed broadcast stations nationwide.

#### **Employees and agreements of labor contracts, including duration**

ABS-CBN and Subsidiaries had 6,566 regular employees, 1,576 non-regular employees and 2,926 talents and project-based employees as of December 31, 2017. ABS-CBN's expected headcount growth is 3% within the next 12 months.

The Philippine Labor Code and other statutory enactments provide the minimum benefits that employers must grant to their employees, which include certain social security benefits, such as

benefits mandated by the Social Security Act of 1997 (R.A. No. 8282), the National Health Insurance Act of 1995 (R.A. No. 7875), as amended, and the Home Development Fund Law of 2009 (R.A. No. 9679).

Under the Social Security Act of 1997, social security coverage is compulsory for all employees under 60 years of age. An employer is obligated to deduct and withhold from each employee's monthly salary, wage, compensation or earnings, the employee's contribution, and the employer, for its part, makes a counterpart contribution for the employee, and remits both amounts to the Social Security System (SSS). This enables the employees to claim their pension, death benefits, permanent disability benefits, funeral benefits, sickness benefits and maternity-leave benefits. The Social Security Act of 1997 imposes penal sanctions if an employer fails to remit the contributions to the SSS. For corporate employers, the penalty is imposed on its president and members of the board of directors.

The National Health Insurance Act, created the National Health Insurance Program (NHIP) to provide health insurance coverage and ensure affordable and accessible health care services to all Filipino citizens. Under the law, all members of the SSS are automatically members of the NHIP. The Philippine Health Insurance Corporation (PhilHealth) administers the NHIP, and an employer is required to deduct and withhold the contributions from the employee's salary, wage or earnings, make a counterpart contribution for the employee, and remit both amounts to PhilHealth. The NHIP will then subsidize personal health services required by the employee subject to certain terms and conditions under the law. The National Health Insurance Act likewise imposes penal sanctions if an employer does not remit the contributions to PhilHealth. For corporate employers, the penalty is imposed on its president and members of the board of directors.

The Home Development Fund Law (R.A. No. 9679) or the Pag-IBIG Fund Law, created the Home Development Mutual Fund (HDMF), a national savings program as well as a fund to provide for affordable shelter financing to Filipino workers. Coverage under the HDMF is compulsory for all SSS members and their employers. Under the law, an employer must deduct and withhold 2% of the employee's monthly compensation, up to a maximum of P5,000 and likewise make a counterpart contribution of 2% of the employee's monthly compensation, and remit the contributions to the HDMF. The Pag-IBIG Fund Law also imposes penal sanctions if the employer does not remit the contributions to the HDMF.

The Philippine Labor Code provides that, in the absence of a retirement plan provided by their employers, private-sector employees who have reached 60 years of age or more, but not beyond 65 years of age, the compulsory retirement age for private-sector employees without a retirement plan, and who have rendered at least 5 years of service in an establishment, may retire and receive a minimum retirement pay equivalent to one-half month's salary for every year of service, with a fraction of at least 6 months being considered as one whole year. For the purpose of computing the retirement pay, "one-half month's salary" shall include all of the following: 15 days salary based on the latest salary rate; in addition, one-twelfth of the 13th month pay and the cash equivalent of 5 days of service incentive leave pay. Other benefits may be included in the computation of the retirement pay upon agreement of the employer and the employee or if provided in a collective bargaining agreement (CBA).

ABS-CBN has complied with all these labor regulations and laws.

ABS-CBN's management recognizes two labor unions, one for the supervisory employees and another for the rank and file employees. The Supervisory Union represents approximately 6.6% of the total regular employees of ABS-CBN, while 18% of belong to the Rank & File Union. The current CBA for the supervisory union covers the period August 1, 2015 to July 30, 2018, while the CBA for the rank and file employees covers the period December 11, 2016 to December 10, 2019.

For the last 3 years, there were neither labor strikes nor any disputes with the labor unions. CBA

negotiations with the Rank and File and Supervisory unions were concluded without any major issues and were ratified by the majority of the union members.

## **1.7. Corporate Social Responsibility (CSR)**

### **ABS-CBN Lingkod Kapamilya Foundation, Inc. (formerly ABS-CBN Foundation, Inc.)**

ABS-CBN's enviable position of being in media opens up opportunities to render public service. The driving philosophy underpinning the Company's business is to be of service to the Filipino people. Given the socio-political context of the Philippines, ABS-CBN's audience and stakeholders expect and rightly deserve nothing less.

ABS-CBN Lingkod Kapamilya Foundation, Inc. (ALKFI), a non-stock, non-profit organization, was incorporated in 1989 to address the plight of the disadvantaged and to ensure that solicited help are properly allotted and utilized. ALKFI has 3 flagship programs:

- **Operation Sagip.** Operation Sagip provides relief assistance to victims of calamities and natural disasters. It is likewise engaged in the rehabilitation of typhoon-damaged public schools and several disaster risk-reduction projects all over the country. In particular, Bayanijuan, an Operation Sagip, helps in rebuilding and improving Filipino communities through construction of electricity and water infrastructures, and provision of interest-free loans to residents. These activities are funded through grants awarded by ALKFI's partners – individuals, corporates, government and non-government institutions. Bayanijuan is expected to continue until the end of 2018. Similarly, Programa Genio of Operation Sagip was launched in 2012 to focus on the curriculum enhancement, and training and resource development of teachers in the covered communities. Named in honor of ABS-CBN Founder and Chairman Eugenio Lopez Jr., the Programa Genio provides supplementary instructional materials, consultancy and parental involvement seminars in public schools.
- **Bantay Bata (Child Watch).** Bantay Bata 163 evolved from being a national call center to an institution that provides holistic and comprehensive programs and services. It provides medical assistance, supplemental feeding and educational scholarships to disadvantaged children. On a larger scale, Bantay Bata works on increasing awareness on the rights of the child by conducting various community and school outreaches geared towards preventing abuse and violence on children.
- **Bantay Kalikasan (Nature Watch).** Bantay Kalikasan promotes the cause of the environment. It endeavors to preserve biodiversity, secure livelihood, community cohesion, participation, and advocacy. It has three flagship projects namely – La Mesa Ecopark and Watershed, The Green Initiative and Kapit Bisig Para sa Ilog Pasig. In 1999, Bantay Kalikasan has started the reforestation and protection program of the La Mesa Watershed, the only remaining patch of forest in the Metro Manila area and a major source of potable water. The Green Initiative orchestrates partnerships with different sectors to promote and protect biodiversity using poverty alleviation as a strategy. It is now present in 13 communities nationwide. Kapit Bisig para sa Ilog Pasig was launched to rehabilitate the Pasig River through the clean-up of its tributaries in partnership with the Pasig River Rehabilitation Commission (PRRC) and other partners. Currently, the Company is involved in the rehabilitation of linear parks in partnership with the PRRC.

## **1.8. Principal Competitive Strengths of the Company**

### **Diversified businesses**

ABS-CBN is considered the country's leading media and entertainment company, with service offerings across the different platforms of media, servicing a wide array of customer segments.

The Company's VHF television network, consisting of Channel 2, other owned and operated television stations, and 10 affiliated stations, is one of the leading television networks in the Philippines. The Company also operates Channel 23, one of the leading UHF television networks with 41 television stations. These VHF and UHF networks reach an estimated 97% and 50%, respectively, of all television owning households in the Philippines.

ABS-CBN is also one of the leading radio broadcast companies, operating 22 radio stations throughout the key cities of the Philippines. The Company's anchor radio stations in Mega Manila, DZMM and DWRR, are among the highest-rated stations in Mega Manila, in the AM and FM bands, respectively.

The Company delivers television programming outside of the Philippines to over 3 million viewers in North America, the Middle East, Europe, Japan, Australia, Canada, and other countries in Asia, through the internet and the Company's global distribution platform, ABS-CBN Global, using DTH satellite service, cable television channels and IPTV.

ABS-CBN holds approximately 59.4% economic interest in Sky Cable, Sky Cable also offers the fastest residential broadband service in the country. On May 11, 2012, Sky Cable entered into agreements with Destiny Cable, Inc. (Destiny), Solid Broadband Corporation, and Uni-Cable TV, Inc. (together, the Destiny Cable Group) for the acquisition of its cable and broadband assets and subscribers.

The Company's product offering is further complemented by subsidiaries focused on other multimedia services such as film production, music recording, telecommunications and magazine and book publishing.

### **Unparalleled distribution network**

ABS-CBN's nationwide distribution infrastructure for both TV and radio is unparalleled. The Company operates under a 25-year congressional franchise (renewed in March 1995) to operate TV and radio facilities. The Company operates a total of 31 studios - 13 in Metro Manila and 18 regionally, 130 editing bays, and 11 production vans for remote studio operations. This distribution network is further intensified with the various platforms of the Company that provide opportunity for simultaneous use of content and multi-repurposing for increased revenue potentials for the group.

### **Extensive experience of management team**

ABS-CBN's management is composed of highly experienced professionals with significant track record in the media sector, managing close to 10,000 employees. Key senior officers have been working within the industry for at least 10 years.

### **Clear growth strategy**

The Company will continue to grow its existing media and related businesses which will continue to be its core product in the future. As part of its strategic business development and growth initiatives, ABS-CBN has identified key areas which will drive its growth in the future. Its cable TV and broadband business, through Sky Cable will continue to grow and further penetrate its existing markets. The Company, through ABS-C, is continually exploring its options with regard to its wireless broadband, voice network strategy and mobile content distribution. ABS-CBN is also planning to integrate its customer relationship network among its businesses to establish more relationship potential and generate more revenues from its subscriber base.

## **1.9. Key Strategies and Objectives**

As an organization, ABS-CBN affirms its mission of being in the service of the Filipino. The Company is driven to pioneer and innovate because it knows that it helps more Filipinos discover themselves and

connect to one another. The Company opens pathways to opportunities and brings people a step closer to their dreams. ABS-CBN is firmly committed to pursuing excellence. The key elements to its business strategy are:

***Building on our core strength in content creation.*** While the technology, the production process, and the medium used to access content evolve, ABS-CBN's core ability to create quality content that touches, inspires and empowers its viewers must remain constant. The Company will continue building on its core strength in content creation.

***Anytime, anywhere, in any device or medium.*** As ABS-CBN's audience demand greater control over how and when they will consume content, the Company will ensure its continued relevance by distributing its content in the widest array of platforms that technology will allow. The Company's audience will be able to reach ABS-CBN anytime at any place in any medium.

***Maintain a strong fiscal position and bring value to our stakeholders.*** The Company will derive the most synergies possible between its content and distribution businesses. The Company will ensure that it is able to optimize its strength of content creation by being present in all platforms possible. In addition, the Company will consciously operate more efficiently and cost-effectively, as it delivers greater value to its customers, clients, partners, and shareholders.

#### **1.10. Transactions with Related Parties**

For a detailed discussion of ABS-CBN's related party transactions, refer to Note 23 of the Company's 2017 audited consolidated financial statements.

Except for related party transactions discussed in the accompanying notes to the Company's 2017 audited consolidated financial statements, there had been no material transactions during the past 2 years, nor is any material transaction presently proposed, to which the Company was or is to be a party in which any director, executive officer of the Company, or security holder of more than 10% of the Company's voting securities, any relative or spouse of any such director or executive officer or owner of more than 10% of the Company's voting securities had or is to have direct or indirect material interest.

Furthermore, there had been no material transactions during the past 2 years, nor is any material transaction presently proposed, between the Company and parties that fall outside the definition of "related parties" under PAS 24 Related Party Disclosure – Key Management Personnel, but with whom the registrants or its related parties have a relationship (e.g., former senior management of the Company or other parties who have some other former or current relationship with the Company) that enables the parties to negotiate terms of material transactions that may not be availed from other, more clearly independent parties on an arm's length basis.

#### **1.11. Risks Relating to the Company**

The Company's results of operations may be negatively affected by adverse economic conditions in the Philippines and abroad since its operations depend on its ability to sell airtime for advertising, to sell various goods and services, and to collect subscription fees from its subscribers. Historically, the advertising industry, relative to other industries, has been particularly sensitive to the general condition of the economy. Also, the ability of consumers to pay for the Company's services or goods depends on their disposable income at any given time. Consequently, the Company's business may be affected by the economic condition of the country and of the territories where it conducts its business.

ABS-CBN's Board of Directors and management are mindful of the potential impact of various risks to the Company's ability to operate a viable business. Strategy formulation and decision-making always take into account these potential risks and the Company ensures that it takes all the steps necessary to minimize, if not eliminate, such risks. ABS-CBN ensures that it has the proper control systems in place,

and to the extent possible, adopted global best practices, to identify, assess, analyze and mitigate market, operating, financial, regulatory, community, reputational, and other risks.

The Risk Management Committee formed in March 2010 assumes the responsibility of oversight for Enterprise Risk Management (ERM), taking over from the Audit Committee.

## **2. Properties**

### **2.1 Head Office**

The properties of the Company consist of production, broadcasting, transmission and office facilities, majority of which are owned by the Company. Broadcast operations are principally conducted in the 44,000 square meters ABS-CBN Broadcasting Center located at Sgt. Esguerra Avenue corner Mother Ignacia St. Quezon City. The broadcast center also houses the Company's 650-foot transmitter tower and other broadcast facilities and equipment.

The broadcast center is comprised of several buildings, one of which is a modern 15-story building known as the Eugenio Lopez Jr. Communications Center (ELJCC). The ELJCC houses the corporate offices of the Company and its subsidiaries engaged in related businesses. Aside from the corporate offices, the building also has television soundstages, sound recording studios and other television production facilities. The building has a gross floor area of approximately 100,000 square meters and total office space of approximately 58,000 square meters. The ground floor is leased to various businesses including banks, retail stores, coffee shops and restaurants. The broadcast center also houses the Company's other buildings and properties:

- The main building, which currently houses the Company's TV Production, News and Current Affairs, Regional Network, and Manila Radio groups. The Company's Technical Operations Center and several studios and soundstages are also located in the main building, which was completed in 1968.
- ABS-CBN also owns several properties within close proximity to the broadcast center, most notably the Pinoy Big Brother house, the JUSMAG compound, and the Borromeo lot currently used by some of the Company's divisions.

The Company may acquire additional properties to accommodate planned production facilities that will lead to more efficient operations. The Company intends to finance this through internally generated funds and other sources of funding such as debt.

### **2.2 Local and Regional Properties**

ABS-CBN also owns real estate properties in various parts of the country. Originating stations have the capacity to produce and broadcast their own programs and to air advertising locally. Relay stations can only re-transmit broadcasts from originating stations. Affiliate stations are not owned by the Company. Rather, they are typically independently owned by local Filipino business people and are contracted to re-broadcast the Company's originating signals during specified time blocks for negotiated fixed fees.

The following table sets forth the location and use of ABS-CBN's television and radio stations as of December 31, 2017:

**VHF TV Stations**

Station		Channel	Transmitter Site
1	Manila	2	Mother Ignacia St., Diliman, QC
2	Cebu	3	Mt. Busay, Cebu City
3	Bacolod	4	Mt. Kanlandog, Murcia, Negros Occ.
4	Mt. Kitanglad, Bukidnon	2	Mt. Kitanglad, Bukidnon
5	Davao	4	Shrine Hills, Matina, Davao City
6	General Santos	3	Brgy. Lagao, Gen. Santos City
7	Zamboanga	3	Zamboanga City
8	Naga	11	Naga City
9	Tacloban	2	Mt. Naga-naga, Tacloban City
10	Dumaguete	12	Valencia, Negros Or.
11	Isabela	2	Santiago City, Isabela
12	Tuguegarao	3	Tuguegarao, Cagayan
13	Cotabato	5	Cotabato City
14	Baguio	3	Mt. Sto. Tomas, Benguet
15	Iligan	4	Iligan City
16	Butuan	11	Butuan City
17	Ilocos Norte	7	San Nicolas, Ilocos Norte
18	Legaspi	4	Mt. Bariw, Legaspi
19	Olongapo	12	Upper Mabayuan, Olongapo City
20	Iloilo <sup>(1)</sup>	10	Jordan, Guimaras
21	Batangas	10	Mt. Banoy, Batangas
22	Bohol	9	Jagna, Bohol
23	Mt. Province	11	Mt. Amuyao, Mt. Province
24	Zambales	13	Botolan, Zambales
25	Albay	10	Tabaco, Albay
26	Sorsogon	7	Sorsogon, Sorsogon
27	Aklan	9	Kalibo, Aklan
28	Ilocos Sur	11	Bantay, Ilocos Sur
29	Cagayan de Oro	4	Bulua, Cagayan de Oro
30	Occidental Mindoro	11	San Jose, Occidental Mindoro
31	Catanduanes	7	Virac, Catanduanes
32	Masbate Comm. Bctg. Co. <sup>(2)</sup>	10	Masbate, Masbate
33	St. Jude Thaddeus Inst. of Tech <sup>(2)</sup>	12	Surigao City
34	Sulu Tawi-Tawi Broadcasting Corporation <sup>(2)</sup>	10	Jolo, Sulu
35	Calbayog Comm. Bctg. Corp. <sup>(2)</sup>	10	Calbayog City, Western Samar
36	Palawan Bctg Corp.	7	Puerto Princesa, Palawan
37	Aparri	9	Aparri, Cagayan
38	Espanola	10	Espanola, Palawan
39	Batanes	11	Basco, Batanes

<sup>1</sup>Owned by Amcara

<sup>2</sup>Affiliate

## UHF TV Stations

Station		Channel	Transmitter Site
1	Manila <sup>(2)</sup>	23	Metro Manila
2	Cebu <sup>(4)</sup>	23	Mt. Busay, Cebu City <sup>(1)</sup>
3	Davao <sup>(4)</sup>	21	Matina Hills, Davao City <sup>(1)</sup>
4	Dagupan <sup>(4)</sup>	30	Sto. Tomas, Benguet <sup>(1)</sup>
5	Naga <sup>(4)</sup>	24	Naga City <sup>(1)</sup>
6	Batangas <sup>(4)</sup>	36	Mt. Banoy, Batangas <sup>(1)</sup>
7	Baguio <sup>(2)</sup>	32	Mt. Sto. Tomas (Baguio) <sup>(1)</sup>
8	Laoag <sup>(4)</sup>	23	San Nicolas, Laoag <sup>(1)</sup>
9	Bacolod <sup>(4)</sup>	22	Bacolod City <sup>(1)</sup>
10	Iloilo <sup>(2)</sup>	38	La Paz, Iloilo City <sup>(1)</sup>
11	Zamboanga <sup>(4)</sup>	23	Zamboanga City <sup>(1)</sup>
12	Gen. Santos <sup>(4)</sup>	36	General Santos City <sup>(1)</sup>
13	Tacloban <sup>(3)</sup>	24	Mt. Naga-Naga, Tacloban
14	Cagayan De Oro <sup>(4)</sup>	23	Cagayan de Oro City <sup>(1)</sup>
15	Dumaguete <sup>(4)</sup>	24	Mt. Palimpinon, Valencia, Negros Oriental <sup>(1)</sup>
16	Botolan <sup>(4)</sup>	23	Botolan, Zambales <sup>(1)</sup>
17	Isabela <sup>(4)</sup>	23	Santiago City <sup>(1)</sup>
18	Bohol <sup>(3)</sup>	40	Jagna, Bohol
19	Marbel, Koronadal <sup>(4)</sup>	24	Koronadal, S. Cotabato
20	Rizal <sup>(2)</sup>	40	Jala-Jala, Rizal
21	Legaspi <sup>(3)</sup>	23	Legaspi City
22	Olongapo <sup>(4)</sup>	24	Olongapo City <sup>(1)</sup>
23	Iligan <sup>(4)</sup>	26	Iligan City <sup>(1)</sup>
24	Butuan <sup>(3)</sup>	22	Butuan City
25	Cotabato <sup>(3)</sup>	23	N. Cotabato
27	Palawan <sup>(4)</sup>	23	P. Princessa, Palawan
28	Surigao <sup>(3)</sup>	23	Surigao City
29	Roxas City <sup>(4)</sup>	21	Roxas City
30	Baler <sup>(4)</sup>	22	Baler, Aurora
31	Camarines Norte <sup>(4)</sup>	23	Daet, Camarines Norte
32	Kalibo <sup>(4)</sup>	23	Aklan
33	Dipolog <sup>(4)</sup>	42	Dipolog City
34	Lucena City <sup>(4)</sup>	24	Lucena City, Quezon
36	Tarlac <sup>(2)</sup>	34	Tarlac City
37	San Miguel <sup>(2)</sup>	34	San Miguel, Bulacan
38	San Fernando, Pampanga <sup>(2)</sup>	46	San Fernando, Pampanga
39	San Pablo <sup>(2)</sup>	46	San Pablo, Laguna
41	Ilocos Sur <sup>(2)</sup>	34	Bantay, Ilocos Sur

<sup>1</sup>Co-located with VHF TV Stations

<sup>2</sup>Owned by ABS-CBN

<sup>3</sup>With pending application with NTC

<sup>4</sup>Owned by Amcara

## FM RADIO Stations

Station		Frequency (MHz)	Call Sign	Locations
1	Manila	101.9	DWRR	Lopez Center, Antipolo City
2	Cebu	97.1	DYLS	Mt. Busay, Cebu City
3	Bacolod	101.5	DYOO	Mt. Kanlandog, Murcia, Negros Occ.
4	Davao	101.1	DXRR	Shrine Hill, Matina, Davao City
5	Baguio	103.1	DZRR	Mt. Sto. Tomas, Benguet
6	Legaspi	93.9	DWRD	Mt. Bariw, Legaspi
7	Naga	93.5	DWAC	Naga City
8	Laoag	95.5	DWEL	San Nicolas, Ilocos Norte
9	Dagupan	94.3	DWEC	Dagupan City
10	Iloilo	91.1	DYMC	Iloilo City
11	Tacloban	94.3	DYTC	Tacloban City
12	Cagayan De Oro	91.9	DXEC	Bulua, Cagayan de Oro City
13	Cotabato	95.1	DXPS	Cotabato City
14	Gen. Santos	92.7	DXBC	Lagao, Gen. Santos City
15	Zamboanga	98.7	DXFH	Zamboanga City
16	Palawan	99.9	DYCU	Puerto Princesa
17	Palawan	99.7	PA	Espanola Palawan
18	Santiago	93.1	PA	Santiago Isabela

## AM RADIO Stations

Station		Frequency (MHz)	Call Sign	Locations
1	Manila	630	DZMM	Obando, Bulacan
2	Cebu	1512	DYAB	Pardo, Cebu City
3	Davao	1296	DXAB	Matina, Davao City
4	Palawan	765	DYAP	Puerto Princesa

There are no mortgages, liens or encumbrances over the above properties.

## 2.3 Leased Properties

Lessor	Effectivity Date		Monthly Rent	Particulars	Terms
	Start	End			
Trajano, Fee Sai	January 01, 2016	January 31, 2017	284,317	Quezon City	no escalation
Smartnet Philippines	October 01, 2016	September 30, 2017	204,205	Mandaluyong	w/ 5% escalation rate per annum
Florpet Corporation	April 01, 2016	March 31, 2021	173,300	Cebu	w/ 10% escalation rate per annum
Jeco Real Estate	July 01, 2013	June 30, 2018	68,831	Isabela	w/ 5% escalation rate per annum
Eduardo Anqui	October 01, 2012	September 30, 2017	53,940	Negros Oriental	w/ 10% escalation rate per annum
Florpet Corporation	November 01, 2014	October 31, 2019	35,038	Cebu	w/ 10% escalation rate per annum
Yolanda Tuazon	March 15, 2016	March 14, 2017	30,032	San Miguel	w/ 10% escalation rate per annum

Lessor	Effectivity Date		Monthly Rent	Particulars	Terms
	Start	End			
Federico Ong Jr.	October 15, 2015	October 14, 2020	21,052	Cagayan	w/ 5% escalation rate per annum
Tabaco Midcity	December 01, 2015	December 01, 2020	18,457	Albay	w/ 3% escalation rate per annum
Jeana Away	January 1, 2015	December 31, 2024	17,640	Mountain Province	w/ 5% escalation rate per annum
Benedict Tiu	May 2, 2015	May 3, 2017	36,382	Laguna	w/ 5% escalation rate per annum
Vicente Gato	October 15, 2015	October 14, 2020	14,071	Batanes	w/ 5% escalation rate per annum
Jose Tan	December 15, 2015	December 15, 2025	57,062	Baler	w/ 10% escalation rate per annum
Bayan Telecommunications Inc.	March 01, 2013	March 01, 2023	2,071,585	Fairview	w/ 5% escalation rate per annum
Dewey So Sy	March 01, 2016	February 28, 2017	380,250	Baler	no escalation
Rockwell Land Corporation	August 01, 2015	July 31, 2020	79,530	Makati	w/ 5% escalation rate per annum
Viray, Ma. Cecilia	May 1, 2016	April 1, 2017	70,000	Quezon city	no escalation
Alam, Florita	October 20, 2016	February 19, 2017	13,000	Quezon city	no escalation
Punzalan, Cireneo B.	November 1, 2016	March 31, 2017	14,000	Quezon city	no escalation
BSA Tower Condominium Corp.	February 1, 2017	February 1, 2024	201,600	Makati	w/ 3% escalation rate per annum
Palladian Land Development	February 1, 2017	February 1, 2024	18,000	Pasay	w/ 5% escalation rate per annum
Shania and kenny Properties	September 1, 2015	August 31, 2018	15,000	Baguio	w/ 5% escalation rate per annum
Uytingkoc Development Corp.	October 16, 2016	October 15, 2021	83,502	Tacloban	w/ 5% escalation rate every 2 years
South stream Commercial Dev.	June 1, 2014	June 1, 2019	89,720	Batangas	w/ 5% escalation rate every 2 years
Jeco Real Estate	January 1, 2013	December 31, 2017	72,747	Isabela	w/ 5% escalation rate per annum
Plomares, Eduardo	September 1, 2016	August 31, 2017	17,244	Vigan	no escalation
Dante Sigua	July 1, 2015	June 30, 2018	23,526	Roxas	no escalation

### 3. Legal Proceedings

For the past 5 years, the Company is not a party in any legal proceedings which involves a claim for damages in an amount, exclusive of interest and cost, exceeding 10% of the current assets of the Company.

While not deemed material legal proceedings based on the amount of the claims involved, the following legal proceedings involving the Company were the subject of news reports, and therefore generated public interest but Management is nevertheless of the opinion that should there be any adverse judgment based on these claims, this will not materially affect the Company's financial position and results of operations:

#### *Solar Entertainment Inc. v. ABS-CBN Corporation and Skycable Corporation*

This case a civil action for collection of allegedly unpaid carriage fees of Solar's NBA and BTV Channel by Skycable in connection with Solar and the Company's Joint Television License Agreement for the NBA games. The case was filed on 11 May 2017 and docketed as Civil Case No. R-MND-17-01630-CV. It is pending before the Regional Trial Court of Mandaluyong City, Branch 209. Solar's total claim against the Company and Skycable is ₱659 million. It is the Company's position that carriage fees are not due because it is a co-licensee of the Joint Television License Agreement for the airing of the NBA games. The Company has filed a Motion to Dismiss and Motion for Preliminary Hearing on Affirmative Defenses. The next hearing is on 20 March 2018 for Solar's presentation of evidence on the Company's affirmative defenses

#### *"GMA Network, Inc. vs. ABS-CBN Broadcasting Corporation, et al"*

The Company also has a pending civil case for libel against it filed by GMA Network, Inc. in connection with the same events covered by the case against AGB Nielsen. The case was filed in 03 January 2008 and docketed as Q-08-61735, is pending before the Regional Trial Court of Quezon City, Branch 76. GMA's total claim against the Company is Fifteen Million Pesos (₱15,000,000). GMA has completed presentation of its evidence and its documentary evidence has been admitted. The company presented its evidence on 13 February 2018.

#### *"Wilfredo Revillame vs. ABS-CBN Broadcasting Corporation"*

This is a civil action for rescission of contract and damages filed by Wilfredo Revillame against the Company in connection with the former's talent contract with the Company. The Company filed a counterclaim for breach of contract, injunction, and damages. The case was docketed as Civil Case No. Q-10-67770 and original raffled to Regional Trial Court, Branch 84. Upon the inhibition of the presiding judge of Branch 84, the case was re-raffled to and is now pending with Branch 217. Revillame's total claim against the Company is Eleven Million Five Hundred Thousand Pesos (₱11,500,000). Revillame filed a Motion to Dismiss on the ground that the Company is guilty of forum-shopping which was granted by the trial court. The Company has filed a Motion for Reconsideration which was also denied. The Company filed an appeal which was granted. Thus, ABS-CBN's counter-claims were reinstated. Revillame filed a Motion for Reconsideration which was denied. Upon motion, he has until 19 January 2018 within which to file Petition for Review before the Supreme Court.

#### *"ABS-CBN Corporation vs. Wilfredo Revillame aka Willie Revillame, Wilproductions, Inc., ABC Development Corporation and Ray Espinosa in his capacity as President of ABC"*

This is a complaint for copyright infringement filed by the Company against Revillame, Wilproductions, ABC Development Corporation and Ray Espinosa, for the production and airing of "Willing Willie", in violation of the Company's copyright over the show "Wowowee", which it created, produced and broadcast. The case was docketed as Civil Case No. 10-1155 and is pending with the Regional Trial Court, Makati, Branch 66. The Company is asking for One Hundred Two Million Four Hundred Thousand Pesos (₱102,400,000) as actual and compensatory damages and other consequential damages.

When the Court denied defendants' Motion to Defer Proceedings, they filed a petition for Certiorari before the Court of Appeals, entitled "*ABC Development Corporation and Ray Espinosa vs. Villarosa and ABS-CBN Corporation*," docketed as CA-GR Sp. No. 117063. The Court of Appeals granted the petition, and dismissed the suit copyright infringement case on the ground of forum-shopping. The Company has filed a Motion for Reconsideration which was denied. The Company has filed a petition for review with the Supreme Court, which petition remains pending.

*ABS-CBN Corporation vs. Willie Revillame, Atty. Romeo Monfort, Reynaldo Fong and other John and/or Jane Does.*

This is a suit for use of a falsified document in a judicial proceeding and falsification of AIPC Bond No. G (16)-09314/NSMKT2 which Revillame submitted in the trial court. This case was filed with the Office of the City Prosecutor of Quezon City and was docketed as XV-03-INV-11I-07-532. The suit was dismissed. The Company's appeal with the Department of Justice was denied. The Company filed a motion for reconsideration, which remains pending.

## **PART II - OPERATIONAL AND FINANCIAL INFORMATION**

### **4. Submission of Matters to a Vote of Security Holders**

On November 15, 2012, stockholders approved the Amendment of Article VII of the Amended Articles of Incorporation of the Corporation to reclassify 200 million unissued common shares with a par value of P1.00 each shares into 1 billion Preferred Shares with a par value of P0.20 each share, to create the Preferred Shares and to provide the rights and restrictions of the said Preferred Shares. The preferred shares are cumulative, voting, non-participating, redeemable and convertible.

### **5. Market for Issuer's Common Equity and Related Stockholder Matters**

The Company's common shares have been listed on the PSE since 1992. Philippine Deposit Receipts (PDRs) issued by ABS-CBN Holdings Corporation were listed in 1999. Common shares may be exchanged for PDRs and vice versa. The common shares (PSE: ABS) closed at P28.45 while the PDRs (PSE: ABSP) closed at P28.00 on March 22, 2018.

### **Dividends**

The declaration and payment of dividends are subject to certain conditions under the Company's existing long term loan agreements with various banks and other. Under said loan agreements, the Company may declare and pay dividends provided: (a) all payments (including pre-payments) due on said loan and premiums on insurance of assets are current and updated; (b) all financial covenants set forth therein are satisfied; (c) certain financial ratios are met and such payment will not result in the violation of the required financial ratios under the loan agreements; (d) no event of default as provided in the loan agreements shall exist or occur as a result of such payment; and (e) the total amount of the cash dividends does not exceed 50% of the Company's net income after taxes for the fiscal year preceding the declaration.

- **Stock Dividend (Per Share)**

No stock dividend declared since July 2, 1996.

▪ **Cash Dividend (Per Share)**

<b>Amount</b>	<b>Share</b>	<b>Declaration Date</b>	<b>Record Date</b>	<b>Payment Date</b>
₱0.60	Common	March 28, 2001	April 25, 2001	May 25, 2001
₱0.64	Common	July 21, 2004	July 24, 2004	August 10, 2004
₱0.45	Common	March 28, 2007	April 20, 2007	May 15, 2007
₱0.83	Common	March 26, 2008	April 30, 2008	May 27, 2008
₱0.90	Common	March 25, 2009	May 5, 2009	May 29, 2009
₱1.11	Common	March 11, 2010	March 31, 2010	April 29, 2010
₱2.10	Common	March 4, 2011	March 25, 2011	April 19, 2011
₱0.80	Common	March 30, 2012	April 25, 2012	May 22, 2012
₱0.40	Common	April 23, 2013	May 10, 2013	June 6, 2013
₱0.004	Preferred	January 30, 2014	February 14, 2014	February 28, 2014
₱0.60	Common	March 27, 2014	April 16, 2014	May 7, 2014
₱0.60	Common	March 5, 2015	March 20, 2015	April 30, 2015
₱0.004	Preferred	April 24, 2015	May 11, 2015	May 18, 2015
₱0.75	Common	March 17, 2016	April 11, 2016	April 29, 2016
₱0.004	Preferred	May 05, 2016	May 20, 2016	June 7, 2016
₱1.04	Common	February 22, 2017	March 8, 2017	March 22, 2017
₱0.004	Preferred	February 22, 2017	March 8, 2017	March 22, 2017
₱0.92	Common	February 22, 2018	March 8, 2018	March 22, 2018
₱0.004	Preferred	February 22, 2018	March 8, 2018	March 22, 2018

**High and Low Share Prices**

	<b>ABS</b>		<b>ABSP</b>	
	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
<b>2017</b>				
First Quarter	48.95	43.80	48.80	44.00
Second Quarter	46.60	42.2	47.00	41.00
Third Quarter	43.90	40.30	44.50	39.90
Fourth Quarter	40.70	34.5	40.50	34.10
<b>2016</b>				
First Quarter	62.80	53.40	64.00	50.00
Second Quarter	59.50	45.50	60.00	45.00
Third Quarter	54.25	46.75	55.00	47.00
Fourth Quarter	49.50	43.25	49.30	43.50
<b>2015</b>				
First Quarter	66.00	45.00	70.00	45.70
Second Quarter	64.20	59.80	66.00	59.90
Third Quarter	65.10	53.00	68.15	55.00
Fourth Quarter	68.00	59.80	68.50	59.90
<b>2014</b>				
First Quarter	32.60	27.00	32.00	26.40
Second Quarter	39.85	32.70	40.40	32.50
Third Quarter	43.80	36.50	43.80	35.80
Fourth Quarter	48.00	42.00	49.00	42.00

**2013**

First Quarter	41.30	37.00	45.00	37.50
Second Quarter	46.00	36.95	48.10	35.10
Third Quarter	40.30	30.60	43.00	31.50
Fourth Quarter	33.95	30.30	35.15	30.80

**2012**

First Quarter	37.75	30.00	38.30	29.90
Second Quarter	41.80	33.70	50.00	32.00
Third Quarter	37.00	24.45	36.95	23.30
Fourth Quarter	34.20	29.95	34.00	29.15

**2011**

First Quarter	47.50	40.50	47.90	44.00
Second Quarter	42.50	38.90	44.00	41.50
Third Quarter	40.50	28.60	44.00	34.50
Fourth Quarter	32.60	29.70	33.50	29.50

**2010**

First Quarter	30.00	25.50	31.00	26.00
Second Quarter	38.50	29.00	40.50	28.50
Third Quarter	56.00	36.50	56.00	40.50
Fourth Quarter	56.00	43.50	56.00	45.00

The number of shareholders of record as of February 28, 2018 was 8,352. Common shares issued as of February 28, 2018 were 883,515,142. Preferred Shares outstanding as of February 28, 2018 were 1,000,000,000.

As of February 28, 2018, the foreign equity ownership of ABS-CBN is at 0%.

**Top 20 Common Shares Stockholders**

As of February 28, 2018, the Top 20 stockholders of ABS-CBN own an aggregate of 860,837,068 or 97.43% of issued common shares.

Rank	Name	Citizenship	Record / Beneficial	No. of Shares	%
1	LOPEZ, INC.	Filipino	Record	480,933,747	54.43%
2	PCD NOMINEE CORPORATION	Filipino	Record	373,228,814	42.24%
3	CHING TIONG KENG	Filipino	Record	859,500	0.10%
4	ABS-CBN FOUNDATION, INC.	Filipino	Record	780,995	0.09%
5	EUGENIO LOPEZ III	Filipino	Record	769,690	0.09%
6	CREME INVESTMENT CORPORATION	Filipino	Record	417,486	0.05%
7	FG HOLDINGS	Filipino	Record	386,270	0.04%
8	MANUEL M. LOPEZ	Filipino	Record	351,196	0.04%
9	JOSE MARI LIM CHAN	Filipino	Record	350,410	0.04%
10	JOSE MARI L. CHAN	Filipino	Record	343,820	0.04%
11	CHARLOTTE C. CHENG	Filipino	Record	340,000	0.04%
12	CYNTHIA D. CHING	Filipino	Record	337,500	0.04%
13	ROLANDO P. VALDUEZA	Filipino	Record	269,500	0.03%
14	TIONG KENG CHING	Filipino	Record	252,000	0.03%
15	CARLO L. KATIGBAK	Filipino	Record	249,500	0.03%
16	MA. SOCORRO V. VIDANES	Filipino	Record	239,500	0.03%

Rank	Name	Citizenship	Record / Beneficial	No. of Shares	%
17	LA SUERTE CIGAR & CIGARETTE FACTORY	Filipino	Record	205,000	0.02%
18	LAURENTI M. DYOGI	Filipino	Record	191,500	0.02%
19	ALBERTO G. MENDOZA &/OR JEANIE MENDOZA	Filipino	Record	168,250	0.02%
20	MIMI CHUA	Filipino	Record	162,390	0.02%
	Subtotal of Top 20 Stockholders			860,837,068	97.43%
	Others			22,678,074	2.57%
	<b>Total No. of Shares</b>			<b>883,515,142</b>	<b>100.00%</b>

### Top 20 Preferred Shares Stockholders

As of February 28, 2018, the Top 20 stockholders of ABS-CBN's preferred stock are as follows:

Rank	Name	Citizenship	Record / Beneficial	No. of Shares	%
1	Lopez, Inc.	Filipino	Record	987,130,246	98.71%
2	Tower Securities Incorporated	Filipino	Record	4,431,583	0.44%
3	Citibank NA FAO Maybank ATR King Eng Capital Partners Inc. Trust Dept	Filipino	Record	2,244,787	0.22%
4	Manuel M. Lopez and/or Ma. Teresa Lopez	Filipino	Record	1,643,032	0.16%
5	Abacus Securities Corporation	Filipino	Record	727,085	0.07%
6	Abacus Securities Corporation	Filipino	Record	699,091	0.07%
7	Value Quest Securities Corporation	Filipino	Record	662,020	0.07%
8	Globalinks Securities & Stocks, Inc.	Filipino	Record	297,081	0.03%
9	Manuel M. Lopez	Filipino	Record	187,518	0.02%
10	Maybank ATR Kim Eng Securities	Filipino	Record	182,083	0.02%
11	Belson Securities, Inc.	Filipino	Record	128,905	0.01%
12	Asiasec Equities, Inc.	Filipino	Record	120,000	0.01%
13	PCCI Securities Brokers Corporation	Filipino	Record	112,022	0.01%
14	Ricky See Eng Huy	Filipino	Record	103,901	0.01%
15	Noli de Castro	Filipino	Record	93,372	0.01%
16	Meridian Securities, Inc.	Filipino	Record	93,133	0.01%
17	Edmond T. Aguilar	Filipino	Record	71,961	0.01%
18	Leonardo P. Katigbak	Filipino	Record	66,702	0.01%
19	Kris Aquino	Filipino	Record	64,136	0.01%
20	Imperial, De Guzman, Abalos & Co., Inc.	Filipino	Record	56,641	0.01%
	Subtotal of Top 20 Stockholders			999,115,299	99.91%
	Others			884,701	0.09%
	<b>Total No. of Shares</b>			<b>1,000,000,000</b>	<b>100.00%</b>

### Submission of Matters to a Vote of Security Holders

On November 15, 2012, stockholders approved the Amendment of Article VII of the Amended Articles of Incorporation of the Corporation to reclassify 200 million unissued common shares with a par value of ₱1.00 each shares into 1 billion Preferred Shares with a par value of ₱0.20 each share, to create the Preferred Shares and to provide the rights and restrictions of the said Preferred Shares. The preferred shares are cumulative, voting, non-participating, redeemable and convertible.

### Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

On February 28, 2013, the Company issued One Billion Preferred Shares at an issue price of ₱0.20 per

share through a rights offering solely to its stockholders. No underwriters were involved in the offer and no commission or remuneration was paid in connection with the offer. The offer and issuance of the Preferred Shares is an exempt transaction under Section 10.1 (e) of the Securities Regulation Code since the said securities were offered and sold to the Company's stockholders exclusively and no commission or remuneration was paid in connection with the offer and sale of the securities.

On June 5, 2013, the Company issued 57,836,900 Common Shares to ABS-CBN Holdings Corporation at an issue price of ₱43.125 per share. The offer and issued of the said Common Shares is an exempt transaction under Section 10.1 (k) of the Securities Regulation Code since the securities was sold to fewer than twenty (20) persons in the Philippines during any twelve-month period.

On June 25, 2013, Lopez, Inc. subscribed to 34,702,140 Common Shares at a subscription price of ₱43.225 per share. The offer and issued of the said Common Shares is an exempt transaction under Section 10.1 (k) of the Securities Regulation Code since the securities was sold to fewer than twenty (20) persons in the Philippines during any twelve-month period.

On February 22, 2017, the Board of Directors approved an Employee Stock Purchase Plan and an Executive Stock Purchase Plan. The stockholders unanimously approved the Employee Stock Purchase Plan and Executive Stock Purchase Plan on April 6, 2017, and the SEC approved the same and permitted the offering under the plans on September 28, 2017. From January 22, 2018 to February 9, 2018, the Parent Company offered shares to qualified employees and executives under the ESPP and the Executive Stock Purchase Plan and as of February 22, 2018, the Company accepted a total subscription from participants of 11,391,500 common shares. The ABS-CBN Employee Stock Purchase Plan was offered to rank and file employees, technical specialists and Internal Job Market members with at least 1 year tenure. The maximum number of ABS-CBN common shares that could be subscribed by a participant under this plan is 2,000 shares. The subscription price was P29.50, a 15% discount on the closing price as of the offer date or 45-day weighted closing prices, whichever is lower. The subscription price will be paid in 5 years. The Executive Stock Purchase Plan was offered to managers and artists and members of the Board of Directors with at least 1 year tenure. Managers and artists can subscribe up to a maximum of shares equivalent to 2.5 months of their monthly salary or income. Members of the Board of Directors can subscribe up to 100,000 shares. The subscription price for the first 2,000 shares was P29.50, a 15% discount on the closing price as of the offer date or 45-day weighted closing prices, whichever is lower. There was no discount on the subscription price for the shares subscribed in excess of 2,000 shares. The subscription price will be paid in 5 years.

The Registration Statement for the issuance of the additional Common Shares has been approved by the SEC.

## 6. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The Management’s Discussion and Analysis of Financial Condition and the Results of Operation for the past three fiscal years are attached hereto as **Annex A**.

### Key Performance Indicators

<b>Ratios</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Current ratio	2.18	2.02	1.88
Net Debt-to-Equity ratio	0.24	0.30	0.31
Asset-to-equity ratio	2.23	2.30	2.45
Interest rate coverage ratio	5.09	5.65	5.20
Return on Equity	9.38%	11.12%	8.9%
Return on Assets	4.21%	4.85%	3.6%
Profitability ratios:			
Gross profit margin	39.42%	42.28%	40.0%
Net income margin	7.77%	8.47%	6.6%

<b>Key Performance Indicators</b>	<b>Details</b>
Current ratio	Calculated by dividing current assets over current liabilities. This ratio measures the company's ability to pay short-term obligations.
Net Debt-to-Equity ratio	Calculated by dividing interest-bearing loans and borrowings net of cash and cash equivalents over the total stockholders’ equity. This ratio is an internal measure to review the balance between interest bearing debt and shareholders’ equity for the purpose of improving capacity to meet debt repayments and/or return on equity
Asset-to-equity ratio	Calculated by dividing total assets over total stockholders’ equity. This ratio measures the financial leverage and long term solvency of the Company.
Interest rate coverage ratio	Calculated by dividing earnings before income taxes over interest expense. This ratio measures how easily the Company can pay interest on outstanding debt.
Return on Equity	Calculated by dividing the net income for the year by the total stockholders’ equity. This ratio measures how much profit a company earned in comparison to the amount of shareholder equity found on the consolidated statement of financial position.
Return on Assets	Calculated by dividing the net income for the year by the total assets. This ratio measures how the company utilizes its resources to generate profits.
Gross profit margin	Calculated by dividing the gross profit over the net revenues. This profitability ratio measures the financial health by revealing the proportion of money left over from revenues after accounting for the cost of goods and services.
Net income margin	Calculated by dividing the net income over the net revenue. This profitability ratio measures the

	overall success of the Company by revealing the amount of revenue left after all expenses have been deducted. This shows the amount of profit that the Company can extract from its revenues.
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### **Key Variable and Other Qualitative and Quantitative Factors**

The following parameters pertain to various qualitative and quantitative factors that may affect the operations of the Company:

- i. There are no known trends, demands, commitments, events or uncertainties that will have a material impact on ABS-CBN's liquidity.
- ii. There are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of obligation.
- iii. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
- iv. ABS-CBN's financial performance depends largely on the ability to sell airtime for advertising. The Company's business may be affected by the general condition of the economy as well as adverse change in political policies of the country. Nonetheless, this risk is augmented and managed with the Company's engagement in diverse industries.
- v. There are no significant elements of income or loss that did not arise from the Company's continuing operations.
- vi. There are no seasonal aspects that may have a material effect on the financial condition or results of operations.

### **Information on Independent Accountant and other Related Matters**

The external auditors of the Company is SyCip, Gorres, Velayo & Company (SGV & Co.). SGV & Co. has been the Company's Independent Public Accountants for the last 5 years. There was no event in the past 5 years where SGV & Co. and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

The Company has engaged SGV & Co., with Catherine E. Lopez as the engagement partner, for the audit of the Company's books in 2014. The Company has complied with SRC Rule 68, paragraph 3(b) (iv) and (ix) re: five (5) year rotation requirement for the external auditor.

SGV & Co. is being recommended for re-election at the scheduled Annual Stockholders' Meeting on April 19, 2018.

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

The aggregate fees billed to ABS-CBN and its subsidiaries for each of the last 2 fiscal years for professional services rendered by the group's external auditor are as follows:

	2017	2015
Audit Fees	28,180,000	23,334,000
Non-Audit Fees	6,189,191	11,284,645

The Audit Committee's Approval Policies and Procedures for the above services from SGV & Co., the external auditors are discussed in Section IV of the Company's Manual of Corporate Governance filed with the Commission on May 26, 2017. The Audit Committee pre-approves all audit and non-audit services as these are proposed or endorsed before these services are performed by our independent auditor.

## **7. Financial Statements**

The Company's Statement of Management's Responsibility and Audited Financial Statements as of December 31, 2017 is in **Annex B**. Financial Statements are prepared in accordance with SRC Rule 68, as amended and Rule 68.1.

The Schedule for Determination of Retained Earnings available for Dividend Declaration prepared in accordance SEC Memorandum Circular No. 11 is also included in **Annex B**.

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

There are no changes in and disagreements with accountants on accounting and financial disclosure during the two most recent fiscal years or subsequent interim period.

## PART III - CONTROL AND COMPENSATION INFORMATION

### 9. Directors and Executive Officers of the Issuer

#### 9.1 Board of Directors

The Company has 11 board of directors namely:

Director's Name	Date first elected
Eugenio L. Lopez III	April 23, 1992
Augusto Almeda-Lopez	April 27, 1988
Carlo L. Katigbak	May 5, 2016
Martin L. Lopez	April 6, 2017
Ma. Rosario Santos-Concio	April 27, 2006
Oscar M. Lopez	July, 1966
Presentacion L. Psinakis	April 27, 1988
Manuel M. Lopez	July 28, 2010
Federico R. Lopez	August 25, 1999
Federico M. Garcia	September 2, 1992
Salvador G. Tirona	July 28, 2010
Antonio Jose U. Periquet (Independent Director)	April 23, 2013
Emmanuel S. de Dios (Independent Director)	April 23, 2013

The Company has adopted the SRC Rule 38 (Requirements on Nomination and Election of Independent Directors) and compliance therewith has been made. Mr. Periquet and Mr. de Dios were elected as Independent Directors on April 23, 2013.

The following directors have held their current positions in their respective companies for more than 5 years unless otherwise indicated. Below is a summary of their qualifications:

**Eugenio L. Lopez III, Filipino, age 65**  
**Chairman of the Board of Directors**

Mr. Eugenio "Gabby" Lopez III became a Director of the company in 1992 and was elected Chairman of the Board in 1997. Aside from leading ABS-CBN, Mr. Lopez III also serves as Vice Chairman of Lopez Holdings Corporation. He is also a Director of First Gen Corporation, First Philippine Holdings, and Sky Vision Corporation. He earned a Bachelor of Arts degree in Political Science from Bowdoin College in 1974 in Brunswick, Maine and a Master's degree in Business Administration from the Harvard Business School in 1980 in Boston, Massachusetts.

**Augusto Almeda-Lopez, Filipino, age 89**  
**Vice-Chairman**

Mr. Augusto Almeda Lopez became a Director in 1988 and has served as Vice Chairman since 1989. He also serves as Director of the First Philippine Holdings Corporation (FPHC), First Philippine Industrial Corporation (FPIC), and ADTEL Inc. He is the Board Chairman of his family's company, ACRIS Corporation. He is an Alumnus of De La Salle College, Ateneo de Manila, and the University of the Philippines College of Law Class 1952. He has attended several Business Seminars including the Advance Management Program at Harvard Business School in 1969.

**Carlo L. Katigbak, Filipino, age 47**  
**President and Chief Executive Officer**

Mr. Katigbak was appointed President and Chief Executive Officer of the Corporation effective January 1, 2016. He has 22 years of experience in business, spanning financial management, business operations, corporate planning and general management. He began his career as a financial analyst with First Pacific Capital Corporation in 1992. Joining SKYcable in 1994 as a Corporate Finance Manager, he eventually held various positions in Corporate Planning, Provincial Operations and

Finance. In 1998, he served as the first Managing Director of Pilipino Cable Corporation. He was appointed Managing Director of ABS-CBN Interactive the following year, and led the company's pioneering efforts in various digital services such as mobile downloads, interactive television, online advertising and online video-on-demand. In 2005, he returned to SKYcable as Managing Director. Mr. Katigbak holds a degree in Bachelor of Science in Management Engineering from the Ateneo De Manila University, and has completed the Advanced Management Program at Harvard Business School in 2009.

**Emmanuel S. de Dios, Filipino, age 62**

**Board Member, Independent Director**

Mr. de Dios has been a Professor of Economics at the University of the Philippines School of Economics since 1989. He is also the President of Human Development Network (Philippines) since July 2012. He was the Dean of the University of the Philippines School of Economics from 2007 to 2010. He was a member of the Board of Advisers to the Board of Directors of the Corporation from 2011 until his election as an Independent Director in 2013. He became chair of the Board of Trustees of Pulse Asia Research, Inc. as of 2016. He received his AB Economics degree from the Ateneo de Manila University (cum laude) in 1978 and his Ph.D. in Economics from the University of the Philippines in 1987. He pursued post-doctoral studies at the Universität Konstanz in Germany from 1987 to 1988 and is the author or editor of various books, monographs, articles and reviewers in economics.

**Federico M. Garcia, Filipino, age 74**

**Board Member**

Mr. Garcia is a Director of ABS-CBN and consultant for radio and television broadcasting from January 2006 to present. Mr. Garcia is currently the Chairman of Programming Committee and a member of Compensation Committee for the Chairman and CEO and Risk Management Committee. Mr. Garcia was the President of ABS-CBN from 1997 to 2003. Prior to his appointment as President, Mr. Garcia was Executive Vice President and General Manager of ABS-CBN from 1987 to 1998. He also worked as a TV Sales Executive with ABS-CBN in 1966 until Martial Law. Before rejoining the Company in 1987, he was Executive Vice President of GMA Network, managing its marketing and programming activities. He attended the College of Business Administration at the University of the Philippines. Mr. Garcia is a recipient of various Philippine broadcasting industry awards.

**Federico R. Lopez, Filipino, age 56**

**Board Member**

Mr. Federico Lopez has served as Director of the Company since 1999. Mr. Lopez is Chairman and Chief Executive Officer of First Philippine Holdings Corporation (FPH), First Gen Corporation (First Gen) and Energy Development Corporation (EDC). First Gen and EDC are publicly listed power generation companies that are into clean and indigenous energy and are part of the FPH portfolio. He is currently the Vice Chairman of Rockwell Land Corporation. An advocate of the environment, Mr. Lopez is the Chairman of the Oscar M. Lopez Center for Climate Change Adaptation and Disaster Risk Management Foundation (The OML Center) and the Sikat Solar Challenge Foundation, Inc. The OML Center is the result of the advocacy of the Lopez family for environmental protection and public service. He is also a member of the Board of Trustees of World Wildlife Fund Philippines, Philippine Disaster Recovery Foundation and the Forest Foundation Philippines. Mr. Lopez is a member of the World Presidents Organization, Asia Business Council, ASEAN Business Club, New York Philharmonic International Advisory Board, Management Association of the Philippines, Philippine Chamber of Commerce and Industry, European Chamber of Commerce of the Philippines and Makati Business Club. Mr. Lopez graduated with a Bachelor of Arts degree, major in Economics and International Relations (cum laude) from the University of Pennsylvania, U.S.A. in 1983.

**Manuel M. Lopez, Filipino, age 75**

**Board Member**

Mr. Lopez was the Philippine Ambassador to Japan from December 2010 until June 2016. He was the Chairman and Chief Executive Officer of Manila Electric Company (Meralco) from July 2001 to June 2010. He is concurrently the Chairman and CEO of Lopez Holdings Corporation and is the Chairman

of Bayan Telecommunications Holdings Corp., Rockwell Land Corporation, and Rockwell Leisure Club. He is also the Vice Chairman of First Philippine Holdings Corporation and Lopez, Inc., President of Eugenio Lopez Foundation, Inc. and a Director at Meralco, Sky Cable Corporation, Sky Vision Corporation, First Philippine Realty Corp. and Lopez Group Foundation, Inc. Mr. Lopez is a holder of a Bachelor of Science degree in Business Administration and attended the Program for Management Development at the Harvard Business School.

**Martin L. Lopez, Filipino, age 45**

**Board Member and Chief Technology Officer**

Mr. Lopez was appointed as a Director on April 6, 2017. He also serves as Chief Technology Officer in ABS-CBN, where he is responsible for setting the Company's strategic direction, and for ensuring operational excellence in matters related to technology encompassing both broadcast engineering and information technology. Before his appointment, he was Vice President and Chief Information Officer of Meralco. He was also the President of e-Meralco Ventures, Inc. (eMVI), a wholly owned subsidiary of Meralco. He is a graduate of Menlo College in California with a degree in Business Administration. He completed the Executive MBA Program from the Asian Institute of Management.

**Oscar M. Lopez, Filipino, age 87**

**Board Member**

Mr. Oscar M. Lopez has served as a Director of ABS-CBN since 1966. He also serves as Chairman Emeritus to First Philippine Holdings Corp., Lopez Holdings Corporation, First Gen Corporation, Energy Development Corp., Rockwell Land Corp., First Philippine Industrial Park, among others. He was Management Association of the Philippines' Management Man of the Year 2000. He was the first Filipino businessman to be awarded the most prestigious Officer's Cross of the Order of Merit of the Federal Republic of Germany in 2005. He was a recipient of The Outstanding Filipino (TOFIL) Award in the field of Business for the year 2009. Mr. Lopez has a Master's Degree in Public Administration from the Littauer School of Public Administration at the Harvard University (1955), where he also earned his Bachelor of Arts degree, cum laude, in 1951.

**Antonio Jose U. Periquet, Filipino, age 56**

**Board Member, Independent Director**

Mr. Antonio Jose U. Periquet has been an independent director of ABS-CBN since April 2013. He is currently the Chairman of the Campden Hill Group Inc. (since August 2011), Pacific Main Properties & Holdings, Inc. (since December 1999), BPI Asset Management & Trust Corporation (since February 2017) and also serves as an independent director on the boards of Ayala Corporation (September 2010), Albizia ASEAN Tenggara Fund (July 2015), Bank of the Philippine Islands (April 2012), BPI Capital (May 2010), BPI Family Savings Bank (May 2012), DMCI Holdings (August 2010), the Max's Group of Companies (February 2014) and the Philippine Seven Corporation (July 2010). Mr. Periquet is a Trustee of the Lyceum of the Philippines University and is a member of the Dean's Global Advisory Board of the Darden School of Business, University of Virginia. He is a graduate of the Ateneo de Manila University (AB Economics) and holds an MSc in Economics from Oxford University and an MBA from the University of Virginia.

**Salvador G. Tirona, Filipino, age 63**

**Board Member**

Mr. Salvador G. Tirona has served as a Director of the Company since 2010. He is the President and Chief Operating Officer and concurrently, Chief Finance Officer of Lopez Holdings Corporation. He initially joined Lopez Holdings Corporation as its Chief Finance Officer in September 2005 and held this position until his appointment to his current position in 2010. He was formerly a Director and the Chief Finance Officer of Bayan Telecommunications, Inc. He joined the Lopez Group in 2003 as the Chief Finance Officer of Maynilad Water Services, Inc. He holds a Bachelor's degree in Economics from the Ateneo de Manila University and a Master's degree in Business Administration from the same university.

## Directorship in Other Companies

Director's Name	Name of Listed Company	Directorship for FY2016
<b>Eugenio L. Lopez III</b>	Lopez Holdings Corporation	Vice Chairman
	First Gen Corporation	Non-Executive Director
	First Philippine Holdings Corporation	Non-Executive Director
	Rockwell Land Corporation	Non-Executive Director
	ABS-CBN Holdings Corporation	Executive Director
<b>Oscar M. Lopez</b>	Lopez Holdings Corporation	Chairman Emeritus
	First Gen Corporation	Chairman Emeritus
	First Philippine Holdings Corporation	Chairman Emeritus, Executive Director
	Energy Development Corporation	Chairman Emeritus
	Rockwell Land Corporation	Chairman Emeritus
	ABS-CBN Holdings Corporation	Chairman, Executive Director
<b>Augusto Almeda Lopez</b>	First Philippine Holdings Corporation	Non-Executive Director
<b>Manuel M. Lopez</b>	Lopez Holdings Corporation	Chairman, Executive Director
<b>Federico R. Lopez</b>	First Philippine Holdings Corporation	Vice Chairman
	Rockwell Land Corporation	Chairman
	First Gen Corporation	Chairman, Executive Director
	Energy Development Corporation	Chairman, Executive Director
	First Philippine Holdings Corporation	Chairman, Executive Director
<b>Salvador Tirona</b>	Rockwell Land Corporation	Vice Chairman
	Lopez Holdings Corporation	Executive Director
<b>Antonio Jose U. Periquet</b>	Ayala Corporation	Independent Director
	Bank of the Philippine Islands	Independent Director
<b>Eugenio L. Lopez III</b>	DMCI Holdings, Inc.	Independent Director
	Philippine Seven Corporation	Independent Director
	Max's Group of Companies	Independent Director
	ABS-CBN Holdings Corporation	Independent Director
	Lopez Holdings Corporation	Vice Chairman
	First Gen Corporation	Non-Executive Director

In compliance with the SEC requirement – that at least 20% of the Board should be independent directors with no material relationship with the Company, 2 independent directors – Mr. Periquet and Mr. de Dios — were elected. These directors are independent of management, and are free of any relationship that may interfere with their judgment. In addition, Mr. Periquet and Mr. de Dios do not possess any of the disqualifications enumerated under SEC Memorandum Circular No. 19, Series of 2016.

### Criteria for Independence for Independent Directors

The Board assesses the independence of each director and individual nominated for election to the Board as an independent director. As part of this analysis, the Board must review and conclude whether each nominee for independent director satisfies the requirements of the rules of the SEC, the by-laws, and the Manual of Corporate Governance.

Under the Manual of Corporate Governance, independent directors (i) are not, or have not been officers or employees or substantial stockholders of the Company or its related companies, or any of its

substantial shareholders (other than as independent directors of any of the foregoing); (ii) are not relatives of any director, officer or substantial shareholder of the Company, or any of its related companies, or any of its substantial shareholders; (iii) are not acting as nominees or representatives of a substantial shareholder of the Company, or any of its related companies or any of its substantial shareholders; (iv) have not been employed in any executive capacity by the Company, or any of its related companies or by any of its substantial shareholders within the last two years; (v) are not retained as professional advisers by the Company, any of its related companies, either personally or through their firms; (vi) have not engaged and do not engage in any transaction with the Company, or with any of its related companies, or with any of its substantial shareholders, whether by themselves or with other persons, or through a firm of which they are partners, or companies of which they are directors or substantial shareholders, other than transactions which are conducted at arms-length and are immaterial; (vii) do not own more than 2% of the shares of the Company and/or its related companies, or any of its substantial shareholders; (viii) are not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders; and (ix) are not employed as executive officers of another company where any of the Company's executives serve as directors.

The Company also adopted a policy that independent directors of the Company may serve for a maximum cumulative term of 9 years, after which, the independent director will be perpetually barred from re-election as such, but may qualify for election as non-independent director. In the instance that the Board wants to retain an Independent Director who has served 9 years, the Board will provide a meritorious justification and seek approval from the shareholders during the Annual Stockholders Meeting. As of January 31, 2018, the Company's independent directors have served in such capacity for 4 years.

## **9.2. Executive / Corporate Officers**

### **Ma. Rosario S. Bartolome, Filipino, age 47**

#### **Head, Kidzania**

Ms. Bartolome was appointed Governor of Kidzania Manila and President & CEO of Play Innovations, Inc. (PII) effective January 1, 2017. Prior to her appointment, she was the COO of PII and Head of ABS-CBN Integrated Marketing. Ms. Bartolome brings with her more than 21 years of experience in integrated communications planning and media marketing. She is recognized locally and internationally for her innovative and cutting edge media solutions that have shaped the Philippine media landscape. Prior to joining ABS-CBN, she was the Managing Director of Carat Philippines and was Vice President of Universal McCann Philippines. Ms. Bartolome graduated from the Ateneo de Manila University with a degree in Communication Arts. In 2016, she completed the IAAPA Attraction Managers Program and Harvard Business School's Advanced Management Program.

### **Jose Agustin C. Benitez, Jr., Filipino, age 59**

#### **Head, Integrated Sales**

Mr. Benitez joined the Company in 2006 as the Company's Head of Channel 2 Sales. He is tasked with establishing strategic long-term partnerships with agencies and advertiser clients. He was formerly Sales Head of ABC Channel 5 and of GMA Channel 7, and was instrumental in developing the Sales Units of both companies. Before becoming involved in Broadcast Sales, Mr. Benitez was formerly Media Director and Vice President of Ace Saatchi and Saatchi, where he provided leadership to a media department that handled diverse clients. He was also formerly President and CEO of Zenith Optimedia, Nestle's independent media agency, and President and CEO of Optimum Media. Mr. Benitez graduated from the University of the Philippines, Diliman, with a Bachelor of Arts degree in Economics.

### **Kane Errol C. Choa, Filipino, age 45**

#### **Head, Integrated Corporate Communications**

Mr. Choa is currently the head of the Integrated Corporate Communications of ABS-CBN. He has 24 years of work experience in media and communications. Prior to joining ABS-CBN, he worked at Euro

Agatep Associates, the offices of Sen. Manuel Villar and the late Sen. Miriam Defensor Santiago, and ABC 5. Mr. Choa also serves as the Chairman of the International Association of Business Communicators (IABC) Philippines, vice president of Anak TV, trustee of the Quezon City Tourism Council, and a member of the Standards Authority of the Kapisanan ng mga Brodkaster ng Pilipinas. He maintains a column, "Kapamilya Day," in The Philippine Star. He obtained his Master of Science degree in Media and Communications with Merit from The London School of Economics and Political Science in 2005 as a British Chevening scholar. He also has an MA in Communication from the Ateneo de Manila University.

**Robert G. Labayen, Filipino, age 57**

**Head, Integrated Creative Communication Management**

Mr. Labayen spent 21 years in advertising prior to joining ABS-CBN in 2004. He started as a copywriter and rose to the rank of Managing Partner and Executive Creative Director. He also served the advertising industry as President of the Creative Guild of the Philippines. Today, his Division articulates the ABS-CBN vision of service to the Filipino through their work in promoting ABS-CBN's image and its entertainment, news, sports and advocacy programs. In 2014, the 4A's-P and the Creative Guild gave him the Lifetime Achievement Award. Mr. Labayen obtained his degree of Bachelor of Arts in Sociology from Bicol University. He has also completed his Masters in Business Administration at the University of the Philippines College of Mass Communications.

**Olivia M. Lamasan, Filipino, age 54**

**Managing Director, ABS-CBN Film Productions, Inc. (Star Cinema)**

Ms. Lamasan was appointed as Managing Director of Star Cinema effective January 15, 2018. After a stint doing Line Production for Regal Films and Vision Films, she joined ABS-CBN in 1987 as Supervising Producer for Going Bananas, and Executive Producer for the Sharon Cuneta Show. Ms. Lamasan was the co-creator of "Maalala Mo Kaya," becoming its Supervising Producer, Creative Head, and eventually Writer/Director. As Head of Star Cinema Creative Department and its premier director, Ms. Lamasan drives the creative development and supervision of all Star Cinema movies, and its Training Department. As Creative Head/Consultant of Star Creatives TV, she was the creative force that helped shape ABS-CBN drama programs. Concurrently, she heads the Moving Images Department of the ABS-CBN University. Ms. Lamasan graduated from Miriam College, with a Bachelor of Arts degree in Communication Arts.

**Dino Jacinto M. Laurena, Filipino, age 56**

**Head, Integrated Sports**

As Head of Integrated Sports, Mr. Laurena develops and optimizes profitable business opportunities for the Integrated Sports Group. Prior to joining ABS-CBN, he was the Senior Vice President of McCann Worldgroup Philippines and co-managed Harrison Communications. Mr. Laurena is an alumnus of the De La Salle University with degrees in Bachelor of Arts major in Psychology and Bachelor of Science in Commerce, major in Marketing.

**Charles A. Lim, Filipino, age 56**

**Head, Access**

Mr. Charles Lim was appointed as Head of Access in 2017. He brings with him years of experience in the various cross- functional disciplines of General Management, Operations, Marketing & Sales, IT and Engineering both local and international. Prior to joining ABS-CBN, Mr. Lim was EVP and Head of Consumer Wireless Business for both Smart and Sun and was later on appointed EVP and Head of Strategic Acquisitions and Investments for the PLDT group. Mr. Lim graduated with a Business Administration and Management degree from Ateneo de Manila University.

**Dennis Marco A. Liquigan, Filipino, age 48**

**Head, Star Music**

Mr. Liquigan was appointed as Head of Star Music in 2013. Prior to becoming Head of Star Music, he held various positions in ABS-CBN, starting as a Researcher, then as a Segment Producer for Showbiz Lingo, an Executive Producer for The Buzz, and rising up the rank as Promo Director for Star Cinema.

He graduated from the University of Santo Tomas with a Bachelor of Arts degree in Communication Arts.

**Raymund Martin T. Miranda, Filipino, age 55**  
**Chief Strategy Officer and Chief Risk Management Officer**

Mr. Miranda has been an Asia-Pacific media executive and strategist for more than 31 years. Mr. Miranda was appointed Chief Strategy Officer (CSO) in August 2012. He was also appointed Chief Risk Management Officer (CRMO) in a concurrent capacity in November 2012. As CSO, Mr. Miranda is tasked with designing, driving and managing the strategic planning process across the organization. As CRMO, he is also tasked with leading, developing and managing the risk management strategies, processes and policy reviews of the Company. Prior to his appointment with ABS-CBN, he was a consultant for the company for various projects. Mr. Miranda served as the Managing Director, Global Networks Asia-Pacific of NBCUniversal from 2007 to 2011, heading the entertainment channels division of NBC Universal across 33 countries. Before that, he spent a year in Manila as the President/CEO of Nation Broadcasting Corporation (92.3x FM) and Head of Strategy and Content for Mediaquest Holdings, Inc. From 1998 to 2006, he was with The Walt Disney Company in Singapore and Manila as Managing Director South East Asia for Walt Disney International, Managing Director for South East Asia/Korea for Walt Disney Television International and the Head of Radio Disney Asia. He started his career in FM radio before joining the GMA Network group in 1987. He was named Vice-President, Creative Services of GMA Network, Inc. in 1992. Mr. Miranda took up degrees in Bachelor of Science in Biology and Bachelor of Arts in Communication at the University of the Philippines.

**Mario Carlo P. Nepomuceno, Filipino, age 58**  
**Head, Corporate Services Group 1**

Mr. Nepomuceno's career spans close to 40 years in the field of human resources and organizational development with stints in brand management and sales. His expanded roles have included leading the delivery of Leadership Development, Innovation, Public Service, Legal and Corporate Safety and Security Services. He has also overseen the set up and operations of a corporate university. Mr. Nepomuceno has worked in a broad range of industries with both local and global organizations, either as a consultant or employee. He has had exposure to the media, attractions, banking, fast moving consumer goods, transportation, telecoms, cable, and BPO industries, among others. He has serviced clients in the government and non-government sectors as well. He has acquired over thirty years executive and leadership experience within corporate and non-corporate settings. Mr. Nepomuceno graduated with a degree in A.B. Psychology from the Ateneo de Manila University and is an accredited trainer and facilitator for numerous management and leadership programs. He is a Certified Attractions Manager of the International Association of Amusement Parks and Attractions.

**Luis Paolo M. Pineda, Filipino, age 46**  
**Head of Lifestyle Ecosystem and Concurrent Head, Business Development**

Mr. Pineda was appointed Head of Lifestyle Ecosystem in November 2017, and concurrently, as Head of Business Development in 2009. He joined ABS-CBN Interactive in 2000 as Business Development Manager for www.pinoyncentral.com where he was able to establish strong partnerships and identified potential joint ventures with companies in the same industry. His work eventually included coordination with all ABS-CBN media platforms, conceptualization, execution, and evaluation of mobile applications. In 2005, he took on the role of overall head for the Company's mobile and online business while practically co-managing its video-streaming operations. His appointment to oversee the gaming business followed in August of 2005 and in December 2005, he was officially designated as Managing Director for ABS-CBN Interactive. Mr. Pineda graduated with a degree in Business Management in Ateneo de Manila University and completed an executive management course in Kellogg University.

**Lina D. Quiogue, Filipino, age 58**  
**Head, Retail and Licensing**

Ms. Quiogue assumed the position of Head, Retail and Licensing beginning May 2016. Prior to that, she was the Head of Strategic Sales. She has over 20 years of extensive experience and a strong track record of positive breakthrough business results, specifically in starting up, turning around and building

businesses; and strategic development and implementation. Prior to ABS-CBN, Ms. Quiogue was the President of Stanhome World Philippines, and President and General Manager of Avon Philippines. She was also instrumental in the brand growth for businesses in Asia Pacific, as Avon's Regional Vice President, Marketing. Ms. Quiogue received her Bachelor of Arts in Mass Communications from University of the Philippines, with distinction as Cum Laude.

**Ma. Regina “Ging” E. Reyes, Filipino, age 55**

**Head, Integrated News and Current Affairs**

Ms. Reyes is responsible for all newsgathering, content and strategic direction of the News and Current Affairs Division of ABS-CBN. She has over 20 years of solid experience as a broadcast journalist. She joined ABS-CBN in 1986 as a Production Assistant, rose from the ranks to become Executive Producer and Head Writer of the award-winning "The World Tonight" and other special events, and eventually, Director for News Production. Prior to her appointment as Head of News and Current Affairs, Ms. Reyes was ABS-CBN'S North America News Bureau Chief from 2002 to 2010. In 2007, she was named by the Filipina Women's Network as one of the 100 Most Influential Filipino Women in the U.S. Ms. Reyes received her Bachelor of Arts in Broadcast Communication from the University of the Philippines.

**Arsenio M. Sabado, Filipino, age 51**

**Head, Human Resources and Organizational Development**

Mr. Sabado was appointed as Head of Human Resources and Organizational Development effective November 2017. He has a strong generalist and functional expertise in leadership and organization development, training, employee/labor relations gained from over 20 years of HR experience and over 15 years of managerial experience in leading local and international teams in Asia and Europe. Prior to joining ABS-CBN, he held several executive roles at Philip Morris. He graduated with a Bachelor of Science in Industrial Engineering from the University of the Philippines in 1989.

**Vivian Y. Tin, Filipino, age 55**

**Head, Integrated Customer Business Development**

Ms. Tin heads the Integrated Customer Business Development – Research and Analytics group of ABS-CBN. Her division provides consumer and market insights and information to support strategic and tactical business decisions for ABS-CBN and all its subsidiaries. Ms. Tin has had extensive experience in market research, particularly in media measurement and customized research. She began her career at Trends-MBL, where she rose to become Associate Research Director in 1992. After her stint in Trends-MBL, she moved on to ACNielsen Philippines where she became Director of Customized Research that handled top local and multinational companies in home care, personal care, pharmaceutical, food, dining and financial services. Prior to joining ABS-CBN, Ms. Tin was formerly Executive Director of Nielsen Media Research, the media research division of ACNielsen Philippines. She was a director of Advertisers Board of the Philippines (AdBoard) in 2005 and 2006 and was the President of the Marketing & Opinion Research Society of the Philippines (MORES) in 2004 and 2005. She graduated magna cum laude with a Bachelor of Arts degree in Political Science and had her graduate studies on Applied Statistics, both at the University of the Philippines. Ms. Tin also completed the Advanced Management Program at Harvard Business School in 2010.

**Rolando P. Valdueza, Filipino, age 58**

**Head, Corporate Services Group 2 and Group Chief Finance Officer**

Mr. Valdueza was appointed Chief Finance Officer in 2008, and as the Group Chief Finance Officer since 2012. Prior to his appointment as CFO, he was Head of the Regional Network Group (RNG) of ABS-CBN since 2001. Before joining the Company in 1988 as Budget Officer, he was an auditor with SGV & Co. and was Finance Manager at the National Marine Corporation. He also served as Sky Cable Regional Director for Visayas and Mindanao and later became Managing Director of Pilipino Cable Corporation. Mr. Valdueza took up BS Accounting at University of the East and graduated magna cum laude in 1981.

**Antonio S. Ventosa, Filipino, age 56**

**Chief Operating Officer, Sky Cable, and Concurrent Head, Narrowcast**

Mr. Ventosa joined the Company in 2006 as Head of Corporate Marketing. In November 2015, he was appointed Chief Operating Officer of Skycable Corporation, and in June 2017, he was appointed President. In his over 10 years with

ABS-CBN, Mr. Ventosa took on roles as the OIC of Access Group and concurrent Head of ABS-CBN's Narrowcast group consisting of ABS-CBN Integrated Sports, ABS-CBN Publishing, and Creative Programs, Inc. and was involved with the launch of ABS-CBN TV+, the group's DTT service. Over the past 3 years he was focused on the integration of the Company's sports agenda and strengthening local cable programming. He led the re-staging of the UHF Channel to ABS-CBN Sports+Action and led the launch of Jeepney TV as ABS-CBN's TV classics channel. He brings to the Group his 20 years of professional experience in general management, marketing and communications here and abroad. Prior to ABS-CBN, he was Managing Director of Leo Burnett Manila, President of ARC Worldwide & Blackpencil Advertising. He was also Chairman and President of the Association of Accredited Advertising Agencies of the Philippines, a Board Director of AdBoard, Executive Vice President of the Kapisanan ng mga Broadkaster ng Pilipinas, and the Founding Chairman of the Araw Values Awards. He is a member of the Advisory Board of UA&P Tambuli Awards. Mr. Ventosa was honored in 2004 by his alma mater, De La Salle University, as La Sallian Achiever on Advertising. He obtained his degree of Bachelor of Science in Marketing from De La Salle University.

**Ma. Socorro V. Vidanes, Filipino, age 55**

**Chief Operating Officer, Broadcast**

Ms. Vidanes was appointed as Chief Operating Officer, Broadcast effective February 1, 2016. Prior to this appointment, she was Head of Free TV. She was also the Head of Channel 2 Mega Manila in 2009. Prior to that, she held the position of Managing Director for ABS-CBN TV Production from 2001 to 2008. She has been with ABS-CBN since 1986, starting as an Associate Producer and has since then been involved in the production of all types of programs – talk shows, variety, reality, game, comedy and drama. Ms. Vidanes obtained her degree of Bachelor of Arts in Communication Arts from the Ateneo de Manila University. She has also completed the Advance Management Program at Harvard Business School in 2014.

**Fernando V. Villar, Filipino, age 49**

**Head, Integrated Marketing**

Mr. Villar provides overall leadership in marketing the Company's channels, programs to various customers—the audiences, advertisers, and media agencies. Prior to joining ABS-CBN, he was the President and Chief Operating Officer of McCann WorldGroup Philippines – the Philippines' largest marketing communications agency. Mr. Villar held top positions in the Philippine Advertising Industry: Chairman of the 4As of the Philippines (Association of Accredited Advertising Agencies), Vice-Chairman of AdBoard, and Board Member of the Ad Standards Council (ASC). The University of the Philippines College of Business awarded Mr. Villar as one of its Most Distinguished Alumni in 2011, the youngest to be given this distinction. He graduated with a degree in Business Administration from the university's Diliman campus in 1988.

**Enrique I. Quiason, Filipino, age 57**

**Corporate Secretary**

Mr. Enrique I. Quiason was appointed as Corporate Secretary in 2015. He has been the Assistant Corporate Secretary of the Corporation since 1993. He received a Bachelor of Science degree in Business Economics and a Bachelor of Laws degree from the University of the Philippines, and a Master of Laws degree in Securities Regulation from Georgetown University. He is a senior partner of the Quiason Makalintal Barot Torres Ibarra Sison & Damaso Law Office. He is the corporate secretary of FPHC, LHC, Lopez, Inc., Rockwell Land Corporation, ABS-CBN Holdings, Inc., and Sky Cable Corporation.

**Marifel G. Gaerlan-Cruz, Filipino, age 51****Assistant Corporate Secretary**

Ms. Gaerlan-Cruz was appointed as Assistant Corporate Secretary in 2015. She has been the Head for Contracts and Corporate Services, Legal Services Department of the Corporation and its subsidiaries since 2006. She received her Bachelor of Arts in History (cum laude), from the University of the Philippines, and her Juris Doctor degree (second honors) from the Ateneo de Manila School of Law.

**Family Relationships**

Mr. Oscar M. Lopez is the brother of Mrs. Presentacion L. Psinakis and Manuel M. Lopez. He is the uncle of Mr. Eugenio L. Lopez III and the father of Mr. Federico R. Lopez. Mr. Eugenio L. Lopez III and Mr. Federico R. Lopez are first cousins.

Mr. Rafael L. Lopez is the brother of Eugenio L. Lopez III. Mr. Martin L. Lopez is the cousin of Eugenio L. Lopez III and the son of Mr. Manuel M. Lopez. Mr. Carlo L. Katigbak is a cousin of Mr. Eugenio L. Lopez III.

**Significant Employees**

The Company considers its entire workforce as significant employees. Everyone is expected to work together as a team to achieve the company's goals and objectives.

**Involvement of Directors and Officers in Certain Legal Proceedings**

For the past 5 years up to March 1, 2018, the Company is not aware of any bankruptcy proceedings filed by or against any business of which a director, person nominated to become a director, executive officer, or control person of the Company is a party or of which any of their property is subject.

For the past 5 years up to March 1, 2018, the Company is not aware of any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, of any of its director, person nominated to become a director, executive officer, or control person, except for: (i) a libel case filed and still pending against Eugenio Lopez III, in his former capacity as President and CEO of the Company, entitled *People of the Philippines v. Tulfo et al.*; and (ii) a criminal complaint against members of the board of directors and officers for estafa filed by Solar Entertainment Corporation ("Solar") pending before the prosecutor's office. The latter case is related to the civil case for damages filed by Solar against ABS-CBN in connection with their joint license agreement for the NBA games.

For the past 5 years up to March 1, 2018, the Company is not aware of any order, judgment, or decree not subsequently reversed, superseded, or vacated, by any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting the involvement of a director, person nominated to become a director, executive officer, or control person of the Company in any type of business, securities, commodities, or banking activities.

For the past 5 years up to March 1, 2018, the Company is not aware of any findings by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, that any of its director, person nominated to become a director, executive officer, or control person has violated a securities or commodities law.

## 10. Executive Compensation

Information as to the aggregate compensation paid or accrued during the last two fiscal years and to be paid in the ensuing fiscal year to the Company's chief executive and 5 other most highly compensated executive officers follow:

<b>SUMMARY COMPENSATION TABLE</b>				
<b>Annual Compensation – 2017 Actual and 2018 Estimated</b>				
<b>Name</b>	<b>Year</b>	<b>Salary</b>	<b>Bonus</b>	<b>Other Annual Compensation</b>
Chief executive and most highly compensated executive officers (in alphabetical order): Carlo L. Katigbak Aldrin M. Cerrado Laurenti M. Dyogi Ma. Lourdes N. Santos Rolando P. Valdueza Ma. Socorro V. Vidanes	2018E 2017	₱172,810,229 164,581,170	₱– 137,444,883	₱– 27,872,371
All managers and up as a group unnamed	2018E 2017	₱2,523,317,420 2,403,159,447	₱– 924,565,684	₱– 378,556,460

<b>SUMMARY COMPENSATION TABLE</b>				
<b>Annual Compensation -2016</b>				
<b>Name</b>	<b>Year</b>	<b>Salary</b>	<b>Bonus</b>	<b>Other Annual Compensation</b>
Chief executive and most highly compensated executive officers (in alphabetical order): Carlo L. Katigbak Olivia M. Lamasan Ma. Lourdes N. Santos Rolando P. Valdueza Ma. Socorro V. Vidanes	2016	₱124,689,375	₱467,643,313	₱–
All managers and up as a group unnamed	2016	₱1,711,704,236	₱1,000,379,582	₱64,418,187

There are no standard arrangements between the Company and its executive officers, hence there are no employment contracts between the Registrant and the named executive officers nor any compensatory plan or arrangement. No action is to be taken with regard to election, any bonus, profit sharing, and pension/retirement plan. On February 22, 2017, the Board of Directors approved an Employee Stock Purchase Plan and an Executive Stock Purchase Plan. The stockholders unanimously approved the Stock Purchase Plans on April 6, 2017, and the Securities and Exchange Commission (SEC) approved the same on September 28, 2017.

## Compensation of Directors

Each board director receives a set amount of ₱20,000 per board meeting and ₱10,000 per committee meeting attended. In terms of profit sharing and bonuses, the total yearly compensation of directors shall not exceed 10 percent of the net income before income tax of the Company during the preceding year.

## 11. Security Ownership of Certain Beneficial Owners and Management

### Security Ownership of Certain Records and Beneficial Owners as of February 28, 2018

Title Of class	Name and Address of Record Owner	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	% of Class	% of Outstanding
Common	Lopez, Inc. 5/F Benpres Bldg, Exchange Road cor Meralco Ave., Pasig City	Lopez, Inc.	Filipino	480,933,747	54.43%	25.53%
Common	PCD Nominee Corporation* G/F Makati Stock Exchange Bldg., Ayala Ave., Makati City	ABS-CBN Holdings Corporation	Filipino	373,228,814	42.24%	19.82%
Preferred	Lopez, Inc. 5/F Benpres Bldg, Exchange Road cor Meralco Ave., Pasig City	Lopez, Inc.	Filipino	987,130,246	98.71%	52.41%

\*PCD Nominee Corporation is not related to the Company

The preferred shares are voting and every holder of preferred shares shall be entitled to one vote for each share of preferred stock held as of the established record date.

Lopez, Inc. is the holding company of the Lopez family. It is owned by the respective holding companies of the families of Eugenio Lopez, Jr., Oscar M. Lopez, Presentacion L. Psinakis and Manuel M. Lopez. It has issued convertible notes covering the shares in the Company registered and beneficially owned by it in favor of Lopez Holdings Corporation (formerly: Benpres Holdings Corporation).

Eugenio Lopez III, or in his absence, Manuel M. Lopez, or in his absence Oscar M. Lopez have been named and appointed to exercise the voting power of Lopez Inc.'s shares in ABS-CBN Corporation.

The 373,228,814 common shares under the name of PCD Nominees Corporation are held for ABS-CBN Holdings Corporation (ABS-CBN Holdings) and represent the underlying shares covered by Philippine Deposit Receipts (PDRs) issued by ABS-CBN Holdings. ABS-CBN Holdings is owned 50% by Lopez, Inc. and 50% by Oscar M. Lopez, Manuel M. Lopez, and Eugenio Lopez III. The shares in the Company registered and beneficially owned by it are covered by the PDRs which gives the holder thereof the right to delivery or sale of the underlying share. The PDRs are listed with the Philippine Stock Exchange (PSE).

Eugenio Lopez III, or in his absence, Manuel M. Lopez, or in his absence Oscar M. Lopez have been named and appointed to exercise the voting power of ABS-CBN Holdings' shares in ABS-CBN Corporation.

Other than the stockholders identified above, as of February 28, 2018 there are no other stockholders

other than participants under PCD account who own more than 5% of the voting securities.

There are no foreign shareholders.

### Security Ownership of Management as of January 31, 2017:

As of February 28, 2018, the Company's directors and senior officers owned an aggregate of **3,449,855** shares of the Company, equivalent to 0.39% of the Company's total issued and outstanding capital stock.

Title of Class	Stockholder Name and Position	Nature of Beneficial Ownership	Citizenship	Number of Shares Held	Percent Held
Common	Eugenio L. Lopez III <i>Chairman</i>	Direct	Filipino	769,690	0.09%
Common	Augusto Almeda-Lopez <i>Vice-Chairman</i>	Direct/Indirect	Filipino	253,888	0.03%
Common	Oscar M. Lopez <i>Director</i>	Direct	Filipino	63,605	0.01%
Common	Carlo L. Katigbak <i>Director, President and Chief Executive Officer</i>	Direct	Filipino	249,500	0.03%
Common	Federico R. Lopez <i>Director</i>	Direct	Filipino	1	0.00%
Common	Martin L. Lopez <i>Director, and Chief Technology Officer</i>	Direct	Filipino	89,659	0.01%
Common	Manuel M. Lopez <i>Director</i>	Direct	Filipino	351,196	0.04%
Common	Salvador G. Tirona <i>Director</i>	Direct	Filipino	22,002	0.00%
Common	Federico M. Garcia <i>Director</i>	Direct	Filipino	13,898	0.00%
Common	Antonio U. Periquet <i>Independent Director</i>	Direct	Filipino	2,001	0.00%
Common	Emmanuel S. De Dios <i>Independent Director</i>	Direct	Filipino	1	0.00%
Common	Rolando P. Valdueza <i>Head, Corporate Services Group 2 and Group Chief Finance Officer</i>	Direct	Filipino	269,500	0.03%
Common	Ma. Socorro V. Vidanes <i>Chief Operating Officer, Broadcast</i>	Direct	Filipino	239,500	0.03%
Common	Mario Carlo P. Nepomuceno <i>Head, Corporate Services Group 1</i>	Direct	Filipino	92,351	0.01%
Common	Vivian Y. Tin <i>Head, Integrated Customer Business Development</i>	Direct	Filipino	60,600	0.01%
Common	Regina E. Reyes <i>Head, Integrated News and Current Affairs</i>	Direct	Filipino	35,048	0.00%
Common	Higino T. Dungo	Direct	Filipino	51,000	0.01%

<b>Title of Class</b>	<b>Stockholder Name and Position</b>	<b>Nature of Beneficial Ownership</b>	<b>Citizenship</b>	<b>Number of Shares Held</b>	<b>Percent Held</b>
	<i>Head, Integrated Public Services</i>				
Common	Philip Lambert L. Berba <i>Head, Service Delivery Group</i>	Direct	Filipino	130,600	0.01%
Common	Enrique I. Quiason <i>Corporate Secretary</i>	Direct	Filipino	9,615	0.00%
Common	Raymund Martin T. Miranda <i>Chief Strategy Officer &amp; Chief Risk Management Officer</i>	Direct	Filipino	139,900	0.02%
Common	Lina D. Quiogue <i>Head, Retail and Licensing</i>	Direct	Filipino	5,300	0.00%
Common	Laurenti M. Dyogi <i>Head of Entertainment Production</i>	Direct	Filipino	191,500	0.02%
Common	Ma. Rosario S. Bartolome <i>Head, Kidzania</i>	Direct	Filipino	80,000	0.01%
Common	Mario L. Bautista <i>Board Advisor</i>	Direct	Filipino	29,000	0.00%
Common	Jose Agustin C. Benitez <i>Head, Integrated Sales</i>	Direct	Filipino	29,000	0.00%
Common	Aldrin M. Cerrado <i>Chief Finance Officer</i>	Direct	Filipino	25,000	0.00%
Common	Kane Errol C. Choa <i>Head, Integrated Corporate Communications</i>	Direct	Filipino	2,000	0.00%
Common	Carmela C. Del Mundo <i>Officer-in-charge, Internal Audit</i>	Direct	Filipino	5,000	0.00%
Common	Marifel G. Gaerlan - Cruz <i>Asst. Corporate Secretary</i>	Direct	Filipino	2,000	0.00%
Common	Robert G. Labayen <i>Head, Integrated Creative Communication Management</i>	Direct	Filipino	71,000	0.01%
Common	Dino Jacinto M. Laurena <i>Head, Integrated Sports</i>	Direct	Filipino	40,000	0.00%
Common	Charles A. Lim <i>Head, Access</i>	Direct	Filipino	65,500	0.01%
Common	Luis Paolo M. Pineda <i>Head of Lifestyle Ecosystem and Concurrent Head, Business Development</i>	Direct	Filipino	10,000	0.00%
Common	Caesar J. Poblador <i>Head, Corporate Legal Affairs</i>	Direct	Filipino	2,000	0.00%

<b>Title of Class</b>	<b>Stockholder Name and Position</b>	<b>Nature of Beneficial Ownership</b>	<b>Citizenship</b>	<b>Number of Shares Held</b>	<b>Percent Held</b>
Common	Elaine E. Uy <i>OIC, Digital Media Division</i>	Direct	Filipino	1,000	0.00%
Common	Antonio S. Ventosa <i>Chief Operating Officer, Sky Cable</i>	Direct	Filipino	45,000	0.01%
Common	Teresita L. Villareal <i>Head, Creative Programs, Incorporated</i>	Direct	Filipino	3,000	0.00%
	<b>Total Security Ownership of Directors and Management</b>			<b>3,449,855</b>	<b>0.39%</b>

### **Changes in Control**

There have not been any arrangements that have resulted in a change in control of the Company during the period covered by this report. The Company is not aware of the existence of any voting trust arrangement among the shareholders.

## **12. Certain Relationships and Related Transactions**

### **Relationships and Related Transactions / Agreements with Affiliates**

For a detailed discussion of ABS-CBN's related party transactions, see Note 23 of the Company's audited consolidated financial statements. Also, refer to section 1.10 Transactions with Related Parties of this report.

### **Parent Company**

Lopez, Inc. is the registered owner of 79.3% of the voting stock of the Company as of December 31, 2017. Lopez, Inc. is the holding company of the Lopez family. It is owned by the respective holding companies of the families of Eugenio L. Lopez III, Oscar M. Lopez, Presentacion L. Psinakis and Manuel M. Lopez. It has issued convertible notes covering the shares in the Company registered and beneficially owned by it in favor of Lopez Holdings Corporation.

### **Resignation of Directors Because of Disagreement with Policies**

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 stockholders of the Company because of a disagreement with the Company on matters relating to the Company's operations, policies and practices.

## **PART IV – CORPORATE GOVERNANCE**

ABS-CBN recognizes the importance of corporate governance in enhancing the stakeholders' interests in the Company. Its Board of Directors commits itself to the principles of good corporate governance.

The Company's principles of corporate governance are contained in its Articles of Incorporation, By-Laws, Manual of Corporate Governance, and Annual Corporate Governance Report.

As an organization, ABS-CBN reaffirms its mission of being in the service of the Filipino people, and espouses that there is no dichotomy between doing good business and practicing the right values.

Through values cascading throughout the organization, the Company has identified the core values necessary to guide its leaders and employees in formulating and making business decisions, which in the end must always remain consistent with this mission and goal of service.

In 2013, the Institute of Corporate Directors (ICD), in partnership with the SEC, the Institute of Internal Auditors of the Philippines (IIA-P), and the Chartered Financial Analysts Society (CFA) recognized ABS-CBN among the Top 50 Philippine Publicly-Listed Companies in terms of corporate governance efforts. The Top 50 Publicly-Listed Companies were selected based on their policies, procedures, and practices in relation to the Association of Southeast Asian (ASEAN) Corporate Governance Scorecard (ACGS) standards on the rights and equitable treatment of shareholders, the role of stakeholders, disclosure and transparency, and the responsibilities of the board.

In May 2017, the Company revised its Manual on Corporate Governance, to comply with SEC Memorandum Circular No. 19, Series of 2016, the Code of Corporate Governance for Publicly-Listed Companies.

### **The Mission of the ABS-CBN Board of Directors**

The ABS-CBN Board of Directors represents the stakeholders' interest in pursuing a successful business, including the optimization of financial returns. The Board's mission is to determine that the Corporation is managed in such a way as to ensure this result while adhering to the laws and rules of the jurisdictions in which it operates, observing the highest standards of corporate governance, and observing high ethical norms. The Board establishes the overall goals, strategies, and policies of the Company. It strives to regularly monitor the effectiveness of management's decisions and the execution of strategies. In addition to fulfilling its obligations for increased stockholder value, the Board has responsibility to the Company's customers, employees, suppliers, and the community.

### **THE BOARD OF DIRECTORS**

The ABS-CBN Board of Directors (the "Board") represents the stakeholders' interest in pursuing a successful business, including the optimization of financial returns. The Board's mission is to determine that the Corporation is managed in such a way as to ensure this result while adhering to the laws and rules of the jurisdictions in which it operates, observing the highest standards of corporate governance, and observing high ethical norms. The Board establishes the overall goals, strategies, and policies of the Company. It strives to regularly monitor the effectiveness of management's decisions and the execution of strategies. In addition to fulfilling its obligations for increased stockholder value, the Board has responsibility to the Company's customers, employees, suppliers, and the community.

In accordance with the Company's Articles of Incorporation, By-Laws, and Corporate Governance Manual, the Board in 2016 was comprised of 11 members elected by the shareholders during the Annual Stockholders' Meeting. The Company has 10 non-executive directors, two (2) of whom are independent.

All nominations for the election of Directors by the stockholders are required to be submitted in writing to the Board of Directors at least 30 business days before the scheduled date of the annual stockholders' meeting. The Nomination and Election Committee reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval, and assesses the effectiveness of the Board's processes and procedures in the election or replacement of directors.

There is a mix of executive, non-executive, and independent directors on the Board. Senior management executives other than the Chief Executive Officer attend Board meetings on a regular basis even if they are not members of the Board. On matters of corporate governance, while the Board assumes that decisions will be made by the impartial (previous word used is "independent") directors, inputs to any policy formulation and discussions from directors who are employees of the Company are welcome and expected, unless the issue involves an actual conflict of interest with such directors.

For the year 2017, these directors are Eugenio L. Lopez III, Chairman; Augusto Almeda-Lopez; Carlo L. Katigbak; Oscar M. Lopez; Federico R. Lopez; Martin L. Lopez; Federico M. Garcia, Salvador G. Tirona, Manuel M. Lopez, Antonio Jose U. Periquet, and Emmanuel S. De Dios.

### **Independent Directors**

In compliance with the SEC requirement – that at least 20% of the Board should be independent directors with no material relationship with the Company, 2 independent directors – Mr. Periquet and Mr. de Dios — were elected. These directors are independent of management, and are free of any relationship that may interfere with their judgment. In addition, Mr. Periquet and Mr. de Dios do not possess any of the disqualifications enumerated under SEC Memorandum Circular No. 19, Series of 2016.

### **Criteria for Independence for Independent Directors**

The Board assesses the independence of each director and individual nominated for election to the Board as an independent director. As part of this analysis, the Board must review and conclude whether each nominee for independent director satisfies the requirements of the rules of the SEC, the by-laws, and the Manual of Corporate Governance.

Under the Manual of Corporate Governance, independent directors (i) are not, or have not been officers or employees or substantial stockholders of the Company or its related companies, or any of its substantial shareholders (other than as independent directors of any of the foregoing); (ii) are not relatives of any director, officer or substantial shareholder of the Company, or any of its related companies, or any of its substantial shareholders; (iii) are not acting as nominees or representatives of a substantial shareholder of the Company, or any of its related companies or any of its substantial shareholders; (iv) have not been employed in any executive capacity by the Company, or any of its related companies or by any of its substantial shareholders within the last two years; (v) are not retained as professional advisers by the Company, any of its related companies, either personally or through their firms; (vi) have not engaged and do not engage in any transaction with the Company, or with any of its related companies, or with any of its substantial shareholders, whether by themselves or with other persons, or through a firm of which they are partners, or companies of which they are directors or substantial shareholders, other than transactions which are conducted at arms-length and are immaterial; (vii) do not own more than 2% of the shares of the Company and/or its related companies, or any of its substantial shareholders; (viii) are not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders; and (ix) are not employed as executive officers of another company where any of the Company's executives serve as directors.

The Company also adopted a policy that independent directors of the Company may serve for a maximum cumulative term of 9 years, after which, the independent director will be perpetually barred from re-election as such, but may qualify for election as non-independent director. In the instance that

the Board wants to retain an Independent Director who has served 9 years, the Board will provide a meritorious justification and seek approval from the shareholders during the Annual Stockholders Meeting. As of January 31, 2018, the Company's independent directors have served in such capacity for 4 years.

### **Selection of Directors**

The Board itself is responsible for screening its own members and recommending them for election by the stockholders. The Chairman and Chief Executive Officer have direct input into the screening process. The final approval of nominees to the director position is determined by the full Board. In case of vacancies in the Board between annual stockholder meetings, the Board may elect directors to serve until the next annual meeting.

### **Separate Roles of the Chairman and President & Chief Executive Officer (CEO)**

The respective roles of the Company's Chairman, Mr. Eugenio L. Lopez, III, and President & CEO, Mr. Carlo L. Katigbak, are clearly defined to achieve appropriate balance of power, increase accountability, and improve the Board's capacity for decision making independent of the management.

Mr. Eugenio L. Lopez III is responsible for the management, development and the effective performance of the Board, and maintains proper governance of the Company. As Chairman of the Board, Mr. Lopez plans and organizes all the activities of the Board, including the preparation for, and the conduct of, Board meetings. He ensures the quality, quantity and timeliness of the information that goes to the Board. He also oversees the formation of the Board committees and the integration of their activity with that of the Board.

The President & CEO has general charge and supervision of the business and affairs of the Company, subject to the Board. On a day-to-day basis, he makes, executes and signs in the name of the Company such contracts as are necessary in the ordinary course of business, and such other contracts as are authorized by the Board. As the President & CEO, Mr. Katigbak leads Management in developing and implementing business strategies, plans, and budgets subject to Board approval. He then provides the Board and stockholders a report on the financial performance of the Company and its results of operations on a regular basis.

### **The Corporate Secretary**

Atty. Enrique I. Quiason is the Company's Corporate Secretary. Under the Company's Corporate Governance Manual, the Corporate Secretary must be a Filipino Citizen. The Corporate Secretary issues notices for all board and shareholders meetings. It is required that the Corporate Secretary attends and records the minutes of all board meetings. He is also responsible for assisting the Board in the preparation of the meeting agenda and the Management in the preparation and gathering of materials/documents to be presented to the Board or shareholders. In addition, as the Corporate Secretary, Atty. Quiason takes charge of the corporate seal and records, and signs, together with the President & CEO, all stock certificates and such other instruments as may require such signature.

## Board Performance

The Board has regular monthly meetings, as much as possible, to review the performance of the Company and its subsidiaries, approve any pertinent plans, budgets, and financial statements, set guidelines for management, and discuss any various matters requiring Board attention and approval. Any member of the Board may ask management to give special reports on and analysis of certain issues.

From January 1, 2017 to December 31, 2017, the Board had 10 meetings.

## Board Attendance to Meetings in 2017

Directors' Name	Total No. of Board Meetings	No. of Board Meetings Attended	Percentage of Attendance (%)	Attended Annual Stockholders' Meeting? (Y/N)
Eugenio L. Lopez III	10	7	70%	Y
Carlo L. Katigbak	10	10	100%	Y
Oscar M. Lopez	10	7	70%	Y
Augusto Almeda Lopez	10	10	100%	Y
Presentacion L. Psinakis *	3	1	33%	N
Manuel M. Lopez	10	6	60%	N
Federico R. Lopez	10	7	70%	Y
Federico M. Garcia	10	6	60%	Y
Salvador Tirona	10	10	100%	Y
Emmanuel S. De Dios	10	9	90%	Y
Antonio Jose U. Periquet	10	8	80%	Y
Martin L. Lopez **	6	7	86%	Y

\*Died July 25, 2017

\*\*Nominated and elected on April 6, 2017

## Board of Advisors

The Board of Advisors was created to provide guidance to the Board of Directors. The Board of Advisors sits in all the Board Meetings and its members are also members of the Board Committees. Randolph S. David, Mario L. Bautista, Honorio G. Poblador IV, and Maria Rosario Santos-Concio are the members of the Board of Advisors. Mr. Rafael L. Lopez was appointed as Board Advisor on February 22, 2018.

## Board Committees

The Board has established the following seven (7) board committees to address any issues requiring the directors' attention:

### 1. The Programming Committee

<b>Composition</b>	Chairman, one (1) member, two (2) advisors
<b>Members</b>	Federico Garcia – Chairman, and Emmanuel De Dios
<b>Advisors</b>	Randolf S. David, and Ma. Rosario Santos-Concio
<b>Responsibilities</b>	The Programming Committee deliberates on the programming issues and strategies of the network, and is primarily a business strategy committee.

## 2. The Compensation Committee

<b>Composition</b>	Chairman, two (2) members, and two (2) advisors
<b>Members</b>	Augusto Almeda Lopez – Chairman, Federico R. Lopez, and Antonio Jose U. Periquet
<b>Advisors</b>	Mario Luza Bautista, and Randolf S. David
<b>Responsibilities</b>	The Compensation Committee reviews any recommendations on incentive schemes and the issuance of stock options to employees.

## 3. The Succession Planning Committee

<b>Composition</b>	Chairman, two (2) members, and one (1) advisor
<b>Members</b>	Salvador G. Tirona – Chairman, Emmanuel S. De Dios, and Augusto Almeda Lopez
<b>Advisors</b>	Randolf S. David
<b>Responsibilities</b>	<p>The Succession Planning Committee ensures that there is a pipeline to key positions in the organization, and that there are ready replacements for any key positions that are suddenly vacated.</p> <p>It oversees the replacement planning table of the organization, and identifies successors and gaps in succession, as well as any measures needed to fill such gaps.</p>

## 4. The Compensation Committee for the Chairman and the Chief Executive Officer

<b>Composition</b>	Chairman, two (2) members, and one (1) advisor
<b>Members</b>	Augusto Almeda-Lopez – Chairman, Federico Garcia, and Antonio Jose U. Periquet.
<b>Advisors</b>	Mario Bautista
<b>Responsibilities</b>	The Compensation Committee for the Chairman and the Chief Executive Officer reviews and approves the recommended changes concerning the salaries and benefits provided to the Company's CEO.

## 5. The Audit and Compliance Committee

<b>Composition</b>	Chairman, two (2) members, and one (1) advisor
<b>Members</b>	Antonio Jose U. Periquet – Chairman, Salvador G. Tirona, and Emmanuel S. De Dios
<b>Advisors</b>	Honorio Poblador IV
<b>Responsibilities</b>	<p>The Audit and Compliance Committee reviews the financial reports and risks, examines internal control systems, oversees the audit process as well as the company's compliance with laws, and evaluates the company's business conduct.</p> <p>The Audit and Compliance Committee also selects and appoints the Company's External Auditor.</p>

## 6. The Risk Management Committee

<b>Composition</b>	Chairman, two (2) members, and one (1) advisor
<b>Members</b>	Salvador G. Tirona – Chairman, Federico M. Garcia, and Emmanuel S. De Dios
<b>Advisors</b>	Honorio Poblador IV
<b>Responsibilities</b>	The Risk Management Committee oversees the formulation and establishment of an enterprise wide risk management system, including the review, analysis, and recommendation of policies, frameworks, strategies, and systems to be used by the Company to manage risks, threats, and liabilities.

## 7. The Nomination and Election Committee

<b>Composition</b>	Chairman, two (2) members, and one (1) advisor
<b>Members</b>	Eugenio Lopez III – Chairman, Carlo L. Katigbak, and Antonio Jose U. Periquet
<b>Advisors</b>	Randolf S. David
<b>Responsibilities</b>	The Nomination and Election Committee reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval, and assesses the effectiveness of the Board's processes and procedures in the election or replacement of directors.

The Board should ensure that, through a managed and effective system, board appointments are made that provide a mix of proficient directors, each of whom is able to add value and to bring prudent judgment to bear on the decision making process.

Under the Company's Manual of Corporate Governance, the Nomination and Election Committee shall consider the following qualifications and disqualification of a nominee to the Board in its recommendation of such nominee for election or re-election.

### *Qualifications of Director*

A director shall have the following qualifications at the time he is duly elected and qualified and throughout his term of office:

- Holder of at least one (1) share of stock of ABS-CBN Corporation;
- Personal integrity, capacity to read and understand financial statements, absence of conflicts of interest with the Company (subject to the discretion of the Board), time availability and motivation.

### *Qualifications of an Independent Director*

- An independent director shall mean a person other than an officer or employee of the Company, its parent or subsidiaries, or any other individual having a relationship with the Company, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director.
- If the independent directors becomes an officer or employee of the same corporation he shall be automatically disqualified from being an independent director.

### *Disqualification and Grounds for Dismissal of Directors*

Any of the following shall be a ground for the temporary disqualification or dismissal for a cause of a director:

- 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;
- Absence or non-participation for unjustifiable reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election;
- Dismissal or 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;
- Conviction that has not yet become final referred to in the grounds for the disqualification of directors.

### **COMPLIANCE OFFICER**

The Company has appointed a Compliance Officer who is tasked to ensure the Company's observance of corporate governance best practices and provide recommendations to the Board for the continuous improvement of its policies and practices toward full compliance and the adoption of global best practices. The Compliance Officer also submits to the SEC, the PSE, and the Philippine Dealing and Exchange Corporation (PDEX), the Company's Annual Corporate Governance Report, periodic reports, and other material disclosures.

### **AUDIT**

#### **Internal Audit**

The Internal Audit Division (IA Division) is responsible for providing independent and objective assurance and consulting services to the Company's Board of Directors through its Audit Committee. Its main function is to evaluate the adequacy, effectiveness, and efficiency of the Company's internal control system and to recommend necessary control measures for its improvement. It likewise establishes an effective follow-up system to monitor the implementation of recommended controls.

The IA Division is composed of people with varied specializations, majority of which are certified public accountants. It also has certified internal auditors, certified information systems auditor, certified fraud examiners, certified forensic accountants, and accredited quality assurance validators. The IA Division has an Information Technology (IT) Audit and a Technical Audit Teams, which are composed of engineers and IT professionals.

The IA Division conducts regular audits of the Company and its Subsidiaries based on an annual audit plan in a 3-year audit cycle that is approved by the Audit Committee. Special audit projects are also undertaken as the need arises.

In 2017, the IA Division presented to the Audit Committee its audit plan, updates on the status of audit projects, highlights of significant findings, implementation status of audit recommendations, and other significant audit activities.

Beginning 2012, the IA Division also worked closely with the Company's Risk Management Officer.

## **Audit Committee Report for 2017**

The Audit Committee, in fulfillment of its oversight responsibilities, represents and assists the Board by evaluating the:

- Reasonableness of the Company's financial statements, efficiency of the financial reporting process, and effectiveness of the internal control environment;
- Objectivity, independence, and effectiveness of internal audit functions and processes;
- Qualifications, independence, and fees of the Company's external auditors with regard to the annual review of the Company's financial statements; and
- Company's compliance with legal and regulatory requirements.

The roles and responsibilities of the Audit Committee are embodied in an Audit Committee Charter. In compliance with the Charter, the Audit Committee confirms that:

- A majority of the Audit Committee members are independent directors, including the Chairman;
- Quarterly meetings were held and attended by the Chairman and members of the Committee;
- The Committee reviewed and approved the internal audit scope, manpower resources, and competencies necessary to carry out the audit plan;
- The Committee reviewed the reports of the internal auditors and discussed the necessary corrective actions with concerned management;
- The Committee reviewed the audited annual financial statements of the Company and its Subsidiaries and discussed it with management, internal auditors, and external auditors taking into consideration that:
  - Management is responsible for the Company's financial statements and the related statements of financial condition and results of operations, and;
  - SGV & Co., the external auditor, is responsible for expressing an opinion on the conformity of the Company's audited financial statements with the Philippine Financial Reporting Standards and International Financial Reporting Standards as appropriate.

## **ROLE OF STAKEHOLDERS**

### **Customers' Welfare**

The Company is committed to the delivery of world-class products and services and to the responsible and creative utilization of resources, most especially its human resource. It fosters and promotes an environment of professionalism based on competence, self-discipline and responsible behavior. In establishing such an environment, a set of defined standards of acceptable behavior in performing one's job and in dealing with co-employees and the public that is consistent with corporate policies and core values is necessary.

### **Supplier/Contractor Selection and Criteria**

In dealings with suppliers and contractors the Company abides by its Code of Conduct, wherein it is stated that favoring or conniving with suppliers, customers or any other person in consideration of kickbacks, personal rebates or any valuable consideration is considered an offense. Company personnel who do not adhere to this policy are dealt with, accordingly.

The Company, likewise, has a general policy on the conduct of its bidding process to ensure fair and honest competition. The general policy for supplier/contractor selection is available in the Company's website.

## **Environmentally Friendly Value Chain**

The Company complies with several government environmental laws through the following initiatives: re-use or recycling of effluent water (PD984 or Clean Water Act); proper disposal of busted lamps used oil and used/spent batteries (RA6969 or Toxic Substance and Hazardous and Nuclear Waste Control Act) and annual stack emission testing of generator sets (RA8749 or Clean Air Act). The Company saves energy its office headquarters by installing variable frequency drives for chilled water pump operations in the centralized air conditioning system. It also has materials recovery facilities for solid waste management, which results in an average reduction of 25 tons per year of solid waste for disposal.

The vermicomposting facilities reduce solid waste from tree and plant trimmings and the resulting organic fertilizer is used for plants propagation. The Company uses mostly “green sealed” or “designed for the environment” chemicals for housekeeping, which reduces the health risk among cleaners. The Company also has properly labeled trashcans (reusable, biodegradable, non-biodegradable) which makes it easy to segregate waste. It also uses biodegradable trash bags.

## **Whistle Blowing Policy**

In November 2013, the Company implemented the Whistle Blowing Policy. This policy provides for and encourages employees and others to report, in good faith, any covered wrongful conduct committed by employees of which they have personal knowledge. The policy assures the employees of protection against harassment, threats, and any other form of retaliation from the persons reported. Any employee, who attempts, performs, causes or encourages any retaliatory actions against a whistleblower and/or the whistleblower relatives up to the fourth degree of consanguinity or affinity, will be subjected to disciplinary action and may be either suspended or dismissed, without prejudice to other legal actions that the Company may take, upon showing that the motive of the said employee was due to the disclosure made whistleblower.

The Whistle Blowing Policy is a clear statement that if any covered wrongdoing by any of its employees is identified and reported accordingly, it will be dealt with, through a thorough investigation and the proper imposition of accountability. To provide employees several avenues to report illegal or wrongful activities, the Policy allows reporting to any of the following: Head of Human Resources and Organizational Development, Head of Audit, Head of Legal, and employee’s Division Head.

## **Creditors’ Rights**

The Company complies with the debt servicing requirements of the creditors. The Company also ensures that the documentary requirements of the creditors are complete, accurate and submitted on time.

Creditors are regularly provided with financial and operational information about the Company through quarterly and annual investors’ briefings. The Company’s Treasury Head updates the creditors of the Company’s performance on a regular basis and when there is an immediate need. New contracts or agreements for investments, loan availments, asset disposals, mergers and acquisitions, etc. are reviewed by the Company’s Legal Department in order to determine if certain provisions may violate existing loan covenants. In cases when certain covenants will be breached, the Treasury seeks the consent of creditors to undertake the new initiative or when appropriate, negotiate with counter parties to remove/modify provisions that may have a consequence of breaching any loan covenants.

## **Interaction with Community**

The ABS-CBN Lingkod Kapamilya Foundation, Inc. was established to become a holistic community builder. “Bantay Bata,” a child protection and welfare organization cited by the United Nations Convention on the Rights of the Child, responds to thousands of hotline calls and handles hundreds of rescue causes. The program also provides scholarships and conducts feeding programs. As the term

implies, “BantayKalikasan” is engaged in environmental protection through policy formulation assistance, reforestation, river system rehabilitation and ecotourism promotion. “Operation Sagip” is involved in relief operations and rehabilitation after a natural or man-made disaster. It also trains schools and communities in disaster risk reduction.

Programa Genio is involved in curriculum enhancement, teacher training and learning resource development in public schools BayaniJuan manages a 107- hectare resettlement community in Calauan, Laguna for families affected by the rehabilitation of the Pasig River and typhoon Ondoy.

Kapit Bisig Para sa ilog Pasig (KBPIP), in partnership with the Pasig River Rehabilitation Commission (PRRC) is heavily involved in the rehabilitation of the Pasig River. Together, they have collected over 70 tons of garbage in 10 GI and KBPIP areas, engaged 6,398 volunteers, and completed 1,270 linear meters of estero rehabilitation.

The Company sends representatives to meetings, hearings and public consultations on various issues conducted by the barangay. The Company also requests for barangay clearance/permit for tapings, production shootings, and use of sidewalks as parking area during stockholders’ meetings, trade events, program launchings, awarding ceremonies, etc. Every year, the Company requests as well for issuance of community tax certificates to employees.

The Company submits incident reports to the barangay in relation to accidents, robbery, illegal parking, illegal vendors, violation of tricycle drivers and establishment. In addition, the Company supports the barangay on its information drive by covering barangay related activities.

## RISK MANAGEMENT

ABS-CBN’s Board of Directors and management are mindful of the potential impact of various risks to the Company’s ability to deliver quality content across multiple platforms and consequently, as a result of its operations, value to shareholders. In 2009, the Audit Committee of the Board of Directors provided oversight on Enterprise Risk Management.

In 2010, the newly created Risk Management Committee assumed this responsibility. At the same time, the Board of Directors of the Company approved the appointment of a Chief Risk Management Officer, reporting directly to the Board of Directors. In November 2012, the Board of Directors approved the appointment of Mr. Raymund Martin T. Miranda as Chief Risk Management Officer concurrent with his role as Chief Strategy Officer of ABS-CBN. As Chief Risk Management Officer, he will continue to provide the overall leadership, vision and direction for enterprise risk management by continuing to establish and implement an integrated risk management framework that covers all aspects of risk across the Company’s organization, and improve the Company’s risk management readiness.

The Company’s corporate strategy formulation and business decision-making processes always take into account potential risks and the steps and costs necessary to minimize, if not eliminate, such risks. As part of its stewardship responsibility and commitment to deliver optimum value to its stakeholders, ABS-CBN ensures that it has the proper control systems in place, and to the extent possible, adopted global best practices, to identify and assess, analyze and mitigate market, operating, financial, regulatory, community, reputational, and other risks. The formal identification of the control systems is currently being undertaken. The Company contracted SGV (a member firm of Ernst and Young) to assist in the development of an ERM Framework and Program.

## **Key Risk Factors**

### *Risk Relating to the Business of the Company*

- The Company operates in an increasingly competitive industry whose dynamics are changing with technological advancements;
- A decrease in the overall spending on advertising airtime could adversely affect the Company's results;
- If the Company loses some of its key advertisers, it could lose a significant amount of its revenues;
- Because a high percentage of the Company's operating expenses are fixed, a relatively small decrease in advertising revenue could have a significant negative impact on the Company's financial results; and
- The regulatory environment, government policies and economic factors could influence the growth and profitability of the Company.

### *Risk Relating to the Philippines*

- The Philippine economy and business environment may be disrupted by political or social instability;
- Territorial disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment;
- Any future political or social instability in the country could adversely affect the business operations and financial condition of the Company; and
- Occurrence of natural disasters may adversely affect the business of the Company.

The Company's results of operations may be negatively affected by adverse economic conditions in the Philippines and abroad since its operations depend on its ability to sell airtime for advertising, to sell various goods and services, and to collect subscription fees from its subscribers. Historically, the advertising industry, relative to other industries, has been particularly sensitive to the general condition of the economy. In addition, the ability of consumers to pay for the Company's services or goods depends on their disposable income at any given time. Consequently, the Company's business may be affected by the economic condition of the country and of the territories where it conducts its business.

## **Disclosures and Financial Reporting**

ABS-CBN's financial statements comply with Philippine Accounting Standards and Philippine Financial Reporting Standards that in turn conform with International Accounting Standards.

The annual consolidated financial statements provide information on the financial condition and results of operations of the businesses of ABS-CBN and its subsidiaries. These financial statements include detailed information on the total assets, total liabilities and shareholders' equity, revenues, costs and expenses, operating income and income before tax, net income attributable to shareholders of ABS-CBN and minority interest, earnings per share, and EBITDA.

Business segment information is likewise provided for major business categories and includes information such as revenues, operating and net income, assets and liabilities, capital expenditures and depreciation and amortization expenses.

## **Dealings in Company Shares**

ABS-CBN requires all members of the Board of Directors and principal officers to report any purchase, sale or change in their shareholdings of the Company's common shares or Philippine Deposit Receipts within 5 trading days, in compliance with the PSE's requirement for such disclosure.

## **SHAREHOLDERS' RIGHTS**

The Company respects the rights of the stockholders as provided in the Corporation Code; namely:

1. Right to vote on all matters that require their consent or approval;
2. Pre-emptive rights;
3. Power of inspection;
4. Right to dividends; and
5. Appraisal rights.

The shareholders, as a whole, have the right to receive timely and transparent information about the Company as may be required by laws or rules of the Philippine Stock Exchange.

### **Right to Nominate Candidates for Board of Directors**

The By-Laws of the Company allows all stockholders, including minority shareholders, the right to nominate candidates for the Board of Directors.

### **Conduct of Stockholders' Meeting**

Shareholders, including institutional shareholders, are encouraged to attend stockholders' meetings. A written or printed notice of the annual meeting is delivered to each shareholder not less than 21 days before the date of the meeting. Any stockholder entitled to vote may be represented at any regular or special meeting of stockholders by a duly executed proxy. Proxies should be in writing, properly signed and witnessed by one party. The written proxy shall be filed with the Office of the Corporate Secretary of the Company not later than ten (10) calendar days prior to the scheduled stockholders meeting.

Details of attendance of shareholders, results of voting, and the results of annual/special stockholders meetings' resolutions are disclosed in the Annual Corporate Governance Report.

## **INVESTOR RELATIONS**

ABS-CBN fully respects shareholder rights and complies with regulatory and legal requirements that enforce and ensure that such rights are respected. These requirements include due and proper notification for general meetings and provision of adequate, transparent and timely information due shareholders.

As a publicly listed corporation, ABS-CBN is subject to reporting requirements prescribed by regulatory authorities, including the SEC and the PSE, among others. ABS-CBN is compliant in submitting timely structured and non-structured reports and disclosure filing required by the SEC and the PSE.

To complement these disclosures, ABS-CBN's Investor Relations group also holds regular analyst and press briefings coincident with its quarterly and annual report submissions that further explain, elaborate on and contextualize the Company's operating performance and financial condition and results. ABS-CBN's Chief Finance Officer, the Head of Treasury, and the Head of Investor Relations are always present at these investor, analyst and press briefings to address any questions that may be raised concerning the Company's operating and financial results.

In addition, ABS-CBN's Chief Finance Officer, Head of Treasury, and its Head of Investor Relations, meet with representatives of institutional investors and investment funds upon request and at various investor conferences throughout the year for more intimate and detailed discussions about the Company's businesses, operating and financial results, business prospects and long-term plans.

Inquiries from institutional and individual investors received by regular or electronic mail are also duly acknowledged and addressed in a timely and transparent manner.

ABS-CBN maintains an investor relations website that contains information on the history and businesses of the company, its Board of Directors and senior management executives, financial information and reports and disclosures filed with the SEC and the PSE, share price performance and dividend history, and investor relations contact information.

The contact details (e.g. telephone and email) of the office responsible for investor relations are provided the ABS-CBN Investor Relations website – <http://ir.abs-cbn.com>.

## **PART V – EXHIBITS and SCHEDULES**

### **1. Exhibits and Reports on SEC Form 17-C**

**Annex A:** Management's Discussion & Analysis of Financial Condition and Results of Operations for the Years Ended December 31, 2017, 2016 and 2015.

**Annex B:** Audited Consolidated Financial Statements

## **SIGNATURES**

## ANNEX A

### MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of ABS-CBN Corporation and Subsidiaries' ("ABS-CBN" or the "Company") financial performance for the years ended December 31, 2017, 2016 and 2015.

All values are presented in Philippine Peso and are rounded to the nearest millions, except when otherwise indicated.

#### FOR THE YEAR ENDED DECEMBER 31, 2017

The table below summarizes the results of operations for the years 2017 and 2016.

	2017	2016	Variance	
			Amount	%
<b>Consolidated Revenues</b>	<b>₱40,698</b>	<b>₱41,630</b>	<b>(₱932)</b>	<b>(2.2)</b>
Advertising Revenues	21,098	23,650	(2,552)	(10.8)
Consumer Sales	19,600	17,980	1,620	9.0
<i>Sale of Services</i>	16,643	15,877	766	4.8
<i>Sale of Goods</i>	2,624	1,966	658	33.5
<i>Others</i>	333	137	196	143.1
<b>Costs and Expenses</b>	<b>36,573</b>	<b>36,690</b>	<b>117</b>	<b>0.3%</b>
Production Costs	11,834	12,012	(178)	(1.5)
Cost of Sales and Services	12,822	12,017	805	6.7
General and Administrative Expenses (GAEX)	11,917	12,661	(744)	(5.9)
<b>Financial Costs – net</b>	<b>800</b>	<b>726</b>	<b>74</b>	<b>10.2</b>
<b>Equity in Net Loss of Associates and Joint Ventures</b>	<b>5</b>	<b>1</b>	<b>4</b>	<b>(400)</b>
<b>Other Income – net</b>	<b>(615)</b>	<b>(467)</b>	<b>148</b>	<b>31.7</b>
<b>Net Income</b>	<b>₱3,163</b>	<b>₱3,525</b>	<b>(₱362)</b>	<b>(10.3)</b>
<b>EBITDA</b>	<b>₱9,626</b>	<b>₱9,853</b>	<b>(₱299)</b>	<b>(2.3)</b>

#### Consolidated Revenues

For the year ended December 31, 2017, ABS-CBN generated consolidated revenues of ₱40.7 billion from advertising and consumer sales, ₱932.0 million or 2.2% lower year-on-year.

Advertising revenues decreased by ₱2.55 billion or 10.8% lower year-on-year attributable to election related advertising placements from the first half of 2016. Excluding election related placements, advertising revenues for 2017 is only down by ₱61 million or 0.3% lower year-on-year. Consumer sales increased by ₱1.62 billion mainly resulting from the sale of ABS-CBN TVPlus and higher revenues from Sky Cable's broadband and direct to home business.

Comparative revenue mix is as follows:

	2017	2016
Advertising revenues	52%	57%
Consumer sales	48%	43%

### **Consolidated Costs and Expenses**

Direct costs and expenses amounted to ₱36.57 billion in 2017, lower by ₱117 million compared 2016.

Production cost decreased by ₱178 million or 1.5%. The movement was due to the decline in program related expenses by ₱227 million as a result of savings in rentals, specifically, technical and production equipment. Another contributor to the decline was licenses and royalties of program rights which declined by ₱140 million. There was however, an increase in depreciation and film rights amortization of ₱264 million as a result of technical equipment and program rights acquisitions.

Cost of sales and services increased by ₱805 million or 6.7% in 2017. The increase is significantly attributable to the sale of ABS-CBN TVPlus. Boxes sold in 2017 reached 2.0 million, which was 53.5% higher or 702 thousand more boxes compared to 2016. As of December 31, 2017, total boxes sold have reached 4.3 million.

GAEX decreased by ₱744 million or 5.9% compared to the previous year. The decline is attributable mainly to employee related expenses which decreased by 9.4%.

### **Net Income and EBITDA**

The Company generated ₱3.2 billion net income, with EBITDA of ₱9.6 billion for the year ended December 31, 2017.

### **Business Segments**

For management purposes, the Company categorizes its operations into the following reportable businesses: (i) Media Networks & Studio Entertainment, (ii) Cable, Satellite & Broadband, (iii) Digital & Interactive Media and (iv) Consumer Products & Live xperience. This segmentation is the basis upon which the Company measures its business operations.

	<b><u>Media Network &amp; Studio Entertainment</u></b> <ul style="list-style-type: none"><li>- Entertainment</li><li>- News</li><li>- Global</li><li>- Film &amp; Music</li><li>- Radio</li><li>- DTT</li><li>- Sports</li><li>- Cable Networks</li><li>- Publishing</li></ul>
	<b><u>Cable, Satellite &amp; Broadband</u></b> <ul style="list-style-type: none"><li>- Pay TV (Cable &amp; Satellite)</li><li>- Broadband</li></ul>

	<p><b><u>Digital &amp; Interactive Media</u></b></p> <ul style="list-style-type: none"> <li>- Online</li> <li>- Mobile</li> <li>- Over-the-top</li> </ul>
	<p><b><u>Consumer Products &amp; Experiences</u></b></p> <ul style="list-style-type: none"> <li>- Live events</li> <li>- Themepark</li> <li>- Home shopping</li> <li>- ABS-CBN store</li> <li>- Licensing &amp; merchandising</li> </ul>

The following analysis presents results of operations of the Company's business segments for the year ended December 31, 2017:

Segment	Operating Revenue		Net Income	
	2016	2017	2016	2017
Media Network & Studio Entertainment	₱31,315	₱29,471	₱4,108	₱3,564
Cable, Satellite & Broadband	8,761	9,118	70	123
Digital & Interactive Media	671	1,220	(634)	(441)
Consumer Product & Experience	883	889	(19)	(82)

#### A. Media Networks & Studio Entertainment

ABS-CBN channels (Channel 2, Sports & Action, Cinemo, Yey, Knowledge Channel and Teleradyo) led in national audience share and ratings. Overall audience share was at 53.2% for the year 2017. ABS-CBN programs continuously filled out the Top 10 highest rating programs in 2017, which was led by the top rating program and long running telenovela "Ang Probinsyano" with an average national TV rating of 38.6%. "Your Face Sounds Familiar Kids", "The Voice Teens", "La Luna Sangre", "Wansapanataym", "Maalaala Mo Kaya", and "Little Big Shots" were also included in the Top 10 programs.

Aside from the top programs mentioned above, ABS-CBN's TV Patrol and Umagang Kay Ganda were among the most watched news and current affairs programs with average national ratings of 33.4 and 5.5, respectively.

Revenue from international business increased by ₱210 million or 3.5% year-on-year. The increase in international business was mainly attributable to Global's subscription revenues, which increased by ₱284 million or 6.7%. Program syndication also increased by 37.5% coming from Africa and Latin America. The overall increase in international business was partially offset by the reorganization of Global's remittance business, which had a decline in revenues by ₱131 million or 143.2%.

Film & Music's revenues declined by 0.6% in 2017. During the year, 17 locally produced quality movies added up to Star Cinema's movie library build-up namely: Vince, Kath & James, Extra Service, My Ex and Whys, Northern Lights, Can't Help Falling in Love, Dear Other Self, Can We Still Be Friends, Finally Found Someone, Bloody Crayons, Love You to the Stars and Back, Loving in Tandem, Last Night, Seven Sundays, Unexpectedly Yours, Ghost Bride, The Revenger Squad and, Ang Panday. Total gross receipts generated from these movies reached over ₱2.45 billion.

ABS-CBN TVPlus contributed significant increase in revenues for the entire year with a total of 2.0 million boxes sold, a 53.5% increase or 702 thousand additional boxes sold in comparison to 2016.

## **B. Cable, Satellite & Broadband**

Sky Cable's revenue increased by ₱363 million or 4.1% year-on-year. The increase in Sky Cable's performance was triggered by the increase in direct to home subscribers count by 280 thousand. In total, subscriber count of Sky increased by 243 thousand, moving up to 1.4 million subscribers or 21.7% increase by end of 2017.

## **C. Digital & Interactive Media**

Since the Company's direction is to go digital, various platforms are continuously developed and enhanced to address the rapid digital preference move of the "millennials". This thrust in digital content production in various platforms such as, Push, ABS-CBN Lifestyle, Choose Philippines, Iwant TV, ABS-CBN Exclusives and Entertainment, further drove consumer engagement reflected through increasing monthly active subscribers throughout 2017. Total revenues generated from online platforms amounted to ₱ 660 million in 2017, higher by 95% compared to 2016.

## **D. Consumer Products & Experience**

Kidzania generated ₱524 million in revenues with a total of 339 thousand visitors in 2017.

O-shopping continuously offer new products and promos to assure quality home TV shopping and online experience. It generated ₱840 million in revenues, 2.1% higher in comparison to 2016.

## **Capital Expenditures**

Cash capital expenditures and program rights acquisitions amounted to ₱7.9 billion as of December 31, 2017.

## **Statement of Financial Position Accounts**

As at December 31, 2017, total consolidated assets stood at ₱75.1 billion, 3.3% higher than total assets of ₱72.7 billion as of December 31, 2016.

Shareholders' equity increased to ₱33.7 billion or 6.4% in December 31, 2017 compared to the previous year.

The company's net debt-to-equity ratio was at 0.24x and 0.30x as of December 31, 2017 and December 31, 2016, respectively.

## FOR THE YEAR ENDED DECEMBER 31, 2016

The table below summarizes the results of operations for the years 2016 and 2015.

	2016	2015	Variance	
			Amount	%
<b>Consolidated Revenues</b>	<b>₱41,630</b>	<b>₱38,278</b>	<b>₱3,352</b>	<b>8.8</b>
Advertising Revenues	23,650	21,265	2,385	11.2
Consumer Sales	17,980	17,013	967	5.7
<i>Sale of Services</i>	15,877	15,148	729	4.8
<i>Sale of Goods</i>	1,966	1,734	232	13.4
<i>Others</i>	137	131	6	4.6
<b>Costs and Expenses</b>	<b>36,690</b>	<b>34,686</b>	<b>2,004</b>	<b>5.8</b>
Production Costs	12,012	11,434	578	5.1
Cost of Sales and Services	12,017	11,131	886	8.0
General and Administrative Expenses (GAEX)	12,661	12,121	540	4.5
<b>Financial Costs – net</b>	<b>726</b>	<b>519</b>	<b>207</b>	<b>39.9</b>
<b>Equity in Net Loss (Earnings) of Associates and Joint Ventures</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>
<b>Other Income – net</b>	<b>(467)</b>	<b>(257)</b>	<b>(210)</b>	<b>81.7</b>
<b>Net Income</b>	<b>₱3,525</b>	<b>₱2,545</b>	<b>₱980</b>	<b>38.5</b>
<b>EBITDA</b>	<b>₱9,853</b>	<b>₱7,940</b>	<b>₱1,913</b>	<b>24.1</b>

### Consolidated Revenues

For the year ended December 31, 2016, ABS-CBN generated consolidated revenues of P41.630 billion from advertising and consumer sales, ₱3.352 billion or 8.8% higher year-on-year.

Advertising revenues increased by ₱2.385 billion or 11.2% higher year-on-year attributable to election related advertising placements and increase in overall ratings per program. Consumer sales also increased by ₱967 million mainly resulting from the sale of ABS-CBN TVPlus, higher revenue from Sky Cable's broadband business.

Comparative revenue mix is as follows:

	2016	2015
Advertising revenues	57%	56%
Consumer sales	43%	44%

### **Consolidated Costs and Expenses**

Direct costs and expenses amounted to ₱36.690 billion in 2016, or a 5.8% increase year-on-year.

Production cost increased by ₱578 million or 5.1%. The minimal increase in production cost is mainly attributable to the following costs incurred: (1) ₱100 million from election related expenses, (2) ₱90 million from sports related license fees, (3) ₱210 million from program related expenses and (4) ₱100 million from strategic initiatives for the news and current affairs.

Cost of sales and services increased by ₱886 million or 8.0% which is mainly attributable to the sale of ABS-CBN TVPlus. Facilities related expenses also contributed to the increase in cost of sales and services accounting for 20% of the total growth. In addition, 30% of the total increase is attributable to non-cash expenses primarily because of Global, Kidzania and ABS-CBN Mobile.

GAEX grew by 4.5% or ₱540 million. The minimal growth was because of ₱597 million provision for doubtful accounts, research and survey, outside services and legal and professional fees but was offset by ₱230 million decline in personnel related expenses.

### **Net Income and EBITDA**

The Company generated ₱3.525 billion net income for the year 2016. Net income increased by 38.5% compared to ₱2.545 billion in the previous year. EBITDA reached ₱9.853 billion, a 24.1% increase year-on-year.

### **Business Segments**

For management purposes, the Company categorizes its operations into the following reportable businesses: TV and Studio, Cable and Satellite and New Businesses. This segmentation is the basis upon which the Company measures its business operations.

	<p><b><u>TV and Studio</u></b> TV and studio segment is composed of broadcast, global operations, film and music production, cable channels, and publishing. Local and global content creation and distribution through television and radio broadcasting are included in this segment.</p>
	<p><b><u>Cable and Satellite</u></b> Pay TV networks include cable television services of Sky Cable and its subsidiaries in Metro Manila and in certain provincial areas in the Philippines. It offers postpaid and prepaid packages as well as a la carte programming, broadband, internet phone, among others.</p>
	<p><b><u>New Business</u></b> New businesses and initiatives pertain to wireless telecommunications business, digital terrestrial TV, theme parks and home shopping.</p>

The following analysis presents results of operations of the Company's business segments for the period December 31, 2016 and 2015:

#### E. TV and Studio

TV and Studio segment results for the year are as follows:

	Revenues		
	2016	2015	%
Free-to-Air	₱23,967	₱21,314	12.4
Global	5,855	5,976	(2.0)
Films and Music	1,316	1,258	4.6
Others	857	1,020	(16.0)
	<b>₱31,995</b>	<b>₱29,568</b>	<b>8.2</b>

*\*Includes reclassification of 2015 figures for comparative purposes.*

#### **Free-to-Air**

Revenue from the Free-to-Air business grew by ₱2.653 billion or 12.4% compared to previous year. Airtime revenue increased significantly primarily because of the ₱2.264 billion political advertising revenue coupled with 3.4% regular rate increase and 3.7% ratings increase.

Growth is fuelled by ABS-CBN's strength in content creation and programming, which led to ratings leadership. ABS-CBN's Primetime teleseryes remained its high ratings with its line-up of top caliber drama series such as "Ang Probinsyano", "Pangako Sa'yo", "Dolce Amore", and "Magpahanggang Wakas". Weekend programming also remained competitive as "The Voice Kids", "Pilipinas Got Talent", "Dance Kids", and "Pinoy Boyband Superstar" makes it to the top 20 programs in 2016.

With the launch of ABS-CBN's newest and biggest innovation in Philippine TV with ABS-CBN TV Plus in February 2015, TV Plus contributed to the overall increase in revenue with over 1 million boxes sold in 2016 or a total of 2.3 million boxes sold as of end of 2016.

ABS-CBN's Channel 2 led in national audience share and ratings. Channel 2's overall audience share was at 45.0% in December 2016 while the primetime audience share was at 49.0% based on Kantar National TV Audience Measurement. ABS-CBN's primetime lead in December 2016 was sustained by its top rating programs led by "Ang Probinsyano" with average national TV rating of 40.0%, "The Voice Kids", "Pangako Sa'yo", and "Dolce Amore" among others.

Moreover, the top 10 programs in the Philippines were dominated by ABS-CBN.

Rank	Channel	Program	Rating (%)*	
1	ABS-CBN	FPJ's Ang Probinsyano	40.0	Weekday
2	ABS-CBN	The Voice Kids Sunday	38.2	Weekend
3	ABS-CBN	The Voice Kids Saturday	37.0	Weekend
4	ABS-CBN	Pangako Sa'yo	34.3	Weekday
5	ABS-CBN	Dolce Amore	33.8	Weekday
6	ABS-CBN	Pilipinas Got Talent Sunday	32.0	Weekend
7	ABS-CBN	Pilipinas Got Talent Saturday	31.9	Weekend
8	ABS-CBN	Dance Kids Saturday	31.2	Weekend
9	ABS-CBN	Pinoy Boyband Superstar Sunday	30.8	Weekend
10	ABS-CBN	Dance Kids Sunday	30.7	Weekend

\*Source: Kantar Media TV Audience Measurement, Total Philippines, Total Days, January - December 2016

### **Global**

As of December 31, 2016, ABS-CBN Global reached over 3.0 million viewers in over 40 countries across 4 continents worldwide.

Global's primary revenue drivers were as follows:

	Revenues		
	2016	2015	%
Subscription	₱3,942	₱3,607	9.3
Advertising Revenue	600	704	(14.8)
Theatrical and Events	624	713	(12.5)
Remittance	222	347	(36.0)
Others	467	605	(22.8)
	<b>₱5,855</b>	<b>₱5,976</b>	<b>(2.0)</b>

The decline in Global's revenue is primarily attributable the slowdown in its remittance, theatrical and advertising revenues in 2016. The termination of the satellite business also contributed to the decline in the overall revenue potential of Global. However, despite the drop in the said revenues, the subscribers count managed to improve in 2016 year resulting to a 9.4% or ₱335 million increase in subscription revenue.

ABS-CBN Global is consistent in the commitment to touch the lives of Kapamilya overseas and finding new ways outside TV viewing that would allow its customers to be more immersive and interactive. ABS-CBN Global staged the successful "ASAP New York" where round 9,000 Kapamilyas were entertained by over 50 artists.

### **Films and Music**

Total revenue of Films and Music increased 4.6% year-on-year. ABS-CBN Film Productions, Inc. (i.e. "Star Cinema") released 14 films in 2016. *Beauty and the Bestie* and *The Super Parental Guardians (SPG)* generated over ₱500 million box office receipts making it to the list of highest grossing Filipino films. Although SPG was not part of the Metro Manila Film Festival, it still was able to generate ₱600 million from local and international gross receipts. Apart from the titles mentioned above, *Barcelona* and *Unmarried Wife* were also able to generate more than ₱200 million gross receipts.

Comparative cost of sales and services increased by ₱187 million year-on-year due to digital distribution and lower number of co-produced movies year-on-year.

## F. Cable and Satellite

Revenue from Pay TV Network consist of the following:

	Revenues		
	2016	2015	%
Cable	₱5,496	₱5,672	(3.1)
Broadband	2,641	1,646	60.4
Advertising Revenue and Others	804	765	5.1
	<b>₱8,761</b>	<b>₱8,083</b>	<b>8.4</b>

Total revenues grew by ₱678 million or 8.4% year-on year. Broadband revenues increased by 60.4% driven by 45.1% growth in broadband subscriber base. In 2016, Sky introduced its direct-to-home service, which successfully allowed additional 112 thousand subscribers by end of year.

Total costs and expenses increased by 8.2% to ₱8.542 billion. This increase was primarily due to bandwidth, programming and outside services.

## G. New Business

KidZania Manila, an indoor play city where kids can have fun exploring the adult world, officially opened its doors to the public last August 7, 2015. In 2016, Kidzania generated ₱514 million in revenues with over 362 thousand attendance and 66 role-playing establishments with 104 activities.

ABS-CBN*mobile* generated over 930 thousand subscribers by end of 2016. With the continuous improvement and reach of the ABS-CBN mobile, it was able to launch various exclusive programs and activities such as Kapamilya VIP and Pinoy Big Brother PBB Insider.

On the other hand, A CJ O continuously performed well during the year generating average monthly sales of ₱69 million.

## Capital Expenditures

Cash capital expenditures and program rights acquisitions amounted to ₱6.338 billion as of December 31, 2016.

## Statement of Financial Position Accounts

As at December 31, 2016, total consolidated assets stood at ₱72.734 billion, 4.0% higher than total assets of ₱69.944 billion as of December 31, 2015.

Shareholders' equity increased to ₱31.692 billion or 10.4% in December 31, 2016 compared to the previous year. The increase in equity is attributable to net income earned during the year.

The company's net debt-to-equity ratio was at 0.30x and 0.31x as of December 31, 2016 and December 31, 2015, respectively.

## FOR THE YEAR ENDED DECEMBER 31, 2015

The table below summarizes the results of operations for the years 2015 and 2014.

	2015	2014	Variance	
			Amount	%
<b>Consolidated Revenues</b>	<b>₱38,278</b>	<b>₱33,544</b>	<b>₱4,734</b>	<b>14.1</b>
Advertising Revenues	21,265	18,880	2,385	12.6
Consumer Sales	17,013	14,664	2,349	16.0
Sale of Services	15,148	14,173	975	6.9
Sale of Goods	1,734	352	1,382	392.6
Others	131	139	(8)	(5.8)
<b>Costs and Expenses</b>	<b>34,686</b>	<b>30,369</b>	<b>4,317</b>	<b>14.2</b>
Production Costs	11,434	11,008	426	3.9
Cost of Sales and Services	11,131	9,247	1,884	20.4
General and Administrative Expenses (GAEX)	12,121	10,114	2,007	19.8
<b>Financial Costs – net</b>	<b>519</b>	<b>1,043</b>	<b>(524)</b>	<b>(50.2)</b>
<b>Equity in Net Loss (Earnings) of Associates and Joint Ventures</b>	<b>1</b>	<b>(3)</b>	<b>4</b>	<b>(133.3)</b>
<b>Other Income – net</b>	<b>(257)</b>	<b>(652)</b>	<b>395</b>	<b>(60.6)</b>
<b>Net Income</b>	<b>₱2,545</b>	<b>₱2,030</b>	<b>₱515</b>	<b>25.4</b>
<b>EBITDA</b>	<b>₱7,940</b>	<b>₱7,476</b>	<b>₱464</b>	<b>6.2</b>

### Consolidated Revenues

For the year ended December 31, 2015, ABS-CBN generated consolidated revenues of P38.278 billion from advertising and consumer sales, ₱4.734 billion or 14.1% higher year-on-year.

Advertising revenues increased by ₱2.385 billion or 12.6% higher year-on-year. Consumer sales also increased by ₱2.349 billion resulting from the sale of ABS-CBN TVPlus, strong performance of Global's theatrical and remittance business and higher revenue from Sky Cable's broadband business.

Comparative revenue mix is as follows:

	2015	2014
Advertising revenues	56%	56%
Consumer sales	44%	44%

### Consolidated Costs and Expenses

Direct costs and expenses amounted to ₱34.686 billion in 2015, or a 14.2% increase year-on-year.

Production cost increased by ₱426 million or 3.9%. Personnel expenses and talent fees contributed 2.1% increase year-on-year. Increase in other cash expenses is mainly attributable to facilities-related expenses and licenses during the year, while non-cash expenses such as depreciation and amortization increased by 2.9%.

Cost of sales and services increased by ₱1.884 billion or 20.4% which is attributable to ABS-CBN TVPlus. Cost of services also increased in line with the increase in Sky Cable's programming and bandwidth costs. In addition, Global's cost of services increased due to higher transaction and events cost.

GAEX grew by 19.8% or ₱2.007 billion. The Company's personnel related expenses contributed to the increase in GAEX during the year while non-cash related expenses decreased by 4.1%.

**Net Income and EBITDA**

The Company generated ₱2.545 billion net income for the year 2015. Net income increased by 25.4% compared to ₱2.030 billion in the previous year. EBITDA reached ₱7.940 billion, a 6.2% increase year-on-year.

**Business Segments**

For management purposes, the Company categorizes its operations into the following reportable businesses: TV and Studio, Pay TV Networks and New Businesses. This segmentation is the basis upon which the Company measures its business operations.

	<p><b><u>TV and Studio</u></b>          TV and studio segment is composed of broadcast, global operations, film and music production, cable channels, and publishing. Local and global content creation and distribution through television and radio broadcasting are included in this segment.</p>
	<p><b><u>Cable and Satellite</u></b>          Pay TV networks include cable television services of Sky Cable and its subsidiaries in Metro Manila and in certain provincial areas in the Philippines. It offers postpaid and prepaid packages as well as a la carte programming, broadband, internet phone, among others.</p>
	<p><b><u>New Business</u></b>          New businesses and initiatives pertain to wireless telecommunications business, digital terrestrial TV, theme parks and home shopping.</p>

The following analysis presents results of operations of the Company’s business segments for the period December 31, 2015 and 2014:

## H. TV and Studio

TV and Studio segment results for the year are as follows:

	Revenues		
	2015	2014	%
Free-to-Air	₱19,675	₱17,092	15.1
Global	5,976	5,651	5.8
Films and Music	1,282	1,161	10.4
Narrowcast	1,412	1,265	11.6
Others	2,709	2,278	18.9
	<b>₱31,054</b>	<b>₱27,447</b>	<b>13.1</b>

*Includes reclassification of 2014 figures for comparative purposes and excludes ABS Mobile TVCs*

### **Free-to-Air**

Revenue from the Free-to-Air business grew by ₱2.583 billion or 15.1% compared to previous year. Airtime revenue increased significantly in Channel 2 and Regional Network with year-on-year increase of 13.0% and 39.0%, respectively.

Growth is fuelled by ABS-CBN's strength in content creation and programming which led to ratings leadership. ABS-CBN's Primetime Bida remained undisputed with its line-up of top caliber drama series such as "Ang Probinsyano", "Pangako Sa'yo", "On the Wings of Love", and "Pasion de Amor".

ABS-CBN continued to dominate weekend programming as "The Voice Kids" and "Your Face Sounds Familiar" makes it to the list of most watched TV programs in the country.

ABS-CBN's Channel 2 led in national audience share and ratings. Channel 2's overall audience share was at 43.0% in December 2015 while the primetime audience share was at 48.6% based on Kantar National TV Audience Measurement. ABS-CBN's primetime lead in December 2015 was sustained by its top rating programs led by "Ang Probinsyano" with average national TV rating of 39.6% while the afternoon block remained strong with "Doble Kara" and "Nasan Ka Nang Kailangan Kita" registering 14.7% and 13.9% in ratings, respectively:

Rank	Channel	Program	Rating (%)*	
1	ABS-CBN	The Voice Kids Sunday	42.7	Weekend
2	ABS-CBN	The Voice Kids Saturday	40.8	Weekend
3	ABS-CBN	FPJ's Ang Probinsyano	39.6	Weekday
4	ABS-CBN	Nathaniel	34.6	Weekday
5	ABS-CBN	Pangako Sa'Yo	33.8	Weekday
6	ABS-CBN	Boses ng Bulilit, Muling Bibirit	32.8	Weekend
7	ABS-CBN	Dance Kids Saturday	31.6	Weekend
8	ABS-CBN	Dance Kids Sunday	31.0	Weekend
9	ABS-CBN	MMK Ang Tahanan Mo	30.7	Weekday
10	ABS-CBN	Dream Dad	29.9	Weekend

*\*Source: Kantar Media TV Audience Measurement, Total Philippines, Total Days, January - December 2015*

### **Global**

As of December 31, 2015, ABS-CBN Global reached over 3.0 million viewers in over 40 countries across 4 continents worldwide, 8.5% higher than previous year. 53.1% of Global viewers were in North America while 40.5% were in the Middle East.

Global's primary revenue drivers were as follows:

	Revenues		
	2015	2014	%
Subscription	₱3,607	₱3,475	3.8
Advertising Revenue	704	581	21.2
Theatrical and Events	713	467	52.7
Remittance	347	305	13.8
Others	605	823	(26.5)
	<b>₱5,976</b>	<b>₱5,651</b>	<b>5.8%</b>

Global revenue increased by 5.8% as a result of higher earnings from theatrical and events which increased by ₱246 million compared to the previous year. During the year, Global released 12 movies from Star Cinema, with *The Love Affair* ranking as the highest-grossing internationally released film as of date. For events, ABS-CBN and TFC mounted the ASAP 20 Live in London last September 2015 with almost 10,000 Filipinos in attendance.

In line with the increase in total subscriber count, subscription related revenue increased by ₱132 million or 3.8% compared to previous year. Also, the significant increase in volume of remittance transactions during the year triggered the increase in remittance revenue of 13.8%.

#### **Films and Music**

Total revenue of Films and Music increased 10.4% year-on-year. ABS-CBN Film Productions, Inc. (i.e. "Star Cinema") released 14 films. *The Amazing Praybeyt Benjamin 2* and *A Second Chance* generated over ₱450 million box office receipts making it to the list of highest grossing Filipino films. *A Second Chance* is also the highest grossing non-Metro Manila Film Fest Filipino film of all time. Four films namely, *Feng Shui*, *Crazy Beautiful You* and *You're My Boss* generated more than ₱200 million gross receipts. Gross receipts in 2015 is 3.7% higher than gross receipts of previous year considering that more movies were released in 2014.

Comparative cost of sales and services increased by 3.1% year-on-year due to more quality films produced in and lower number year-on-year of movies that are co-produced.

#### **Narrowcast**

Total revenues of narrowcast increased by ₱147 million or 11.6%. Significant increase in revenues is fuelled by the theatrical release of Cinema One Original movie *That Thing Called Tadhana* with over ₱135 million gross receipts. ABS-CBN Publishing, Inc. also released bestselling books namely *Stupid is Forever*, *Stupid is Forevermore* and *Dear Alex* which contributed to the increase in revenues.

## I. Pay TV Networks

Revenue from Pay TV Network consist of the following:

	Revenues		
	2015	2014	%
Cable	₱5,672	₱5,661	0.0
Broadband	1,646	1,264	30.2
Advertising Revenue and Others	765	839	(8.8)
	<b>₱8,083</b>	<b>₱7,764</b>	<b>4.1</b>

Total revenues grew by ₱319 million or 4.1% year-on year. Broadband revenues increased by 30.2% driven by 44.4% growth in broadband subscriber base. Pay-per view revenue doubled in 2015 mainly from the Pacquiao-Mayweather which is the highest pay-per view event to date.

Total costs and expenses increased by 7.3% to ₱7.898 billion. This increase was caused by growth in programming and bandwidth costs of 3.8%.

## J. New Business

KidZania Manila, an indoor play city where kids can have fun exploring the adult world, officially opened its doors to the public last August 7, 2015. Since opening, KidZania has welcomed over 200,000 visitors generating ₱239 million revenues in a span of five months.

In February 2015, ABS-CBN Corporation launched its newest and biggest innovation on Philippine TV with ABS-CBN TVplus. Total sell-in of set-top boxes for digital terrestrial TV reached over 800 thousand boxes as of December 31, 2015.

ABS-CBN*mobile* being the first mobile phone service to offer exclusive content never before seen on TV launched its StarFlix service last August 2015. “Must date the Playboy” was the first offer of StarFlix which featured the best and most popular artists of ABS-CBN. Average revenue per user (ARPU) ended at ₱95 as at December 31, 2015 from an ARPU of ₱42 at the start of the year.

On the other hand, A CJ O continuously performed well during the year generating average monthly sales of ₱56 million.

## Capital Expenditures

Cash capital expenditures and program rights acquisitions amounted to ₱5.3 billion as of December 31, 2015.

## Statement of Financial Position Accounts

As at December 31, 2015, total consolidated assets stood at ₱69.9 billion, 4.0% higher than total assets of ₱67.2 billion as of December 31, 2014.

Shareholders' equity increased to ₱28.7 billion or 6.8% in December 31, 2015 compared to the previous year. The increase in equity is attributable to net income earned during the year.

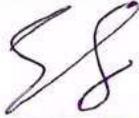
The company's net debt-to-equity ratio was at 0.31x and 0.26x as of December 31, 2015 and December 31, 2014, respectively.

## **ANNEX B**

- I. STATEMENT OF MANAGEMENT RESPONSIBILITY ON THE FINANCIAL STATEMENTS
- II. AUDITED FINANCIAL STATEMENTS
- III. ADDITIONAL COMPONENTS OF FINANCIAL STATEMENTS

**SIGNATURES**

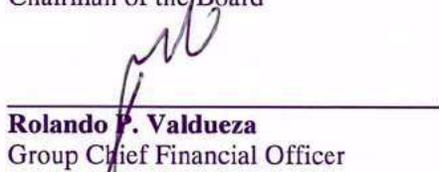
Pursuant to the requirement of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_ on \_\_\_\_\_.



**Eugenio L. Lopez III**  
Chairman of the Board



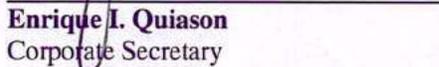
**Carlo L. Katigbak**  
President & CEO



**Rolando P. Valdueza**  
Group Chief Financial Officer



**Aldrin M. Cerrado**  
Chief Financial Officer



**Enrique I. Quiason**  
Corporate Secretary

Signed this 7<sup>th</sup> day of MARCH, 2018

SUBSCRIBED AND SWORN to me before this \_\_\_\_\_ day of MAR 21 2018. Affiants exhibiting to me their Passports, as follows:

<u>NAMES</u>	<u>PASSPORT NO.</u>	<u>DATE OF EXPIRY</u>	<u>PLACE OF ISSUE</u>
Eugenio L. Lopez III	EB8352063	07 Jun 2018	DFA, Manila
Carlo L. Katigbak	EC6618200	26 Jan 2021	DFA, Manila
Rolando P. Valdueza	EB9244017	26 Sep 2018	DFA, Manila
Aldrin M. Cerrado	EC0845195	13 Apr 2019	DFA, Manila

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Page No.: 68  
Book No.: I  
Series of: 2018



**ANNE JANELLE O. YU**  
Commission No. 345  
Notary Public for Quezon City  
Until December 31, 2018  
4/F, ELJ Communications Center  
Eugenio Lopez Drive, Quezon City  
Roll No. 64403  
PTR No. 5521825/01.04.2018/Quezon City  
IBP Lifetime Roll No. 018542/01.10.2018/Makati  
MCLE Compliance No. V-0015285/03.08.2016



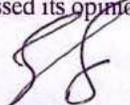
# ABS-CBN CORPORATION

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

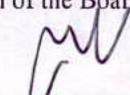
The management of **ABS-CBN Corporation and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2017, 2016 and 2015, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders for the period December 31, 2017 and 2016, respectively, has examined the consolidated financial statements of the Company 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 examination.

  
\_\_\_\_\_  
**Eugenio L. Lopez III**  
Chairman of the Board

  
\_\_\_\_\_  
**Carlo L. Katigbak**  
President & CEO

  
\_\_\_\_\_  
**Rolando P. Valdueza**  
Group Chief Financial Officer

  
\_\_\_\_\_  
**Aldrin M. Cerrado**  
Chief Financial Officer

Signed this 21 day of MARCH, 2018

SUBSCRIBED AND SWORN to me before this 21 day of MAR 21 2018. Affiants exhibiting to me their Passports, as follows:

<u>NAMES</u>	<u>PASSPORT NO.</u>	<u>DATE OF EXPIRY</u>	<u>PLACE OF ISSUE</u>
Eugenio L. Lopez III	EB8352063	07 Jun 2018	DFA, Manila
Carlo L. Katigbak	EC6618200	26 Jan 2021	DFA, Manila
Rolando P. Valdueza	EB9244017	26 Sep 2018	DFA, Manila
Aldrin M. Cerrado	EC0845195	13 Apr 2019	DFA, Manila

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Roll No. 64403  
PTR No. 5521825/01.04.2018/Quezon City  
IBP Lifetime Roll No. 018542/01.10.2018/Makati  
MCLE Compliance No. V-0015245/03.08.2016



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
ABS-CBN Corporation  
ABS-CBN Broadcast Center  
Sgt. Esguerra Ave. corner Mother Ignacia Street  
Quezon City

### Opinion

We have audited the consolidated financial statements of ABS-CBN Corporation and Subsidiaries (collectively referred to as "the Company"), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of income, 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 Company 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 Company 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 in the following section, 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.

#### Revenue Recognition

The Company derives a significant portion of its revenue from advertising, which comprise 51% of the consolidated revenue for the year ended December 31, 2017. This matter is significant to our audit because, in addition to the magnitude of the amount, the airtime revenue process is highly-automated and the amounts recognized depend on the calculated rates using a pricing scheme where billings are based on the actual ratings when the advertisements were aired and, hence, results in variations in airtime billings. The Company's policy on airtime revenue recognition is disclosed in Note 2 to the consolidated financial statements.

#### *Audit response*

We updated our understanding of the airtime revenue process and tested the relevant controls. We involved our specialist in our evaluation of the information technology general controls of the relevant systems. For selected sample billings, we tested the airtime rates by comparing the television ratings used against third-party television ratings reports and recomputed the billed amounts.

#### Recoverability of Goodwill and Other Intangible Assets with Indefinite Useful Lives

Under PFRSs, the Company is required to annually test the amount of goodwill and other intangible assets with indefinite useful lives for impairment. As at December 31, 2017, the Company's goodwill attributable to Sky Cable Corporation, Sapiientis Holdings, Inc., Columbus Technologies, Inc., ABS-CBN Convergence, Inc. and ABS-CBN International and other intangible assets with indefinite useful lives amounted to ₱8,040 million, which are considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions, specifically revenue growth and gross margins in its cable subscription, broadcasting, broadband and mobile businesses, and discount rates and weighted average cost of capital, which were applied to the cash flow forecasts.

The Company's disclosures about goodwill and other intangible assets with indefinite useful lives are included in Note 3 to the consolidated financial statements.

#### *Audit response*

We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include revenue growth and gross margins in its cable subscription, broadcasting, broadband and mobile businesses, and discount rates and weighted average cost of capital. We compared the key assumptions used, such as revenue growth rate against the historical performance of the CGU, industry/market outlook and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Company's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and other intangible assets with indefinite useful lives.

Date

APR 06 2018

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### Recoverability of Deferred Tax Assets

The analysis of the recoverability of deferred tax assets of material subsidiaries was significant to our audit because the assessment process is complex and judgmental, and is based on assumptions that are affected by expected future market or economic conditions and the expected performance of these subsidiaries.

The disclosures in relation to deferred income taxes are included in Note 29 to the consolidated financial statements.

#### *Audit response*

We reviewed management's assessments of the availability of future taxable income from significant subsidiaries operating at net losses. We reviewed management's five-year financial forecasts on these subsidiaries with reference to the entities' current performance, future plans for the business and tax planning strategies. In addition, we reviewed the assumptions used in the financial forecasts, evaluation of which was performed during the recoverability testing for goodwill and other intangible assets with indefinite useful lives. We checked the reconciling items considered in computing the forecasted taxable income with reference to prior years' reconciling items and their expected timing of reversal.

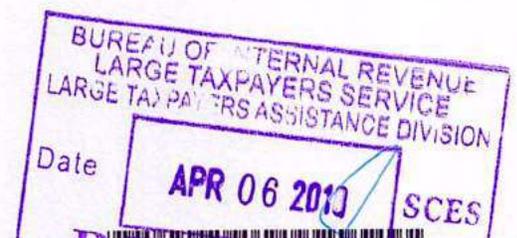
### Provision and Contingencies

The Company is involved in legal proceedings and tax assessments. This matter is significant to our audit because the determination of whether any provision should be recognized and the estimation of the potential liability resulting from these assessments require significant judgment by management. The inherent uncertainty over the outcome of these matters is brought about by the differences in the interpretation and implementation of the relevant laws and regulations.

The Company's disclosures about provisions and contingencies are included in Note 36 to the consolidated financial statements.

#### *Audit response*

Our procedures focused on the evaluation of the management's assessment on whether any provision for contingencies should be recognized and the estimation of such amount. We involved our internal specialist in the evaluation of management's assessment on whether any provision for contingencies should be recognized, and the estimation of such amount. We discussed with management the status of the claims and/or assessments, and obtained correspondences with the relevant authorities and opinions from the external legal/tax counsels. We evaluated the position of the Company by considering the relevant laws, rulings and jurisprudence.



**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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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 Company 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 Catherine E. Lopez.

SYCIP GORRES VELAYO & CO.

*Catherine E. Lopez*

Catherine E. Lopez

Partner

CPA Certificate No. 86447

SEC Accreditation No. 0468-AR-3 (Group A),

May 1, 2016, valid until May 1, 2019

Tax Identification No. 102-085-895

BIR Accreditation No. 08-001998-65-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 6621274, January 9, 2018, Makati City

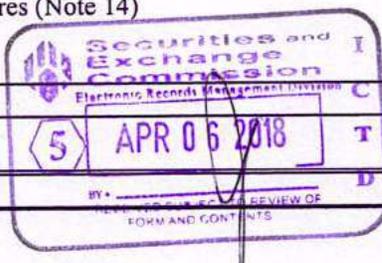
February 22, 2018



**ABS-CBN CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Amounts in Thousands)

	December 31	
	2017	2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 6)	P12,346,556	P10,964,524
Short-term investments (Note 6)	1,358,429	3,065,793
Trade and other receivables (Notes 7 and 23)	10,630,014	10,204,118
Inventories (Note 8)	508,721	349,821
Program rights and other intangible assets (Note 12)	1,137,234	1,067,144
Other current assets (Note 9)	5,062,390	4,141,388
<b>Total Current Assets</b>	<b>31,043,344</b>	<b>29,792,788</b>
<b>Noncurrent Assets</b>		
Property and equipment (Notes 10, 18 and 31)	25,700,997	24,509,980
Program rights and other intangible assets - net of current portion (Note 12)	7,707,460	7,215,644
Goodwill (Note 16)	5,473,725	5,314,677
Available-for-sale (AFS) investments (Note 13)	242,743	210,219
Investment properties (Notes 11 and 18)	200,740	202,114
Investments in associates and joint ventures (Note 14)	524,953	530,005
Deferred tax assets (Note 29)	2,462,942	2,498,677
Other noncurrent assets (Note 15)	1,768,425	2,459,848
<b>Total Noncurrent Assets</b>	<b>44,081,985</b>	<b>42,941,164</b>
<b>TOTAL ASSETS</b>	<b>P75,125,329</b>	<b>P72,733,952</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Notes 4, 17, 23 and 30)	P13,272,821	P13,648,504
Income tax payable	263,329	277,239
Obligations for program rights (Note 19)	349,736	439,316
Interest-bearing loans and borrowings (Notes 10, 11 and 18)	350,678	354,950
<b>Total Current Liabilities</b>	<b>14,236,564</b>	<b>14,720,009</b>
<b>Noncurrent Liabilities</b>		
Interest-bearing loans and borrowings - net of current portion (Notes 10, 11 and 18)	20,036,027	20,117,273
Obligations for program rights - net of current portion (Note 19)	554,657	660,667
Accrued pension obligation and other employee benefits (Note 30)	5,757,944	4,906,236
Deferred tax liability (Note 29)	138,271	138,271
Convertible note (Note 20)	205,380	221,063
Other noncurrent liabilities (Note 21)	485,542	278,730
<b>Total Noncurrent Liabilities</b>	<b>27,177,821</b>	<b>26,322,240</b>
<b>Total Liabilities</b>	<b>41,414,385</b>	<b>41,042,249</b>

(Forward)



	December 31	
	2017	2016
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital stock (Note 22):		
Common	₱872,124	₱872,124
Preferred	200,000	200,000
Additional paid-in capital	4,745,399	4,740,811
Exchange differences on translation of foreign operations	359,816	18,349
Unrealized gain on AFS investments (Note 13)	180,408	147,884
Share-based payment plan (Note 22)	-	4,588
Retained earnings (Note 22)	28,560,106	26,709,981
Treasury shares and Philippine depository receipts convertible to common shares (Note 22)	(1,638,719)	(1,638,719)
Equity attributable to Equity Holders of the Parent	33,279,134	31,055,018
<b>Noncontrolling Interests (Note 24)</b>	<b>431,810</b>	<b>636,685</b>
Total Equity	33,710,944	31,691,703
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱75,125,329</b>	<b>₱72,733,952</b>

See accompanying Notes to Consolidated Financial Statements.



**ABS-CBN CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Amounts in Thousands, Except Per Share Amounts)

	Years Ended December 31		
	2017	2016	2015
<b>REVENUE</b>			
Advertising revenue (Note 23)	P21,098,382	P23,650,475	P21,264,714
Sale of services (Note 31)	16,642,656	15,876,653	15,148,219
Sale of goods (Note 23)	2,624,414	1,966,274	1,734,397
Others	332,792	137,197	130,785
	<b>40,698,244</b>	<b>41,630,599</b>	<b>38,278,115</b>
<b>PRODUCTION COSTS</b> (Notes 10, 12, 23, 25, 30 and 31)	<b>(11,833,615)</b>	<b>(12,011,950)</b>	<b>(11,434,166)</b>
<b>COST OF SERVICES</b> (Notes 8, 10, 12, 15, 23, 26, 30 and 31)	<b>(10,711,713)</b>	<b>(10,323,075)</b>	<b>(9,599,609)</b>
<b>COST OF SALES</b> (Notes 8, 10, 23, 26, 30 and 31)	<b>(2,109,942)</b>	<b>(1,693,608)</b>	<b>(1,531,091)</b>
<b>GROSS PROFIT</b>	<b>16,042,974</b>	<b>17,601,966</b>	<b>15,713,249</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Notes 7, 8, 10, 11, 12, 22, 23, 27, 30 and 31)	<b>(11,916,759)</b>	<b>(12,661,479)</b>	<b>(12,120,892)</b>
<b>FINANCE COSTS</b> (Notes 18, 20 and 28)	<b>(1,007,916)</b>	<b>(1,036,386)</b>	<b>(811,787)</b>
<b>INTEREST INCOME</b> (Notes 6 and 23)	<b>166,788</b>	<b>220,982</b>	<b>169,270</b>
<b>FOREIGN EXCHANGE GAINS - Net</b>	<b>41,194</b>	<b>89,063</b>	<b>123,881</b>
<b>EQUITY IN NET LOSSES OF ASSOCIATES AND JOINT VENTURES</b> (Note 14)	<b>(5,052)</b>	<b>(1,055)</b>	<b>(1,141)</b>
<b>OTHER INCOME - net</b> (Notes 15, 21, 28 and 31)	<b>614,806</b>	<b>467,780</b>	<b>256,796</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>3,936,035</b>	<b>4,680,871</b>	<b>3,329,376</b>
<b>PROVISION FOR INCOME TAX</b> (Note 29)	<b>772,458</b>	<b>1,155,555</b>	<b>784,242</b>
<b>NET INCOME</b>	<b>P3,163,577</b>	<b>P3,525,316</b>	<b>P2,545,134</b>
<b>Attributable to</b>			
Equity holders of the Parent Company (Note 34)	P3,333,889	P3,885,278	P2,931,777
Noncontrolling interests	(170,312)	(359,962)	(386,643)
	<b>P3,163,577</b>	<b>P3,525,316</b>	<b>P2,545,134</b>
<b>Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent Company</b> (Note 34)	<b>P4.046</b>	<b>P4.716</b>	<b>P3.555</b>

See accompanying Notes to Consolidated Financial Statements.





**S-CBN CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015**

**Amounts in Thousands**

	Capital Stock (Note 22)		Additional Paid-in Capital	Exchange Differences in Translation of Foreign Operations	Unrealized Gain on Available-for-Sale Investments (Note 13)	Remeasurement Gain (Loss) on Defined Benefit Plan - Net (Note 30)	Share-based Payment Plan (Note 22)	Retained Earnings (Note 22)		Treasury Shares and Philippine Depository Receipts Convertible to Common Shares (Note 22)	Noncontrolling Interests	Total Equity
	Preferred	Common						Appropriated	Unappropriated			
December 31, 2016	P872,124	P200,000	P4,740,811	P18,349	P147,884	P-	P4,588	P16,200,000	P10,509,981	(P1,638,719)	P636,685	P31,691,703
income (loss)	-	-	-	-	32,524	(598,435)	-	-	3,333,889	-	(170,312)	3,163,577
comprehensive income (loss)	-	-	-	341,467	32,524	(598,435)	-	-	3,333,889	-	(170,312)	3,163,577
comprehensive income (loss)	-	-	-	341,467	32,524	(598,435)	-	-	3,333,889	-	(170,312)	3,163,577
assessable loss on defined benefit plan transferred to retained earnings	-	-	-	-	-	598,435	-	-	(598,435)	-	-	-
dividends declared	-	-	-	-	-	-	-	-	(885,329)	-	-	(885,329)
dividend-based payment	-	-	4,588	-	-	-	(4,588)	-	-	-	-	-
December 31, 2017	P872,124	P200,000	P4,745,399	P359,816	P180,408	P-	P-	P16,200,000	P12,360,106	(P1,638,719)	P431,810	P33,710,944
December 31, 2015	P872,124	P200,000	P4,711,050	(P466,159)	P176,009	P-	P34,349	P16,200,000	P7,722,847	(P1,638,719)	P903,825	P28,715,326
income (loss)	-	-	-	-	(28,125)	(451,128)	-	-	3,885,278	-	(359,962)	3,525,316
comprehensive income (loss)	-	-	-	484,508	(28,125)	(451,128)	-	-	3,885,278	-	92,822	3,978,077
comprehensive income (loss)	-	-	-	484,508	(28,125)	(451,128)	-	-	3,885,278	-	(267,140)	3,623,393
assessable loss on defined benefit plan transferred to retained earnings	-	-	-	-	-	451,128	-	-	(451,128)	-	-	-
dividends declared	-	-	29,761	-	-	-	(29,761)	-	(647,016)	-	-	(647,016)
dividend-based payment	-	-	-	-	-	-	-	-	-	-	-	-
December 31, 2016	P872,124	P200,000	P4,740,811	P18,349	P147,884	P-	P4,588	P16,200,000	P10,509,981	(P1,638,719)	P636,685	P31,691,703
December 31, 2014	P872,124	P200,000	P4,495,050	(P456,773)	P143,281	P-	P34,349	P16,200,000	P5,163,395	(P1,264,096)	P1,487,498	P26,874,828
income (loss)	-	-	-	-	32,728	142,027	-	-	2,931,777	-	(386,643)	2,545,134
comprehensive income (loss)	-	-	-	(9,386)	32,728	142,027	-	-	2,931,777	-	19,963	185,332
comprehensive income (loss)	-	-	-	(9,386)	32,728	142,027	-	-	2,931,777	-	(366,680)	2,730,466
assessable gain on defined benefit plan transferred to retained earnings	-	-	-	-	-	(142,027)	-	-	142,027	-	-	-
dividends declared	-	-	-	-	-	-	-	-	(514,352)	-	-	(514,352)
dividend-based payment	-	-	(993)	-	-	-	-	-	-	(374,623)	-	(375,616)
assessable loss on defined benefit plan transferred to retained earnings	-	-	216,993	-	-	-	-	-	-	-	(216,993)	-
December 31, 2015	P872,124	P200,000	P4,711,050	(P466,159)	P176,009	P-	P34,349	P16,200,000	P7,722,847	(P1,638,719)	P903,825	P28,715,326

See accompanying Notes to Consolidated Financial Statements.



**ABS-CBN CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015**

**(Amounts in Thousands)**

	Capital Stock (Note 22)		Additional Paid-in Capital	Exchange Differences in Translation of Foreign Operations	Unrealized Gain on Available-for-Sale Investments (Note 13)	Remeasurement Gain (Loss) on Defined Benefit Plan - Net (Note 30)	Share-based Payment Plan (Note 22)	Retained Earnings (Note 22)		Treasury Shares and Philippine Depository Receipts Convertible to Common Shares (Note 22)	Total	Noncontrolling Interests	Total Equity
	Common	Preferred						Appropriated	Unappropriated				
At December 31, 2016	₱872,124	₱200,000	₱4,740,811	₱18,349	₱147,884	₱-	₱4,588	₱16,200,000	₱10,509,981	(₱1,638,719)	₱31,055,018	₱636,685	₱31,691,703
Net income (loss)	-	-	-	-	-	-	-	-	3,333,889	-	3,333,889	(170,312)	3,163,577
Other comprehensive income (loss)	-	-	-	341,467	32,524	(598,435)	-	-	-	-	(224,444)	(34,563)	(259,007)
Total comprehensive income (loss)	-	-	-	341,467	32,524	(598,435)	-	-	3,333,889	-	3,109,445	(204,875)	2,904,570
Remeasurement loss on defined benefit plan transferred to retained earnings	-	-	-	-	-	598,435	-	-	(598,435)	-	-	-	-
Cash dividends declared	-	-	-	-	-	-	-	-	(885,329)	-	(885,329)	-	(885,329)
Share-based payment	-	-	4,588	-	-	-	(4,588)	-	-	-	-	-	-
At December 31, 2017	₱872,124	₱200,000	₱4,745,399	₱359,816	₱180,408	₱-	₱-	₱16,200,000	₱12,360,106	(₱1,638,719)	₱33,279,134	₱431,810	₱33,710,944
At December 31, 2015	₱872,124	₱200,000	₱4,711,050	(₱466,159)	₱176,009	₱-	₱34,349	₱16,200,000	₱7,722,847	(₱1,638,719)	₱27,811,501	₱903,825	₱28,715,326
Net income (loss)	-	-	-	-	-	-	-	-	3,885,278	-	3,885,278	(359,962)	3,525,316
Other comprehensive income (loss)	-	-	-	484,508	(28,125)	(451,128)	-	-	-	-	5,255	92,822	98,077
Total comprehensive income (loss)	-	-	-	484,508	(28,125)	(451,128)	-	-	3,885,278	-	3,890,533	(267,140)	3,623,393
Remeasurement loss on defined benefit plan transferred to retained earnings	-	-	-	-	-	451,128	-	-	(451,128)	-	-	-	-
Cash dividends declared	-	-	-	-	-	-	-	-	(647,016)	-	(647,016)	-	(647,016)
Share-based payment	-	-	29,761	-	-	-	(29,761)	-	-	-	-	-	-
At December 31, 2016	₱872,124	₱200,000	₱4,740,811	₱18,349	₱147,884	₱-	₱4,588	₱16,200,000	₱10,509,981	(₱1,638,719)	₱31,055,018	₱636,685	₱31,691,703
At December 31, 2014	₱872,124	₱200,000	₱4,495,050	(₱456,773)	₱143,281	₱-	₱34,349	₱16,200,000	₱5,163,395	(₱1,264,096)	₱25,387,330	₱1,487,498	₱26,874,828
Net income (loss)	-	-	-	-	-	-	-	-	2,931,777	-	2,931,777	(386,643)	2,545,134
Other comprehensive income (loss)	-	-	-	(9,386)	32,728	142,027	-	-	-	-	165,369	19,963	185,332
Total comprehensive income (loss)	-	-	-	(9,386)	32,728	142,027	-	-	2,931,777	-	3,097,146	(366,680)	2,730,466
Remeasurement gain on defined benefit plan transferred to retained earnings	-	-	-	-	-	(142,027)	-	-	142,027	-	-	-	-
Cash dividends declared	-	-	-	-	-	-	-	-	(514,352)	-	(514,352)	-	(514,352)
Acquisition of PDRs and common shares	-	-	(993)	-	-	-	-	-	-	(374,623)	(375,616)	-	(375,616)
Decrease in noncontrolling interest (Note 2 and 4)	-	-	216,993	-	-	-	-	-	-	-	216,993	(216,993)	-
At December 31, 2015	₱872,124	₱200,000	₱4,711,050	(₱466,159)	₱176,009	₱-	₱34,349	₱16,200,000	₱7,722,847	(₱1,638,719)	₱27,811,501	₱903,825	₱28,715,326

See accompanying Notes to Consolidated Financial Statements.



**ABS-CBN CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in Thousands)

	Years Ended December 31		
	2017	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	₱3,936,035	₱4,680,871	₱3,329,376
Adjustments to reconcile income before tax to net cash flows:			
Depreciation and amortization (Notes 10 and 11)	3,666,140	3,401,610	3,072,492
Amortization of:			
Program rights and other intangibles (Note 12)	1,818,806	1,182,544	1,626,845
Debt issue costs (Note 28)	40,390	49,609	34,687
Deferred charges (Note 26)	6,993	6,402	34,484
Interest expense (Note 28)	931,459	968,768	762,463
Movements in accrued pension obligation and other employee benefits (Note 30)	(439,759)	723,243	655,634
Interest income (Notes 6 and 23)	(166,788)	(220,982)	(169,270)
Net unrealized foreign exchange loss (gain)	(55,261)	42,624	71,665
Dividend income	(10,364)	(14,230)	(8,732)
Gain on sale of property and equipment (Notes 10 and 28)	(6,221)	(3,987)	(11,687)
Equity in net losses of associates and joint ventures (Note 14)	5,052	1,055	1,141
Working capital changes:			
Decrease (increase) in:			
Trade and other receivables	(662,248)	1,084,131	(1,191,542)
Inventories	(158,875)	328,993	(122,722)
Other current assets	(975,176)	(526,167)	(6,757)
Increase (decrease) in:			
Trade and other payables	(683,328)	(2,903,438)	1,680,860
Obligations for program rights	(197,019)	427,155	(278,495)
Other noncurrent liabilities	197,694	230,664	(1,018,054)
Cash generated from operations	7,247,530	9,458,865	8,462,388
Income taxes paid	(618,484)	(907,865)	(894,026)
Net cash provided by operating activities	6,629,046	8,551,000	7,568,362
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Property and equipment (Notes 5 and 10)	(5,058,385)	(5,565,611)	(5,241,499)
Program rights and other intangible assets (Notes 12 and 35)	(1,944,422)	(1,114,971)	(1,430,135)
Decrease (increase) in short-term investments	1,707,364	(1,448,248)	(1,617,546)
Decrease in other noncurrent assets	684,846	338,551	129,281
Effect of asset acquisition (Note 4)	(350,000)	-	-
Proceeds from sale of property and equipment	221,983	10,967	519,328
Interest received	174,369	222,265	155,818
Acquisition of AFS investments (Note 13)	-	(21,008)	-
Investments in joint ventures and associates (Note 14)	-	(10,062)	(291,405)
Net cash used in investing activities	(4,564,245)	(7,588,117)	(7,776,158)

(Forward)



	Years Ended December 31		
	2017	2016	2015
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from:			
Long-term debt	P3,346,000	P8,950,000	P-
Bank loans (Note 18)	-	-	300,000
Payments of:			
Long-term debt (Note 18)	(3,457,765)	(8,951,483)	(178,510)
Interest	(938,629)	(871,375)	(742,242)
Dividends	(856,938)	(615,566)	(493,717)
Obligations under finance lease	(14,105)	(685)	(25,154)
Bank loans (Note 18)	-	(60,000)	-
Deposit for future subscription (Note 4)	1,220,000	-	-
Acquisition of treasury shares and Philippine depository receipts (Note 22)	-	-	(374,623)
Net cash used in financing activities (Note 35)	(701,437)	(1,549,109)	(1,514,246)
<b>EFFECTS OF EXCHANGE RATE CHANGES AND TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>			
	18,668	13,191	21,224
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,382,032</b>	<b>(573,035)</b>	<b>(1,700,818)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>10,964,524</b>	<b>11,537,559</b>	<b>13,238,377</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)</b>	<b>P12,346,556</b>	<b>P10,964,524</b>	<b>P11,537,559</b>

See accompanying Notes to Consolidated Financial Statements.



**ABS-CBN CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Amounts in Thousands Unless Otherwise Specified)**

**1. Corporate Information**

ABS-CBN Corporation (“ABS-CBN” or “Parent Company”) was incorporated in the Philippines on July 11, 1946. On July 27, 1994, the Philippine Securities and Exchange Commission (SEC) approved the extension of the corporate term of the Parent Company for another 50 years. The Parent Company’s core business is television and radio broadcasting. Its subsidiaries and associates are involved in the following related businesses: cable and direct-to-home (DTH) television distribution and telecommunications services overseas, movie production, audio recording and distribution, video/audio post-production and film distribution. Other activities of the subsidiaries include merchandising, internet and mobile services, publishing, money remittance and theme parks.

Lopez Inc., a Philippine entity, has 56% economic interest in the Parent Company, with 79% voting rights. Lopez, Inc. is the ultimate Parent Company.

The common shares of ABS-CBN were listed beginning July 8, 1992 and have been traded in the Philippine Stock Exchange (PSE) since then.

The registered office address of the Parent Company is ABS-CBN Broadcast Center, Sgt. Esguerra Avenue corner Mother Ignacia St., Quezon City.

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on February 22, 2018.

**2. Summary of Significant Accounting and Financial Reporting Policies**

Basis of Preparation

The consolidated financial statements of ABS-CBN and its subsidiaries (collectively referred to as “the Company”) have been prepared on a historical cost basis, except for available-for-sale (AFS) investments 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 thousand, except for number of shares, per share amounts and when otherwise indicated.

Statement of Compliance

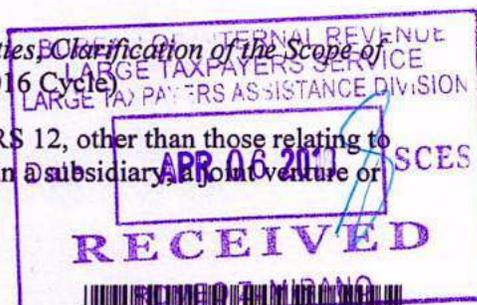
The consolidated financial statements of the Company were prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS and improvements to existing standards effective January 1, 2017. Except otherwise when indicated, adoption of these amendments did not have any impact on the Company’s consolidated financial statements.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities*, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity’s interest in a subsidiary, joint venture or



an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

▪ Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

The amendments require entities to provide disclosure of changes in their 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 35 to the consolidated financial statements. As allowed under the transition provisions of the standard, the Company did not present comparative information for the year ended December 31, 2016.

▪ 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 upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Basis of Consolidation and Noncontrolling Interests

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries.

The following is a list of the subsidiaries as at December 31, 2017 and 2016:

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest	
				2017	2016
<b>Media, Network, and Studio Entertainment</b>					
Global:					
ABS-CBN Global Ltd. (ABS-CBN Global) <sup>(a)</sup> (i)	Cayman Islands	Holding company	United States dollar (USD)	100.0	100.0
ABS-CBN Europe Ltd. (ABS-CBN Europe) <sup>(b)(c)</sup> (i)	United Kingdom	Cable and satellite programming services	Great Britain pound (GBP)	100.0	100.0
ABS-CBN Japan, Inc. (ABS-CBN Japan) <sup>(d)</sup> (i) (j)	Japan	Cable and satellite programming services	Japanese yen (JPY)	100.0	100.0
ABS-CBN Middle East FZ-LLC (ABS-CBN Middle East) <sup>(b)</sup> (i)	Dubai, UAE	Cable and satellite programming services	United Arab Emirates dirham (AED)	100.0	100.0
ABS-CBN Middle East LLC <sup>(b)</sup> (i)	Dubai, UAE	Trading	AED	100.0	100.0
ABS-CBN Global Hungary Kft. (ABS-CBN Hungary)	Budapest, Hungary	Holding company	USD	100.0	100.0
ABS-CBN International, Inc. (ABS-CBN International) <sup>(i)</sup> (a)	California, USA	Cable and satellite programming services	USD	100.0	100.0
ABS-CBN Australia Pty. Ltd. (ABS-CBN Australia) <sup>(i)</sup> (k)	Victoria, Australia	Cable and satellite programming services	Australian dollar (AUD)	100.0	100.0
ABS-CBN Canada, ULC (ABS-CBN Canada) <sup>(i)</sup> (k)	Canada	Cable and satellite programming services	Canadian dollar (CAD)	100.0	100.0
ABS-CBN Telecom North America, Inc. <sup>(i)</sup> (k)	California, USA	Telecommunications	USD	100.0	100.0
ABS-CBN Global Netherlands B.V. (ABS-CBN Netherlands) <sup>(i)</sup> (a)	Amsterdam, Netherlands	Intermediate holding and financing company	Euro (EUR)	100.0	100.0
<b>Films and Music:</b>					
ABS-CBN Film Productions, Inc. (ABS-CBN Films)	Philippines	Movie production	Philippine peso	100.0	100.0
Cinescreen, Inc. (Cinescreen) <sup>(f)</sup>	Philippines	Theater operator	Philippine peso	100.0	-

(Forward)

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest	
				2017	2016
<b>Narrowcast and Sports:</b>					
ABS-CBN Publishing, Inc. (ABS-CBN Publishing)	Philippines	Print publishing	Philippine peso	100.0	100.0
Creative Programs, Inc. (CPI)	Philippines	Content development and programming services	Philippine peso	100.0	100.0
<b>Others:</b>					
ABS-CBN Europe Remittance Inc. <sup>(d) (i)</sup>	United Kingdom	Services - money remittance	GBP	100.0	100.0
E-Money Plus, Inc. <sup>(b)</sup>	Philippines	Services - money remittance	Philippine peso	100.0	100.0
ABS-CBN Global Remittance Inc. <sup>(i) (k)</sup>	California, USA	Services - money remittance	USD	100.0	100.0
ABS-CBN Canada Remittance Inc. <sup>(i) (k)</sup>	Canada	Services - money remittance	CAD	100.0	100.0
ABS-CBN Center for Communication Arts, Inc. <sup>(e)</sup>	Philippines	Educational/training	Philippine peso	100.0	100.0
ABS-CBN Global Cargo Corporation <sup>(l)</sup>	Philippines	Non-vessel operations common carrier	Philippine peso	100.0	100.0
ABS-CBN Integrated and Strategic Property Holdings, Inc.	Philippines	Real estate	Philippine peso	100.0	100.0
ABS-CBN Shared Service Center PTE. Ltd. <sup>(i) (m)</sup>	Singapore	Services - support	Singapore dollar (SGD)	100.0	100.0
Professional Services for Television & Radio, Inc.	Philippines	Services - production	Philippine peso	100.0	100.0
Rosetta Holdings Corporation (RHC)	Philippines	Holding company	Philippine peso	100.0	100.0
Sarimanok News Network, Inc.	Philippines	Content development and programming services	Philippine peso	100.0	100.0
The Big Dipper Digital Content & Design, Inc. (Big Dipper)	Philippines	Digital film archiving and central library, content licensing and transmission	Philippine peso	100.0	100.0
TV Food Chefs, Inc.	Philippines	Services - restaurant and food	Philippine peso	100.0	100.0
iConnect Convergence, Inc.	Philippines	Service - call center	Philippine peso	100.0	100.0
ABS-CBN Studios, Inc. <sup>(v)</sup>	Philippines	Production facility	Philippine peso	100.0	100.0
Medianow Strategies, Inc. (Medianow) <sup>(w)</sup>	Philippines	Marketing, sales and advertising	Philippine peso	79.7	79.7
<b>Digital and Interactive Media</b>					
Sapientis Holdings Corporation (Sapientis)	Philippines	Holding company	Philippine peso	100.0	100.0
Columbus Technologies, Inc. (CTI) <sup>(d)</sup>	Philippines	Holding company	Philippine peso	70.0	70.0
ABS-CBN Convergence, Inc. (ABS-C) <sup>(d)</sup>	Philippines	Telecommunication	Philippine peso	69.3	69.3
<b>Cable, Satellite and Broadband</b>					
Sky Vision Corporation (Sky Vision) <sup>(w)</sup> (see Note 4)	Philippines	Holding Company	Philippine peso	75.0	75.0
Sky Cable Corporation (Sky Cable) <sup>(w)</sup> (see Note 4)	Philippines	Cable television services	Philippine peso	59.4	59.4
Bisaya Cable Television Network, Inc. <sup>(b) (i) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Bright Moon Cable Networks, Inc. <sup>(b) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Cavite Cable Corporation <sup>(b) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Cepsil Consultancy and Management Corporation <sup>(b) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Davao Cableworld Network, Inc. <sup>(b) (e) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
HM Cable Networks, Inc. <sup>(b) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
HM CATV, Inc. <sup>(b) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Hotel Interactive Systems, Inc. <sup>(b) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Isla Cable TV, Inc. <sup>(b) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Moonsat Cable Television, Inc. <sup>(b) (e) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Pilipino Cable Corporation (PCC) <sup>(b) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Satellite Cable TV, Inc. <sup>(b) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Sun Cable Holdings, Incorporated (SCHI) <sup>(b) (w)</sup>	Philippines	Holding company	Philippine peso	59.4	59.4
Sun Cable Systems Davao, Inc. <sup>(b) (i) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Sunvision Cable, Inc. <sup>(b) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4

(Forward)





acquirer measures the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, in profit or loss. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair value to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Company accounts for the combination using provisional values. Adjustment to these provisional values as a result of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability, or contingent liability that is recognized from that date and goodwill or any gain recognized shall be adjusted from the acquisition date by the amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

#### Business Combination Involving Entities under Common Control

Where there are business combinations in which all the combining entities within the group are ultimately controlled by the same ultimate parent before and after the business combination and that the control is not transitory (“business combinations under common control”), the Company may account such business combinations under the acquisition method of accounting or pooling of interests method, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the noncontrolling interest, shall be considered.

In cases where the business combination has no substance, the Company shall account for the transaction similar to a pooling of interests. The assets and liabilities of the acquired entities and that of the Company are reflected at their carrying values. The difference in the amount recognized and the fair value of the consideration given, is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity. Further, when a subsidiary is disposed in a common control transaction, the difference in the amount recognized and the fair value of consideration received is also accounted for as an equity transaction.

#### Foreign Currency Translation and Transaction

*Functional and Presentation Currency.* The consolidated financial statements are presented in Philippine peso, which is the Parent Company’s functional and presentation currency. Each entity determines its own functional currency, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity, and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of all the subsidiaries, except foreign subsidiaries, is the Philippine peso. The functional currencies of the foreign subsidiaries are disclosed under the Basis of Consolidation section. As at financial reporting date, the assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Parent Company (the Philippine peso) at the rate of exchange ruling at financial reporting date and, their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to “Exchange differences on translation of foreign operations” in the OCI and “Exchange differences on translation of foreign operations” account within the equity section of the consolidated statement of financial position. Upon disposal of any of these foreign subsidiaries, the deferred cumulative amount recognized in equity relating to that particular foreign entity will be recognized in the consolidated statement of income.

*Foreign Currency-denominated Transactions.* Transactions in foreign currencies are initially recorded in the functional currency exchange rate ruling 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 date.

All differences are taken to the consolidated statement of 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.

#### Fair Value Measurement

The Company measures financial instruments at fair value at each financial reporting date.

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 to the Company.

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 nonfinancial 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 Company 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 Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at every financial reporting date.

For the purpose of fair value disclosures, the Company 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.

#### Financial Statements Classification

The Company presents assets and liabilities in the consolidated statements of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the financial 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 financial reporting date.

All other assets are classified as non-current. A liability is current when:

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

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

#### Cash and Cash Equivalents

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

#### Short-term Investments

Short-term investments represent investments that are readily convertible to known amounts of cash with original maturities of more than three months to one year.

#### Financial Instruments

*Date of Recognition.* Financial instruments are recognized in the consolidated statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized using trade date accounting. Derivatives are recognized on trade date accounting.

*Initial Recognition of Financial Instruments.* All financial instruments are initially recognized at fair value. The initial measurement of financial instruments includes transaction costs, except for securities at fair value through profit or loss (FVPL). The Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, loans and receivables and AFS investments. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification depends on the purpose for which the instruments were acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this classification at every financial reporting date.

*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 Company recognizes the difference between the transaction price and fair value (a Day 1 difference) in the consolidated statement of income. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the Day 1 difference amount.

*Financial Assets and Liabilities at FVPL.* Financial assets and liabilities at FVPL include financial assets and liabilities held for trading and financial assets and liabilities designated upon initial recognition as at FVPL. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Derivatives are also classified under financial assets or liabilities at FVPL, unless they are designated as hedging instruments in an effective hedge.

Financial assets or liabilities may be designated by management at initial recognition as at FVPL if any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis;
- The assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance are evaluated on a fair value basis in accordance with a documented risk management strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis that it would not be separately recorded.

Financial assets or liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Subsequent changes in fair value are recognized directly in the consolidated statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income according to the terms of the contract, or when the right of payment has been established.

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

*Loans and Receivables.* Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as at FVPL, designated as AFS financial asset or HTM investments. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method, less any allowance for impairment. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

This category includes the Company's cash and cash equivalents, short-term investments, trade and other receivables and deposits (included under "Other noncurrent assets" account).

*HTM Investments.* HTM investments are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities for which the Company's management has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this category. After initial measurement, HTM investments are measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

Gains and losses are recognized in the consolidated statement of income when the investments are derecognized or impaired, as well as through the amortization process.

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

*AFS Investments.* AFS investments are those nonderivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. After initial measurement, AFS investments are measured at fair value, with unrealized gains or losses being recognized as OCI until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously reported in OCI is included in the consolidated statement of income. Unquoted equity instruments whose fair value cannot be reliably measured, are measured at cost.

The Company's AFS investments include investments in ordinary common shares and club shares (see Note 13).

*Other Financial Liabilities.* Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Other financial liabilities are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized, as well as through the amortization process.

Expenditures incurred in connection with availments of long-term debt are deferred and amortized using effective interest method over the term of the loans. Debt issue costs are netted against the related long-term debt allocated correspondingly to the current and noncurrent portion.

Classified under other financial liabilities are trade and other payables, interest-bearing loans and borrowings, obligations for program rights, convertible note and customers' deposits (included under "Other noncurrent liabilities" account).

#### Embedded Derivatives

An embedded derivative is separated from the host contract and accounted for as derivative if all the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of the derivative; and (c) the hybrid or combined instrument is not measured at FVPL.

The Company assesses whether embedded derivatives are required to be separated from host contracts when the Company first becomes party to the contract. When reported, the fair value changes are reported in consolidated statement of income. Re-assessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

#### Impairment of Financial Assets

The Company assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

*Loans and Receivables.* For loans and receivables carried at amortized cost, the Company first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, 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, together with the other assets that are not individually significant and, thus, were not individually assessed for impairment, 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 not included in a collective assessment of impairment.

If there is an objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Impaired receivables are derecognized when they are assessed as uncollectible.

Likewise, for other receivables, it was also established that accounts outstanding for less than a year should have no provision for impairment but accounts outstanding for over three years should have a 100% provision, which was arrived at after assessing individually significant balances. Provision for individually non-significant balances was made on a portfolio or group basis after performing the regular review of the age and status of the individual accounts and portfolio/group of accounts relative to historical collections, changes in payment terms and other factors that may affect ability to collect payments.

The carrying amount of the asset is reduced either directly or through use of an allowance account and the amount of loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. If in case the receivable has proven to have no realistic prospect of future recovery, any allowance provided for such receivable is written off against the carrying value of the impaired receivable.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in the consolidated statement of income. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of 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 on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument 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 discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

*AFS Investments.* In case of equity investments classified as AFS, an objective evidence of impairment includes a significant or prolonged decline in the fair value of the investments below its cost. Where 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 financial asset previously recognized in the consolidated statement of income, is removed from the OCI and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in OCI.







Unissued spare parts and supplies represent major spare parts that can be used only in connection with the distribution equipment. Unissued spare parts and supplies are not depreciated but tested for impairment until these become available for use. These are included in the "Other equipment" account.

When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

Depreciation and amortization are computed on a straight-line method over the following useful lives of property and equipment:

<u>Asset Type</u>	<u>Number of Years</u>
Land improvements	5 to 10
Buildings and improvements	10 to 40
Towers, transmission, television, radio, movie and auxiliary equipment	5 to 20
Other equipment	3 to 25

The property and equipment's residual values, useful lives and method of depreciation and amortization are reviewed, and adjusted if appropriate, at each financial reporting date.

Construction in-progress represents equipment under installation and building under construction and is stated at cost, which includes cost of construction and other direct costs. Construction in-progress is not depreciated until such time that the relevant assets are completed and become available for operational use.

An item of property and equipment 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 the consolidated statement of income in the year the asset is derecognized.

#### Asset Retirement Obligation

The net present value of legal obligations associated with the retirement of an item of property and equipment that resulted from the acquisition, construction or development and the normal operations of property and equipment is recognized in the period in which it is incurred and a reasonable estimate of the obligation can be made. This is included as part of "Other noncurrent liabilities" account in the consolidated statement of financial position. These obligations are accreted and such accretion is recognized as expense in the consolidated statement of income. The related asset retirement cost is capitalized under "Property and equipment" account in the consolidated statement of financial position and is being depreciated on a straight-line basis.

#### Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as interest expense over the period of credit. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Following initial recognition, intangible assets are carried at cost less any accumulated amortization in the case of intangible assets with finite lives, and any accumulated impairment losses. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life is reviewed at least

each financial reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization of intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if an indication of impairment exists either individually or at the cash-generating unit level. Such intangibles are not amortized. Intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Effective January 1, 2016, in view of the change in the expected pattern of economic benefits from the assets, the Company revised the estimated useful life and amortization method of program rights. A comparison of the previous and current policies follows:

Category	Previous Policy	Current Policy
Specific run with specific terms	Amortized on a straight-line basis over the specific term or usage, whichever comes first.	For fixed term program and film rights, amortized on a straight-line basis over the license term as indicated in the contract, regardless if program and film right is aired or not.
Multiple runs with specific terms	Amortized on a straight-line basis over the license term except for program rights with license term of more than 5 years, which are amortized after 5 years from acquisition date (i.e. equally over the remaining life) or from first year of airing, whichever comes first.	
Multiple runs with indefinite start date of license term	Amortized on a straight-line basis over the specific term or 10 years, whichever is shorter from date of initial airing. If with more than 5 years term, amortization will start at the 6th year or the initial airing, whichever comes first, over the term or 10 years, whichever is shorter.	
Perpetual rights	Amortized on a straight-line basis after 5 years from acquisition date or from first year of airing, whichever comes first (equally over the next 10 years).	

There was no change on the policies applied on other intangible assets for 2017 and 2016, which are as follows:

<b>Intangible Asset</b>	<b>Useful Lives</b>	<b>Amortization Method Used</b>	<b>Impairment Testing</b>	<b>Current and Noncurrent Classification</b>
Music Rights	Finite (useful economic benefit)	Amortized on a straight-line basis over the economic useful life	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost. Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount.	Based on the estimated year of usage
Movie In-process/Filmed Entertainment	Finite	Amortized on accelerated method upon showing	If the unamortized film cost is higher than the fair value of the film, the asset is written down to its recoverable amount.	Based on the estimated year of usage
Story and Publication	Finite (useful economic benefit)	Amortized on a straight-line basis over the economic useful life	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost. Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount.	Based on the estimated year of usage
Video Rights and Record Master	Finite - six months	Amortized on a straight-line basis over six months	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost. Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount.	Current

<b>Intangible Asset</b>	<b>Useful Lives</b>	<b>Amortization Method Used</b>	<b>Impairment Testing</b>	<b>Current and Noncurrent Classification</b>
Customer Relationships	Finite - 3 to 25 years	Amortized on a straight-line basis over the estimated customer service life	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost. Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount.	Noncurrent
Cable Channels - CPI	Indefinite	No amortization	Annually and more frequently when an indication of impairment exists. Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount.	Noncurrent
Production and Distribution Business - Middle East	Finite - 25 years	Amortized on a straight-line basis over the period of 25 years	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost. Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount.	Noncurrent
Trademarks	Indefinite	No amortization	Annually and more frequently when an indication of impairment exists. Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount.	Noncurrent
Licenses - Wireless Business	Indefinite	No amortization	Annually and more frequently when an indication of impairment exists. Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount.	Noncurrent



<b>Intangible Asset</b>	<b>Useful Lives</b>	<b>Amortization Method Used</b>	<b>Impairment Testing</b>	<b>Current and Noncurrent Classification</b>
Licenses - Franchise	Finite - 10 years	Amortized on a straight line basis over the period of 10 years	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost. Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount.	Noncurrent
Digital Platforms	Finite - 5 years	Amortized on a straight line basis over the estimated useful life	If the expected benefit period is shorter than the Company's initial estimates, the Company accelerates the amortization of the cost	Noncurrent
IP Block	Indefinite	No amortization	Annually and more frequently when an indication of impairment exists. Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount.	Noncurrent

Investment Properties

Investment properties, except land, are measured at cost, including transaction costs, less accumulated depreciation and any impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred if the recognition criteria are met, and excludes day-to-day servicing of an investment property. Land is stated at cost, less any impairment in value.

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 carrying value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under "Property and equipment" account up to the date of change in use.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.