





SECURITIES AND EXCHANGE  
COMMISSION

**NOTICE OF ANNUAL STOCKHOLDERS' MEETING**

MAR 26 2019

To: All Stockholders of  
ABS-CBN Corporation

MARKET REGULATION DEPT.  
BY: *Caye* TIME: 5:35 pm

Please take notice that the Annual Meeting of the Stockholders of ABS-CBN Corporation will be held on April 25, 2019 at 8:00 a.m. at the Dolphy Theater, ABS-CBN Broadcast Center, Sgt. Esguerra Ave. corner Mo. Ignacia St., Diliman, Quezon City, to discuss the following:

**AGENDA**

1. Call to Order
2. Proof of Service of Notice
3. Certification of Presence of Quorum
4. Approval of the Minutes of the Annual Stockholders' Meeting held on April 19, 2018
5. Report of Management
6. Ratification of the Audited Financial Statements and Approval of Report of Management
7. Election of Directors for the Ensuing Year
8. Ratification of all acts of the Board of Directors, Executive Committee and Management for the period covering January 1, 2018 through December 31, 2018 adopted in the ordinary course of business
9. Appointment of External Auditors
10. Investment of Funds in Business Ventures with Purposes Other Than the Primary Purpose
11. Other Business
12. Adjournment

For purposes of the meeting, only stockholders of record as of March 14, 2019 are entitled to attend and vote in the said meeting.

Should you be unable to attend the meeting in person, you may appoint a Proxy by executing the appropriate form. **MANAGEMENT IS NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND MANAGEMENT A PROXY.** For validation, however, please return your proxies not later than April 15, 2019 to:

**Rizal Commercial Banking Corporation (RCBC)**  
RCBC Stock Transfer Processing Section  
Ground Floor West Wing, GPL (Grepalife) Building  
221 Sen. Gil Puyat Avenue corner Pasong Tamo St.  
Makati City, Metro Manila, Philippines  
**Attention: Antonio B. Madrid Jr.**  
Tel: +632 8927566

For your convenience in registering your attendance, please have some form of identification such as a passport, driver's license or voter's I.D.

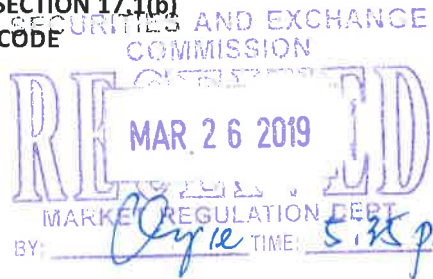
By order of the Board of Directors:

*ENRIQUE QUIASON*  
**ENRIQUE QUIASON**  
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b)  
OF THE SECURITIES REGULATION CODE



1. Check the appropriate box:

- Preliminary Information Statement
- Definitive Information Statement

2. Name of registrant as specified in its charter:

ABS-CBN CORPORATION

3. Province, Country or other jurisdiction of incorporation or organization

QUEZON CITY, PHILIPPINES

4. SEC Identification Number: 1803

5. BIR Tax Identification Number: 000-406-761-000

6. Address of Principal Office

ABS-CBN Broadcast Center  
Sgt. Esguerra Avenue corner Mother Ignacia Street  
Quezon City 1103 Philippines

7. Registrant's telephone no. and area code: (632) 415-22-72

8. Date, time and place of the meeting of security holders

Date : April 25, 2019  
Time : 8:00 A.M.  
Place : Dolphy Theater, ABS-CBN Broadcast Center  
Sgt. Esguerra Avenue corner Mother Ignacia St.  
Quezon City 1103 Philippines

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

March 27, 2019

10. Securities registered pursuant to Sections 8 & 12 of the Code or Section 4 and 8 of the Revised Securities Act:

Common Shares	883,295,819 shares
Fixed Rate Bonds	₱6,000,000,000.00

**11. Are any or all of these securities listed on the Philippine Stock Exchange?**

Yes [ / ] No [ ]

The Company's common shares have been listed on the Philippine Stock Exchange since 1992.

## EXPLANATION OF AGENDA ITEMS

1. Call to Order

The Chairman will call to order the Annual Stockholders' Meeting.

2. Proof of Service of Notice

The Corporate Secretary will be asked to certify that copies of the Notice and Agenda of the meeting, among others, were served upon the stockholders entitled to the same.

3. Certification of Presence of Quorum

The Corporate Secretary will then certify whether or not, based on the number of shares present personally or represented by proxy, a quorum exists for a valid meeting.

4. Approval of the Minutes of the Annual Stockholders' Meeting held on April 19, 2018

The minutes of the previous annual stockholders' meeting has been made available on the Company's website [[https://asset-investorrelations.abs-cbn.com/investorrelations/1533798712\\_abs-cbn-corporation-minutes-of-annual-meeting-2018-pdf-file-20180711.pdf](https://asset-investorrelations.abs-cbn.com/investorrelations/1533798712_abs-cbn-corporation-minutes-of-annual-meeting-2018-pdf-file-20180711.pdf)]. Copies of the minutes will also be distributed to the stockholders before the meeting. A resolution on this item requires the approval of a majority of the votes of the stockholders present and eligible to vote. The minutes of the annual stockholders' meeting held on April 19, 2018 contain discussions of the following items:

- Approval of the Minutes of the Annual Stockholders' Meeting held on April 6, 2017
- Report of the President and Discussions of Questions from the Stockholders
- Approval of Audited Financial Statements for the Year Ended December 31, 2017;
- Election of the Directors
- Ratification and approval of the acts of Board, the Officers and Management for the fiscal year 2017;
- Appointment of External Auditors;
- Adjournment

5. Report of Management

The President and Chief Executive Officer will render the Report of Management on the company's performance in 2018, as reflected in the audited financial statements.

6. Ratification of the Audited Financial Statements and Approval of Report of Management

At this point, the Chairman will open the floor for any questions, comments or points of clarifications from the stockholders regarding the report of management and operations of the Corporation and the audited financial statements.

After all questions from the floor are entertained, the stockholders will be requested to ratify the Board's approval of the Corporation's audited financial statements as of December 31, 2018 and to approve the report of management. The audited financial statements are attached to the Information Statement and sent to eligible stockholders pursuant to the requirements of the Securities Regulation Code.

A resolution on the ratification of the approval of the audited financial statements and the approval of the report of management requires the approval of a majority of the votes of stockholders present and eligible to vote.

7. Election of Directors for the Ensuing Year

Pursuant to the Corporation's By-Laws, Manual of Corporation Governance, and applicable rules of the Securities and Exchange Commission, any stockholder, including minority stockholders, may submit nominations for the election of directors at least ten (10) calendar days prior to the date of the meeting or by April 15, 2019. As of February 28, 2019, the Nomination and Election Committee received nominations for directors and found such nominees to have all the qualifications and none of the disqualifications to serve as directors. The names of the nominees and their respective profiles, including directorships in listed companies, are duly indicated in the Information Statement. The election of directors will be done by plurality of votes using cumulative voting and voting by poll. .

8. Ratification of the Acts of the Board and of Management

This will cover all acts and resolutions adopted by the board of directors and management since January 1, 2018 until December 31, 2018. These cover matters entered into in the ordinary course of business, with those of significance having been covered by the proper disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange in accordance with applicable disclosure rules. A resolution on this agenda item requires the approval of a majority of the votes of stockholders present and eligible to vote.

9. Appointment of External Auditors

The Audit Committee has recommended the re-appointment of SyCip, Gorres, Velayo & Co. as external auditors for the ensuing year. The profile of the firm is duly indicated in the Information Statement. A resolution on this agenda item requires the approval of a majority of the votes of stockholders present and eligible to vote.

10. Investment of Funds in Business Ventures with Purposes Other Than the Primary Purpose

- a. Investment with Ever Bilena Cosmetics, Inc. in a joint venture corporation  
ABS-CBN and Ever Bilena Cosmetics, Inc., one of the leading local colour cosmetics company, will invest in a joint venture corporation to launch a new cosmetic brand.
- b. Investment in The Chosen Bun, Inc.  
ABS-CBN will invest in a wholly owned subsidiary to raise, process, manufacture and package all kinds of food products; to establish, operate, manage and maintain restaurants, coffee shops, and refreshments parlors; to serve, arrange and cater foods, drinks, refreshments and other foods or commodities. The company will initially have an authorized capital stock of Php 1,000,000.
- c. Investment with iBayad in a joint venture corporation  
ABS-CBN and iBayad Online Ventures Incorporated will organize, invest in and operate a joint venture corporation for purposes of engaging in the business of customer and merchant e-wallet/e-money services and other related services, operating a platform therefor, as well as advertising, producing, distributing, and marketing products and services that are connected to the operations of said business. The joint venture corporation will initially have an authorized capital stock of Php100,000,000.

11. Other Business

This covers consideration of other business that may properly come before the meeting. The Chairman of the meeting will entertain other comments, questions, or proposals or points of clarification from the stockholders.

## PROXY FORM

Date:

**Item 1. Identification**

This proxy will serve to nominate, constitute and appoint \_\_\_\_\_, as my attorney and proxy, to represent me at the Annual Meeting of the Stockholders of the Corporation scheduled on April 25, 2019 at 8:00 a.m. at Dolphy Theater, ABS-CBN Broadcast Center, Sgt. Esguerra Avenue corner Mother Ignacia St., Quezon City, and any adjournment(s) thereof, as fully and to all intents and purposes as I might or could if present and voting in person, hereby ratifying and confirming any and all action taken on matters which may properly come before such meeting or adjournment(s) thereof.

**Item 2. Instruction**

By affixing his/her signature on the space provided below, the undersigned stockholder hereby directs the said proxy to vote on the agenda items set forth below as he/she has expressly indicated by marking the same with an "X", failing which, his/her said proxy shall exercise full discretion in acting thereon. **If the undersigned stockholder fails to indicate his/her vote on the items specified below, this shall serve to authorize his/her proxy to exercise full discretion to act,**

Please be advised that proxies are validated by the Company's stock and transfer agent, Rizal Commercial Banking Corporation. The record date for the stockholders entitled to attend and to vote in the said meeting is **March 14, 2019**.

**Item 3. Revocability of Proxy**

This proxy shall be valid for the Annual Stockholders Meeting scheduled on April 25, 2019 or any adjournment thereof. It shall be for a maximum period of five (5) years, unless withdrawn by the undersigned stockholder by written notice duly filed with the Corporate Secretary. This proxy shall not be valid where the undersigned stockholder personally appears and registers in the stockholders meeting. The proxy may not be withdrawn if coupled with an interest.

Proposal	Action		
	FOR	AGAINST	ABSTAIN
1. Approval of Minutes of the Annual Stockholders' Meeting held on April 19, 2018			
2. Ratification of the Audited Financial Statements for the Year Ended Dec. 31, 2018 and Approval of Report of Management			
3. Ratification of the Acts of the Board and of Management			
4. Election of Directors			
Federico M. Garcia			
Carlo L. Katigbak			
Augusto Almeda Lopez			
Eugenio Lopez III			
Federico R. Lopez			
Manuel M. Lopez			
Martin L. Lopez			
Oscar M. Lopez			
Salvador G. Tirona			
Emmanuel S. de Dios (Independent Director)			
Antonio Jose U. Periquet (Independent Director)			
5. Appointment of Sycip, Gorres, Velayo & Co. as External Auditors			

6. Investment of Funds in Business Ventures with Purposes Other Than the Primary Purpose			
a. Investment with Ever Bilena Cosmetics, Inc. in a joint venture corporation			
b. Investment in The Chosen Bun, Inc.			
c. Investment with iBayad in a joint venture corporation			
7. Consideration of such other business as may properly come before the meeting.			

IN WITNESS WHEREOF, I have hereunto set my hand at \_\_\_\_\_, this \_\_\_\_\_, 2019.

\_\_\_\_\_  
(Printed Name of Stockholder & Signature)

\_\_\_\_\_  
(Witness)

NOTE: Accomplished proxy form should be delivered on or before April 15, 2019 to:

**Rizal Commercial Banking Corporation (RCBC)**  
**RCBC Stock Transfer Processing Section**  
Ground Floor West Wing, GPL (Grepalife) Building  
221 Sen. Gil Puyat Avenue corner Pasong Tamo St.  
Makati City, Metro Manila, Philippines  
**Attention: Antonio B Madrid Jr**  
Tel: +632 8927566

**THIS PROXY FORM IS BEING PROVIDED AS A SAMPLE FOR USE BY THE STOCKHOLDERS SHOULD THEY WISH TO ACCOMPLISH THE SAME. IT IS NOT BEING SOLICITED ON BEHALF OF THE CORPORATION OR ITS MANAGEMENT. THE CORPORATION OR ITS MANAGEMENT IS NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND MANAGEMENT PROXY.**



## **ABS-CBN CORPORATION INFORMATION STATEMENT**

This information statement is dated March 26, 2019 and is being furnished to stockholders of record of ABS-CBN Corporation ("ABS-CBN" or the "Company") as of March 14, 2019 in connection with the Annual Stockholders' Meeting.

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

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### **A. GENERAL INFORMATION**

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

Date - April 25 2019, Thursday  
Time - 8:00 A.M.  
Place - Dolphy Theater, ABS-CBN Broadcast Center, Quezon City

Principal Office - ABS-CBN Broadcast Center, Sgt. Esguerra Ave.,  
cor. Mo. Ignacia St., Quezon City, Metro Manila

#### **Approximate date of which the Information Statement is first to be sent to security holders**

March 27, 2019

#### **Item 2. Dissenters' Right of Appraisal**

A stockholder has a right to dissent and demand payment of the fair value of his share: (i) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares or of authorizing preferences over the outstanding shares or of extending or shortening the term of corporate existence; (ii) in case any sale, lease, mortgage or disposition of all or substantially all the corporate property or assets; and (iii) in case of merger or consolidation.

The appraisal right may be exercised by a stockholder who has voted against the proposed corporate action, by making a written demand on the Company within thirty (30) days after the date on which the vote was taken for the payment of the fair market value of his shares.

There are no matters or proposed corporate actions, which may give rise to a possible exercise by security holders of their appraisal rights under Title X of the Corporation Code of the Philippines.

#### **Item 3. Interest of Certain Persons in Matters to be acted upon**

- (a) No Director or Executive Officer of the Company has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon.
- (b) No Director has informed the Company of his opposition to any action to be taken by the registrant at the meeting.

## **B. CONTROL AND COMPENSATION INFORMATION**

### **Item 4. Voting Securities and Principal Holders Thereof**

- (a) The Company has 861,973,258 common shares subscribed and outstanding as of February 28, 2019. Every stockholder shall be entitled to one vote for each share of common stock held as of the established record date.
- (b) The Company has 1,000,000,000 preferred shares subscribed and outstanding as of February 28, 2019. 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.
- (c) All stockholders of record as of March 14, 2019 are entitled to notice of and to vote at the Company's Stockholders' Meeting.
- (d) With respect to the election of directors, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may accumulate said shares and give one candidate as many votes as the number of directors to be elected or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the total number of shares owned by him multiplied by the whole number of directors to be elected.
- (e) Security ownership of certain Record and Beneficial Owners and Management:

#### **Security Ownership of Certain Records and Beneficial Owners as of February 28, 2019:**

<b>Title Of class</b>	<b>Name and Address of Record Owner</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>% of Class</b>	<b>% of Outstanding</b>
Common	Lopez, Inc. 5/F Benpres Bldg, Exchange Road cor Meralco Ave., Pasig City	Lopez, Inc.	Filipino	480,933,747	54.45%	25.54%
Common	PCD Nominee Corporation* G/F Makati Stock Exchange Bldg., Ayala Ave., Makati City	ABS-CBN Holdings Corporation	Filipino	316,297,700	35.81%	16.79%
Preferred	Lopez, Inc. 5/F Benpres Bldg, Exchange Road cor Meralco Ave., Pasig City	Lopez, Inc.	Filipino	987,130,246	98.71%	52.42%

*\*PCD Nominee Corporation is not related to the Company*

Lopez, Inc. is the holding company of the Lopez family. It is owned by the respective holding companies of the families of the late Eugenio Lopez, Jr., Oscar M. Lopez, the late 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 has been named and appointed to exercise the voting power of Lopez Inc.'s shares in ABS-CBN Corporation.

The 316,297,700 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 60% by Lopez, Inc. and 40% by Oscar M. Lopez, Manuel M. Lopez, Salvador G. Tirona, 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, upon payment of the exercise price and subject to certain other conditions. The PDRs are listed with the Philippine Stock Exchange (PSE). ABS-CBN Holdings remains to be the registered and beneficial owner of the ABS-CBN shares covered by the PDRs and also retains the voting rights over the ABS-CBN shares. The ABS-CBN shares are still subject to ownership restrictions on shares of corporations engaged in mass media and ABS-CBN may reject the transfer of shares to persons other than Filipino nationals.

Eugenio Lopez III, or in his absence, Manuel M. Lopez, or in his absence Oscar M. Lopez has 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, 2019, 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 February 28, 2019:

As of February 28, 2019, the Company's directors and senior officers owned an aggregate of **3,253,853** shares of the Company, equivalent to 0.37% 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 Emeritus</i>	Direct	Filipino	769,690	0.09%
Common	Martin L. Lopez <i>Chairman</i>	Direct	Filipino	89,659	0.01%
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	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	284,500	0.03%
Common	Ma. Socorro V. Vidanes <i>Chief Operating Officer, Broadcast</i>	Direct	Filipino	239,500	0.03%

<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	Vivian Y. Tin <i>Head, Integrated Customer Business Development</i>	Direct	Filipino	60,600	0.01%
Common	Ma. Regina E. Reyes <i>Head, Integrated News and Current Affairs</i>	Direct	Filipino	35,048	0.00%
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	Eloisa D. Balmoris <i>Head, Internal Audit</i>	Direct	Filipino	5,000	0.00%
Common	Ma. Rosario S. Bartolome <i>Head, KidZania</i>	Direct	Filipino	80,000	0.01%
Common	Jose Agustin C. Benitez <i>Head, Integrated Sales</i>	Direct	Filipino	29,000	0.00%
Common	Kane Errol C. Choa <i>Head, Integrated Corporate Communications</i>	Direct	Filipino	2,000	0.00%
Common	Marifel G. Gaerlan - Cruz <i>Asst. Corporate Secretary</i>	Direct	Filipino	2,000	0.00%
Common	Olivia G. De Jesus <i>Head of Global</i>	Direct	Filipino	20,000	0.00%
Common	Robert G. Labayen <i>Head, Integrated Creative Communication Management</i>	Direct	Filipino	71,000	0.01%
Common	Olivia M. Lamasan <i>Managing Director, ABS-CBN Film Productions, Inc. (Star Cinema)</i>	Direct	Filipino	140,040	0.02%
Common	Dennis Marco O. Liquigan <i>Head, Star Music</i>	Direct	Filipino	65,788	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	Mario Carlo P. Nepomuceno <i>Head, Corporate Services Group</i>	Direct	Filipino	92,351	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	Antonio S. Ventosa <i>Chief Operating Officer, Sky Cable</i>	Direct	Filipino	45,000	0.01%

Title of Class	Stockholder Name and Position	Nature of Beneficial Ownership	Citizenship	Number of Shares Held	Percent Held
Common	Fernando V. Villar <i>Head, Integrated Marketing</i>	Direct	Filipino	0	0.00%
	<b>Total Security Ownership of Directors and Management</b>				<b>0.37%</b>

None of the members of the Company's directors and management owns 2.0% or more of the outstanding capital stock of the Company.

- (f) The Company knows of no person holding more than 5% of common shares under a voting trust or similar agreement.
- (g) No change of control in the Company has occurred since the beginning of its last fiscal year.

#### **Item 5. Directors and Executive Officers**

##### **Board of Directors**

The following are expected to be nominated as members of the Board of Directors for the ensuing year during the Company's Annual Stockholders' Meeting on April 25, 2019:

Eugenio L. Lopez III  
Augusto Almeda-Lopez  
Carlo L. Katigbak  
Federico M. Garcia  
Federico R. Lopez  
Martin L. Lopez  
Manuel M. Lopez  
Oscar M. Lopez  
Salvador G. Tirona  
Emmanuel S. de Dios (*Independent Director*)  
Antonio Jose U. Periquet (*Independent Director*)

All of the nominees are incumbent directors. They were formally nominated by Lopez Inc., through its Chairman, Mr. Manuel M. Lopez. The nominees will serve as directors of the Company for one year from date of election. The independent directors were nominated by Mr. Raul B. Quizon, a stockholder. Mr. Quizon is not related in any way to the nominees for independent directors.

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. It is composed of Eugenio L. Lopez III, Emmanuel S. De Dios, and Antonio Jose U. Periquet. Randolph S. David is an advisor of the committee.

The Company has adopted the SRC Rule 38 (Requirements on Nomination and Election of Independent Directors) and has complied therewith.

The following nominees have held their current positions in their respective companies for more than five (5) years unless otherwise indicated. Below is a summary of the nominees' qualifications:

**Eugenio L. Lopez III, Filipino, age 66**

**Chairman Emeritus of the Board of Directors**

Mr. Eugenio "Gabby" Lopez III became a Director of the company on April 23, 1992 and was elected Chairman of the Board in 1997 and became the Company's Chairman Emeritus on April 19, 2018. 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.

**Martin L. Lopez, Filipino, age 46**

**Chairman**

Mr. Martin Lopez was appointed as a Director on April 6, 2017. He was elected as Chairman of the Board on April 19, 2018. He is responsible for setting the Company's strategic direction. Prior to joining the Company, 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.

**Augusto Almeda-Lopez, Filipino, age 90**

**Vice-Chairman**

Mr. Augusto Almeda Lopez became a Director on April 27, 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 48**

**President and Chief Executive Officer**

Mr. Carlo L. Katigbak was appointed President and Chief Executive Officer of the Company effective January 1, 2016. Mr. Katigbak became a Director on May 5, 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. In 2015, he was appointed as Chief Operating Officer of the Company. 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 63**

**Board Member, Independent Director**

Mr. Emmanuel S. de Dios was appointed as independent director on April 23, 2013. 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 Company 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 75**

**Board Member**

Mr. Garcia is a Director of ABS-CBN and was appointed on September 2, 1992. He was also a 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 57**

**Board Member**

Mr. Federico Lopez has served as Director of the Company since August 25, 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 76**

**Board Member**

Mr. Manuel M. Lopez was appointed as a Director on July 28, 2010. 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.

**Oscar M. Lopez, Filipino, age 88**

**Board Member**

Mr. Oscar M. Lopez has served as a Director of ABS-CBN since July 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 57**

**Board Member, Independent Director**

Mr. Antonio Jose U. Periquet has been an independent director of ABS-CBN since April 23, 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 64**

**Board Member**

Mr. Salvador G. Tirona has served as a Director of the Company since July 28, 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.

**Independent Directors of the Board**

The nominees for Independent Directors, Mr. Periquet and Mr. de Dios, are independent of management and free from any business or other relationship, which could, or could reasonably be perceived to, materially interfere with their exercise of independent judgment in carrying out their responsibilities as directors of the Company.

Specifically, Mr. Periquet and Mr. de Dios: (i) are not directors or officers 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 (2) years; (v) are not retained as professional advisers by the Company, any of its related companies or any of its substantial shareholders within the last two (2) years, 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 arm's length and are immaterial; (vii) do not own more than two percent 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. Mr. Periquet and Mr. de Dios do not possess any of the disqualifications enumerated under the Code of Corporate Governance and SEC Memorandum Circular No. 19, Series of 2016.

**List of Executive Officers**

The following officers are expected to be nominated for re-election or election at the Organizational Meeting of the Board of Directors following the Annual Stockholders' Meeting on April 25, 2019:

**Eloisa D. Balmoris, Filipino, age 57**

**Head of Internal Audit**

Ms. Balmoris is currently the Head of Internal Audit of ABS-CBN. She has been with the ABS-CBN group for twenty (20) years and begun her stint at Pilipino Cable Corporation (PCC) in 1998 as Chief Finance Officer. She helped consolidate the regional cable systems of PCC that helped enhance operational efficiency. She moved to Sky Cable Corporation in 2005 as Chief Finance Officer. At Sky, she was instrumental in improving financial controls and reporting. She also assisted in its equity raising that resulted to the entry of STTelemedia (STT) as Sky's strategic partner in 2011. Ms. Balmoris is a Certified Public Accountant (CPA) with over thirty-six (36) years of financial experience in the industries of



real estate, consumer products, insurance services, and payTV/broadband. She graduated *cum laude* from Far Eastern University, with a bachelor's degree in Accountancy.

**Ma. Rosario S. Bartolome, Filipino, age 48**

**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 60**

**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 46**

**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.

**Olivia G. De Jesus, Filipino, age 55**

**Head of Global**

Ms. De Jesus is currently the Chief Operating Officer of ABS-CBN Global. Prior to becoming Global COO, Ms. De Jesus held various positions in ABS-CBN, including Managing Director of its North America business and Managing Director of Creative Programs Inc.. She completed an Advanced Management Program from Harvard Business School in 2015. She graduated from the University of the Philippines, Diliman with a Bachelor of Arts degree in Communication.

**Higino T. Dungo, Jr., Filipino, age 58**

**Head, Integrated Public Service**

Mr. Dungo is currently the Head ABS-CBN Integrated Public Service and concurrent Program Director of Sagip Kapamilya. He has 26 year of work experience as Internal Auditor. He was an auditor at MERALCO for twenty (20) years, before he transferred to ABS-CBN CommGroup Internal Audit as head of Financial Operations Audit. He was the Chief Audit Executive of ABS-CBN's Commgroup Internal Audit for four (4) years. He obtained his Bachelor of Science degree, major in Accounting at San Beda College. He is a Certified Public Accountant (CPA) and Certified Internal Auditor (CIA).

**Richmond Ezer O. Escolar, Filipino, age 40**

**Head, Customer Relationship Management**

Mr. Escolar is currently the Head of Customer Relationships of ABS-CBN, after almost 2 decades of experience in various consumer marketing roles globally. Prior to joining ABS-CBN, he worked at the Bank of the Philippine Islands as Head of

Credit Cards and Market Segment Development and Management. He started his career at The Boston Consulting Group (Singapore), and progressed to various global brand management roles in Procter & Gamble (Singapore), Colgate-Palmolive (USA) and Visa (USA). He is also an adjunct faculty member of Enderun Colleges, where he teaches Marketing & CRM. Mr. Escolar holds an MBA from Columbia University, and graduated with a BS Business Administration & Accountancy (Magna cum Laude) degree from the University of the Philippines. He is also a Certified Public Accountant.

**Jay C. Gomez, Filipino, age 43**

**Data Privacy Officer and concurrent Head, information Security**

Mr. Gomez is currently the Data Privacy Officer of ABS-CBN and concurrent Head, Information Security. He has 24 years of combined experience in the fields of IT infrastructure, IT Operations, information security, Business Continuity Planning, contact center, business process outsourcing and data privacy. He previously worked at Data General Philippines, Meralco, Asian Institute of Management, Horizon iTech Singapore Pte. Ltd, DFS Galleria Singapore Pte. Ltd, Alorica Philippines, and Cognizant Technology Solutions Philippines in different capacities and roles. He has led and managed IT Operations in multiple countries spanning the globe. He studied Computer Science at AMA University and attended Basic Management Program at the Asian Institute of Management. He is a Certified Information Security Manager (CISM) and a Board of Trustee of ISACA Manila Chapter in 2016 and the current year. He is also a Certified Information Privacy Manager (CIPM) and member of the International Association of Privacy Professionals (IAPP). He previously has certifications in Business Continuity Management and Disaster Recovery by the Business Continuity Institute (BCI).

**Robert G. Labayen, Filipino, age 58**

**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 55**

**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 57**

**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 57**

**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 49**

**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 56**

**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 (92.3xFM) 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 59**

**Head, Corporate Services Group**

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 47**

**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.pinoycentral.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 59**

**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 56**

**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.

**Ricardo B. Tan, Jr., Filipino, age 54**

**Compliance Officer and concurrent Head, Treasury, Business Decision Support, Investor Relations and Finance Operations (Cluster 2)**

Mr. Tan is currently the Compliance Officer of ABS-CBN and the concurrent Head, Treasury, Business Decision Support, Investor Relations and Finance Operations (Cluster 2). Before joining ABS-CBN Corporation, he was the Chief Financial Officer of Vista Land & Lifescapes Inc. where he was employed for over five (5) years. He has also worked for the Philippine government (International Finance Group of the Department of Finance), Philippine Airlines (finance division), Philippine Long Distance Telephone Company (in various divisions as Vice President - regulatory management, investor relations, and strategic planning), and as a consultant for the Asian Development Bank. Mr. Tan obtained his BSc. degree in Monetary Economics from the London School of Economics in 1986, and MBA degree (Finance and International Business) from the University of Chicago Booth School of Business in 1991.

**Vivian Y. Tin, Filipino, age 56**

**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 59**

**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 57**

**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 Brodkaster 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 56**

**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 50**

**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 58**

**Corporate Secretary**

Mr. Enrique I. Quiason was appointed as Corporate Secretary in 2015. He has been the Assistant Corporate Secretary of the Company 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 52**

**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 Company 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 five (5) years up to February 28, 2019, 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 five (5) years up to February 28, 2019, 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 People of the Philippines v. Tulfo et. al., a libel case filed and still pending against Eugenio Lopez III, in his former capacity as President and CEO of the Company.

For the past five (5) years up to February 28, 2019, 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 five (5) years up to February 28, 2019, 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.

#### **Relationships and Related Transactions**

For a detailed discussion of ABS-CBN's related party transactions, see the accompanying notes to the Company's audited consolidated financial statements.

Except for transactions discussed in the accompanying notes to the Company's 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 two years, nor is any material transaction presently proposed, between the Company and parties that fall outside the definition of "related parties" under

Philippine Accounting Standards (PAS) No. 24, 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.

**Item 6. Compensation of Directors and Executive Officers**

Information as to the aggregate compensation paid or accrued during the last two (2) fiscal years and to be paid in the ensuing fiscal year to the Company's chief executive and four (4) other most highly compensated executive officers follow:

<b>SUMMARY COMPENSATION TABLE</b>				
<b>Annual Compensation – 2018 Actual and 2019 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 Rolando P. Valdueza Ma. Socorro V. Vidanes	2019E	₱153,119,172.00		₱
	2018	₱149,576,856.00	₱-34,454,182.29	-
All managers and up as a group unnamed	2019E	₱1,793,188,086		₱
	2018	₱1,676,910,928.66	₱-309,059,071.95	₱-106,327,742.65

<b>SUMMARY COMPENSATION TABLE</b>				
<b>Annual Compensation -2017</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	2017	164,581,170	137,444,883	27,872,371
All managers and up as a group unnamed	2017	2,403,159,447	924,565,684	₱378,556,460

There are no compensatory plans or arrangements that will result from a resignation, retirement, or any other termination of an executive officer's employment from a change-in-control of the Company or a change in the executive officer's responsibilities following a change-in-control. 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) resolved that the issuance of said shares is exempt from the registration requirement, pursuant to Section 10.2 of the Securities and Regulation Code, on September 28, 2017. Item 7. Independent Public Accountants**

The principal accountants and external auditors of the Company is the accounting firm of SyCip, Gorres, Velayo & Company (SGV & Co.). The accounting firm of SGV & Co. has been the Company's Independent Public Accountants for the last five (5) years. There was no event in the past five (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 Ms. Catherine E. Lopez as the engagement partner, for the audit of the Company's books in 2017. The Company has complied with SRC Rule 68, paragraph 3(b)(iv) re:5-year rotation requirement for the external auditor.

SGV & Co. is being recommended for re-election at the scheduled Annual Stockholders' Meeting on April 25, 2019.

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 two (2) fiscal years for professional services rendered by the external auditor are as follows:

	2018	2017
Audit Fees	26,904,000	28,180,000
Non-Audit Fees	16,288,644	4,914,832

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.

The Audit Committee is composed of Mr. Antonio Jose Periquet as Chairman, Mr. Salvador Tirona, and Mr. Emmanuel De Dios. Mr. Honorio Poblador IV is an advisor of the Audit Committee.

**Item 8. Employee Stock Option Plan**

The Company had an employee stock option plan (ESOP) which covered 1,403,500 shares at 95% of offer price during the initial public offering. Collections were made in 48 semi-monthly installments without interest through payroll deductions. Shares offered under the ESOP have been fully paid and issued since 1995.

On March 29, 2000, the Board of Directors approved another ESOP covering 6,080,306 shares. In 2002, all the shares acquired by the Company covering this ESOP, were exercised by the employees. As of December 31, 2010, there are no more outstanding ESOP.

On February 22, 2017, the Board of Directors approved an Employee Stock Purchase Plan and an Executive Stock Purchase Plan. The ABS-CBN Employee Stock Purchase Plan was offered to rank and file employees, technical specialists and Internal Job Market members with at least one (1) year tenure, in January 2018. The maximum number of ABS-CBN common shares that was subscribed by a participant under this plan is 2,000 shares. The subscription price was at



PHP29.50, which was a 15% discount on the closing price as of the offer date. The subscription price will be paid in five (5) years. The Executive Stock Purchase Plan was offered to managers and artists and members of the Board of Directors with at least one (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 at PHP29.50, which was a 15% discount on the closing price as of the offer date. 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 stockholders unanimously approved the Employee Stock Purchase Plan and Executive Stock Purchase Plan on April 6, 2017, and the Securities and Exchange Commission (SEC) resolved that the issuance of said shares is exempt from the registration requirement, pursuant to Section 10.2 of the Securities and Regulation Code, 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.

### **C. ISSUANCE AND EXCHANGE OF SECURITIES**

#### **Item 9. Item Authorization or Issuance of Securities Other than for Exchange**

No action is to be taken with respect to the authorization or issuance of securities.

#### **Item 10. Modification or Exchange of Securities**

No action is to be taken with respect to the modification or exchange of the Company's securities.

#### **Item 11. Financial and Other Information**

No action is to be taken.

#### **Item 12. Mergers, Consolidations, Acquisitions, and Similar Matters**

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

#### **Item 13. Acquisition or Disposition of Property**

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

#### **Item 14. Restatement of Accounts**

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

#### **D. OTHER MATTERS**

##### **Item 15. Action with Respect to Reports**

- Approval of the Minutes of the Annual Meeting of the Stockholders held on April 19, 2018 covering the following matters:
  - o Annual Report of Officers;
  - o Approval of Annual report and Audited Financial Statements for the Year Ended December 31, 2017;
  - o Election of the Members of the Board of Directors, including the Independent Directors;
  - o Ratification and approval of all acts and resolution of the Board of Directors and of Management for the fiscal year 2017 ;
  - o Appointment of External Auditors;
  - o Approval of the ABS-CBN Employee Stock Purchase Plan and the Executive Stock Purchase Plan
  
- Approval of the Annual Report of Management and the Audited Financial Statements for the year ending December 31, 2018.

##### **Item 16. Matters Not Required to be Submitted**

No action is to be taken with respect to any matter that is not required to be submitted to a vote of security holders.

##### **Item 17. Amendment of Charter, By-laws or Other Documents**

No action is to be taken with respect to an amendment of the Articles of Incorporation or By-laws of ABS-CBN.

##### **Item 18. Other Proposed Actions**

Ratification of all acts of the Board of Directors, Executive Committee and Management for the period covering January 1, 2018 through December 31, 2018 adopted in the ordinary course of business. These cover matters entered into in the ordinary course of business, with those of significance having been covered by the proper disclosures, such as: the election of corporate officers, membership in board committees, treasury matters related to the opening of accounts and bank transactions, designation of authorized signatories, approval of audited financial statements, declaration of cash dividends, investment of funds and items which are included in the reports of the Chairman and management for 2018 and the 2017 audited financial statements,

- a) Investment of Funds in Business Ventures with Purposes Other Than the Primary Purpose
  - i. Investment with Ever Bilena Cosmetics, Inc. in a joint venture corporation
  - ii. Investment in The Chosen Bun, Inc.
  - iii. Investment with iBayad in a joint venture corporation
- b) Election of the Member of the Board of Directors, including the Independent Directors, for the ensuing calendar year;
- c) Appointment of the External Auditor, SyCip Gorres Velayo & Co.

**Item 19. Voting Procedures**

- (a) **Vote Required:** The proposed actions listed in Item 15 and Item 18, as in motions in general, require the affirmative vote of a majority of the shares of the Company's common stock present and/or represented and entitled to vote. Under Section 42 of the Corporation Code, investment of funds described in Item 18 a) requires the vote of at least a majority or at least two thirds of the outstanding capital stock of the Company. The manner of voting is non-cumulative, except as to the election of directors.
- (b) **Method:** Straight and cumulative voting. For the amendment of the Amended By-laws, voting shall be straight voting. In the election of directors, the top eleven nominees with the most number of votes will be elected as directors. If the number of nominees does not exceed the number of directors to be elected, all the shares present or represented at the meeting will be cast in favor of the nominees. If the number of nominees exceeds the number of directors to be elected, voting will be done by ballots. On the election of directors, each stockholder may vote such number of shares for as many persons as there are directors to be elected or he may accumulate such shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

Voting will be by poll. Upon registration at the annual stockholders' meeting, each stockholder will be given a ballot to enable him to vote in writing on each item or proposal in the Agenda. Nonetheless, each stockholder may vote viva voce or by other means of communicating his approval or objection. All votes will be counted and tabulated by the Office of the Corporate Secretary and the results will be validated by SGV & Co.

The Corporate Secretary will be responsible for counting the votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies at any meeting of the stockholders, and the results will be validated by SGV & Co..

**Upon the written request of a stockholder, the Company undertakes to furnish said stockholder with a copy of the Company's annual report on SEC Form 17-A free of charge. Any written request for a copy of the annual report shall be addressed to the following:**

**ABS-CBN Corporation  
ABS-CBN Broadcast Center  
Sgt. Esguerra Avenue corner Mother Ignacia Street  
Diliman, Quezon City**

**Attention: Aldrin M. Cerrado  
Chief Finance Officer**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Pasig City on March 26, 2019.

By:   
\_\_\_\_\_  
**ENRIQUE I. QUIASON**  
Corporate Secretary

## 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 fourteen (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
- 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 Batangas, Cebu City, 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.

**Narrowcast** caters to the needs of specific audience or market not normally addressed by the broadcast business. This includes cable, satellite, DTT and OTT programming and channels as well as specialty content such as sports, lifestyle, music, animation, movies and kids.

## CABLE, SATELLITE AND BROADBAND

SKY Cable Corporation offers an array of innovative and pioneering products with superior content delivered on various platforms. Its products include: SKY, the leading cable brand in the county that is known for its top-notch programming with an extensive lineup of HD channels; SKYdirect, a direct-to-home television service available nationwide with prepaid and postpaid subscribers that is set to hit 1 million by the first quarter of 2019; and One SKY Fiber, fiber-powered broadband with plans up to 200Mbps that is bundled with HD cable TV and on-the-go access to content via SKY On Demand. SKY also caters to SMEs and enterprise commercial businesses through SKYbiz, which offers connectivity and content services. SKYbiz is the first provider to create relevant content for the hospitality industry, making it the preferred cable TV provider of premier establishments in the country.

## DIGITAL

Digital aims 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.

**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 mainly film, television, and music content that are accessible online. This segment includes iWant, a service offered by 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 establishes its position at the forefront of themed experiences in the Philippines through KidZania and ABS-CBN Studio Experience.

**KidZania** is an interactive city made for children that combines inspiration, fun and learning through realistic role-play, making it one of the fastest growing global learning and entertainment brands in the world. Kids can independently explore a scaled indoor city of over 8,000 square meters with more than 100 exciting careers that they can try. It is present in 26 locations in 19 countries, with ABS-CBN spearheading in the Philippines. The business is sponsored by the leading industry partners that provide technical expertise and know-how, and help guide the content with real life business practices, making the activities as authentic as possible.

**ABS-CBN Studio Experience** is ABS-CBN's first Studio City, which allows visitors to enjoy the world of entertainment through fun and interactive themed attractions, where they can star in their favorite Kapamilya television shows and movies both in front of, and behind the camera. Studio XP houses full scale set reconstructions divided into three (3) zones, the Reality Studio, Fantasy Studio and Retail Studio.

**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, 2018:

Company	Incorporation	Principal Activities	Currency	2018	2017
<b>Media, Network, and Studio Entertainment</b>					
Global:					
ABS-CBN Global Ltd. (ABS-CBN Global) <sup>(a)</sup> <sup>(i)</sup>	Cayman Islands	Holding company	United States dollar (USD)	100.0	100.0
ABS-CBN Europe Ltd. (ABS-CBN Europe) <sup>(b)(c)</sup> <sup>(i)</sup>	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> <sup>(i) (e)</sup>	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> <sup>(i)</sup>	Dubai, UAE	Cable and satellite programming services	United Arab Emirates dirham (AED)	100.0	100.0
ABS-CBN Middle East LLC <sup>(b)</sup> <sup>(i)</sup>	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> <sup>(n)</sup>	California, USA	Cable and satellite programming services	USD	100.0	100.0
ABS-CBN Australia Pty. Ltd. (ABS-CBN Australia) <sup>(i)</sup> <sup>(k)</sup>	Victoria, Australia	Cable and satellite programming services	Australian dollar (AUD)	100.0	100.0
ABS-CBN Canada, ULC (ABS-CBN Canada) <sup>(i)</sup> <sup>(k)</sup>	Canada	Cable and satellite programming services	Canadian dollar (CAD)	100.0	100.0
ABS-CBN Telecom North America, Inc. <sup>(i)</sup> <sup>(k)</sup>	California, USA	Telecommunications	USD	100.0	100.0
ABS-CBN Global Netherlands B.V. (ABS-CBN Netherlands) <sup>(i)</sup> <sup>(n)</sup>	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	100.0
Tarsier Records, Inc. <sup>(g)</sup>	Philippines	Music production	Philippine peso	100.0	-
<b>Narrowcast and Sports:</b>					
ABS-CBN Publishing, Inc. (ABS-CBN Publishing) <sup>(v)</sup>	Philippines	Print publishing	Philippine peso	-	100.0
Creative Programs, Inc. (CPI) <sup>(v)</sup>	Philippines	Content development and programming services	Philippine peso	100.0	100.0
<b>Others:</b>					
ABS-CBN Europe Remittance Inc. <sup>(d)</sup> <sup>(i) (z)</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) (z)</sup>	California, USA	Services - money remittance	USD	100.0	100.0
ABS-CBN Canada Remittance Inc. <sup>(i)</sup> <sup>(n) (z)</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>(i)</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)</sup> <sup>(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

Company	Incorporation	Principal Activities	Currency		
				2018	2017
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.	Philippines	Production facility	Philippine peso	100.0	100.0
Medianow Strategies, Inc. (Medianow) <sup>(s)</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>(q)</sup>	Philippines	Holding company	Philippine peso	70.0	70.0
ABS-CBN Convergence, Inc. (ABS-C) <sup>(q)</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>(h) (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) (o) (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) (o) (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
Tarlac Cable Television Network, Inc. <sup>(b) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Telemondial Holdings, Inc. <sup>(b) (i) (w)</sup>	Philippines	Holding company	Philippine peso	59.4	59.4
JMY Advantage Corporation <sup>(b) (w)</sup>	Philippines	Cable television services	Philippine peso	56.4	56.4
Cebu Cable Television, Inc. <sup>(b) (o) (p) (w)</sup>	Philippines	Cable television services	Philippine peso	57.4	57.4



Company	Incorporation	Principal Activities	Currency	2018	2017
Suburban Cable Network, Inc. <sup>(h) (w)</sup>	Philippines	Cable television services	Philippine peso	54.9	54.9
Pacific CATV, Inc. (Pacific) <sup>(h) (o) (w)</sup>	Philippines	Cable television services	Philippine peso	58.0	58.0
First Ilocandia CATV, Inc. <sup>(h) (o) (w)</sup>	Philippines	Cable television services	Philippine peso	54.9	54.9
Mactan CATV Network, Inc. <sup>(h) (o) (p) (w)</sup>	Philippines	Cable television services	Philippine peso	56.6	56.6
Discovery Mactan Cable, Inc. <sup>(h) (s) (w)</sup>	Philippines	Cable television services	Philippine peso	41.6	41.6
Home-Lipa Cable, Inc. <sup>(h) (s) (w)</sup>	Philippines	Cable television services	Philippine peso	35.6	35.6
<b>Consumer Products and Experiences</b>					
ABS-CBN Theme Parks and Resorts Holdings, Inc. (ABS-CBN Theme Parks)	Philippines	Holding company	Philippine peso	100.0	100.0
ABS-CBN Themed Experiences, Inc. (ABS-CBN Themed Experiences) <sup>(u)</sup>	Philippines	Management of locations	Philippine peso	100.0	-
Play Innovations, Inc. (PII) <sup>(g)</sup>	Philippines	Theme park	Philippine peso	73.0	73.0
Play Innovations Hungary Kft. (Play Innovations) <sup>(i) (g)</sup>	Budapest, Hungary	Theme park	USD	73.0	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	Under common control of Lopez Inc.
ABS-CBN Holdings Corporation		30 March 1999	Under common control of Lopez Inc.
AMCARA Broadcasting Network, Inc.	Television and radio broadcasting	11 April 1994	49% owned by ABS-CBN
Transmission Specialists Inc.	Services	28 February 2008	35% owned by ABS-CBN
A C J O	Home shopping	13 August 2013	50% owned by ABS-CBN
ALA Sports	Boxing promotions	4 December 2013	44% owned by ABS-CBN
Daum Kakao Corporation	Services	16 February 2015	50% owned by ABS-CBN
The Flagship, Inc.	Services	20 October 2015	40% 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 2018, are as follows:

**CHANNEL RATINGS AND SHARES (6AM-12MN)  
FY 2018 EXCLUDING  
HOLYWEEK  
SOURCE: KANTAR MEDIA TAM - TOTAL HOUSEHOLDS**

Channel	Total Philippines	
	(January – December 2018)	
	Rating %	Share %
ABS-CBN	15.1	44.6
GMA	10.8	32.0
TV 5	1.1	3.2
GMA News TV	0.7	2.1
ABS-CBN Sports + Action	0.5	1.6
Cinemo	1.3	3.7
Yey	1.0	2.9
CNN Philippines	0.0	0.1
OTHER FTA/DTT	0.8	2.3

The Company principally competes with 9 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 distributes TFC and other media content in the US through various carriage platforms that include but are not limited to DirecTV, Comcast Corporation, and Cox Communications, which 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 Online product offerings in other territories such as the Middle East, Europe, Australia, New Zealand, Canada, Japan and other countries in Asia and the 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. ABS-CBN Film Productions, Inc. 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-2018, the Company has sold over 6.7 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**

ABS-CBN, through its subsidiaries SNN and API, also provides programming for eight (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. API also competes with other players in print industry.



## **CABLE, SATELLITE AND BROADBAND**

SKYcable is a leading cable, satellite 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**

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

*OTT Platform:* ABS-CBN's Over-The-Top platforms (iWant.ph, TFC.TV, and Sky on Demand) 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, and quality and quantity of content offered to address changing viewership habits of the market.

## CONSUMER PRODUCTS AND SERVICES

*Theme Parks:* The Company establishes its position at the forefront of themed experiences in the Philippines through KidZania and ABS-CBN Studio Experience.

**KidZania** is an interactive city made for children that combines inspiration, fun and learning through realistic role-play, making it one of the fastest growing global learning and entertainment brands in the world. Kids can independently explore a scaled indoor city of over 8,000 square meters with more than 100 exciting careers that they can try. It is present in 26 locations in 19 countries, with ABS-CBN spearheading in the Philippines. The business is sponsored by the leading industry partners that provide technical expertise and know-how, and help guide the content with real life business practices, making the activities as authentic as possible.

**ABS-CBN Studio Experience** is ABS-CBN's first Studio City, which allows visitors to enjoy the world of entertainment through fun and interactive themed attractions, where they can star in their favorite Kapamilya television shows and movies both in front of, and behind the camera. Studio XP houses full scale set reconstructions divided into three (3) zones, the Reality Studio, Fantasy Studio and Retail Studio.

### 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.

ABS-CBN Film Productions, Inc. has a 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 ten (10) to fifteen (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 has signed a license agreement with the Filipino Society of Composers, Authors and Publishers, Inc. (FILSCAP), a collective management organization in the Philippines, for the public performance and communication to the public rights of music contained in such films or programs produced by ABS-CBN and its subsidiaries. ABS-CBN is negotiating with Sound Recording Rights Society, Inc. (SOUNDSRIGHT), also a collective management organization in the Philippines, for the use of sound recordings for public performance and communication to the public of music 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 secures 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 6,730 regular employees, 900 non-regular employees and 3,325 talents and project-based employees as of December 31, 2018. ABS-CBN's expected headcount growth is 2% 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 ₱5,000 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 13<sup>th</sup> 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 3% of the total regular employees of ABS-CBN, while 12% of belong to the Rank & File Union. The current CBA for the supervisory union covers the period August 1, 2018 to July 31, 2020, 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. Programa Genio of Operation Sagip was launched in 2012 to focus on helping every Filipino child discover and develop the inherent "genio" or genius in them. Named in honor of ABS-CBN Founder and Chairman Eugenio Lopez Jr., Programa Genio's goal is to help empower the marginalized and disadvantaged children and youth through quality educational soft programs in order for them to become skilled and productive citizens that would be able to contribute in the growth of their community and to the country's development.
- *Bantay Bata* (Child Watch). Founded in 1997, Bantay Bata 163 started as a child welfare program for children at risk. Through the years, its services have evolved to include helping indigent children through medical assistance and scholarships. It has broadened its scope to include the community to help advance its advocacies, empowering the family through education and information campaigns. In 2018, Bantay Bata 163 re-opened the Children's Village will serve as a halfway home to abused and at risk children. Moving forward, Bantay Bata 163 will enter the online arena to aid in stopping online child abuse and exploitation. Bantay Bata's services now fall under the following categories:
  - Bantay Proteksyon – Being the front runner in child protection, these services aim to promote the intrinsic rights of a child especially their right to protection. This includes Hotline 163 and the Children's Village.
  - Bantay Edukasyon – Bantay Bata 163 provides educational assistance to children victims of abuse, exploitation and neglect and those children from destitute families.
  - Bantay Kalusugan – this category includes services that cater to the overall health and well-being of a child. Included in this group are the medical assistance services and supplemental feeding projects.
  - Bantay Pamilya – includes interventions that advance the advocacies of Bantay Bata thereby empowering the family and the community to be advocates and champions of children rights and welfare. Projects under this category include Community Outreach Programs and Capacity Building Programs for parents and service providers.
- *Bantay Kalikasan* (Nature Watch). Launched in 1998, Bantay Kalikasan (BK), ABS-CBN Lingkod Kapamilya's environment advocacy arm, has propelled massive changes towards the protection and sustainability of the country's natural environment. For two decades, it has initiated different projects such as watershed rehabilitation and management, recovery and recycling of Used Lead Acid Batteries (ULABs) and used oil, advocacy building through Information and Education Campaigns (IEC) and community empowerment. BK's projects include the Green Initiative Project, La Mesa Watershed and Ecopark, Bantay Baterya and Langis and the SEA Verde Island Passage (SEA VIP) Project. All of Bantay Kalikasan's projects revolve around five pillars which include:
  - Environmental Stewardship - This pillar awakens the "steward" in every Filipino – to encourage them to take steps, even small, for the environment.
  - Sustainable Livelihood - This pillar provides the necessary inventory/ equipment/infrastructure, and even operating capital needed to start up the social enterprise.

- Empowered Communities - This pillar trains the community on managing their own social enterprise in the areas of financial literacy, marketing, operations, and other sustainable business practices. It also includes values transformation of individuals enabling them to make sound decisions based on integrity, truth, and the common good.
- Governance and Leadership - This pillar assists the communities to form a recognized organization capable of governing themselves and implementing policies to achieve their common goals.
- Building Networks and Ecosystems - This pillar equips the communities to become independent organizations capable of tapping government agencies, the academe, and trade associations to launch, manage and sustain their projects.

Currently, Bantay Kalikasan has projects and interventions in 18 communities nationwide.

## **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 (on a fully diluted basis) 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 - 18 in Metro Manila and 13 regionally and 2 soundstages, 209 editing bays, and 100 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 digital initiatives are driven by the broadband and DTH expansion plans of Sky, its continued investment in advertising solutions, platforms and content for its digital properties. International expansion is another growth area where various content, talent, syndication and distribution partnerships are envisioned to materialize in the coming years. Finally, investments in themed experiences and events are seen as a strong driver of the related businesses. These will be underpinned by continued investments in technology, people and data driven initiatives in support of its customer relationship network among its businesses. All these are founded on its mission of being of service to the Filipino.

### **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 \_\_\_ of the Company's 2018 audited consolidated financial statements.

Except for related party transactions discussed in the accompanying notes to the Company's 2018 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 two (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.

Please refer to the section discussing in detail Risk Management on page 72 of this Information Statement.

## **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, 2018:

**VHF TV Stations**

	<b>Station</b>	<b>Channel</b>	<b>Transmitter Site</b>
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 Mabayan, 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>Covered by a blocktime agreement with 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>
	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>Covered by blocktime agreements with Amcara



### **FM RADIO Stations**

	<b>Station</b>	<b>Frequency (MHz)</b>	<b>Call Sign</b>	<b>Locations</b>
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**

	<b>Station</b>	<b>Frequency (MHz)</b>	<b>Call Sign</b>	<b>Locations</b>
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**

<b>Lessor</b>	<b>Effectivity Date</b>		<b>Monthly Rent</b>	<b>Particulars</b>	<b>Terms</b>
	<b>Start</b>	<b>End</b>			
Trajano, Fee Sai	January 01, 2016	January 31, 2017 (for renewal)	284,317	Quezon City	no escalation
Smartnet Philippines	October 01, 2016	September 30, 2017 (for renewal)	204,205	Mandaluyong	w/ 5% escalation rate per annum
Summit One	September 16, 2015	September 15, 2025	100,000	Mandaluyong	no escalation
Florpet Corporation	April 01, 2016	March 31, 2021	173,300	Cebu	w/ 10% escalation rate per annum
Jeco Real Estate (Eva T. Co as administratrix of the late Jaime Lim Co)	July 01, 2018	June 30, 2023	69,046.42	Isabela	w/ 5% escalation rate per annum
Jeco Real Estate	January 1, 2013	On-going renewal	72,747	Isabela	w/ 5% escalation rate per annum

Lessor	Effectivity Date		Monthly Rent	Particulars	Terms
	Start	End			
Eduardo Anqui	October 01, 2017	September 30, 2022	57,000	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, 2017	March 14, 2020	33,036.09	San Miguel	No escalation
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
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
Bayan Telecommunications Inc.	June 16, 2018	June 15, 2020	63,107.45	Butuan	w/ 5% escalation rate per annum
Bayan Telecommunications Inc.	2012	Automatic renewal unless terminated	31,250	Sorsogon	no escalation
Bayan Telecommunications Inc.	2012	Automatic renewal unless terminated	31,250	Ilocos Sur	no escalation
Dewey So Sy	March 01, 2016	February 28, 2017 (for renewal)	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 (for renewal)	70,000	Quezon city	no escalation
BSA Tower Condominium Corp.	February 1, 2017	February 1, 2024	180,000	Makati	w/ 3% escalation rate per annum
Palladian Land Development	February 1, 2017	February 1, 2024	18,000	Mandaluyong	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
Palomares, Eduardo	September 1, 2016	August 31, 2017 (for renewal)	17,244	Vigan	no escalation
Dante Sigua	July 1, 2015	June 30, 2018	23,526	Roxas	no escalation

Lessor	Effectivity Date		Monthly Rent	Particulars	Terms
	Start	End			
Blanco, Shernan	April 15, 2017	April 14, 2022	25,936.84	Zambales	w/ 10% escalation rate per annum
Fordan, Concepcion	November 15, 2016	November 14, 2019	69,075.45	Mindoro	w/ 10% escalation rate per annum
Rios, Teresita R.	December 1, 2016	November 30, 2019	73,500.00	Tuguegarao	no escalation
Virac Eastland Realty Corporation	December 1, 2016	November 30, 2019	57,062.34	Virac	w/ 10% escalation per annum
First Philippine Realty Corporation	March 1, 2018	February 28, 2019	40,630.03	Antipolo	w/ 10% escalation per annum
Garcia, Ariel L.	January 1, 2019	December 31, 2023	16,443.71	Kalibo	w/ 10% escalation per annum
Sulit, Ildefonso B.	January 1, 2017	December 31, 2019	48,581.50	Batangas	w/ 10% escalation per annum
Elena Tower Inn	January 1, 2018	On-going renewal	33,000	Iligan City	no escalation
Virtudazo, Jaime	September 1, 2017	August 31, 2021	48,788.64	Bohol	w/ 10% escalation per annum
Cabugao, Angelina	January 1, 2018	December 31, 2022	10,000	Olongapo City	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 ABS-CBN.

While not deemed material legal proceedings based on the amount of the claims involved, the following legal proceedings involving the ABS-CBN 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 ABS-CBN'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 ABS-CBN'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 ABS-CBN and Skycable is ₱659 million. It is ABS-CBN'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. ABS-CBN and Sky Cable filed a Motion to Dismiss and Motion for Preliminary Hearing on Affirmative Defenses. ABS-CBN and Sky Cable completed the presentation of its evidence in support of its affirmative defenses. Solar finished presentation of its evidence. Upon motion by ABS-CBN, the court issued a writ of preliminary mandatory injunction ordering Solar to immediately restore the transmission of NBA content feeds to Sky Cable. Solar refused to comply with the writ of preliminary mandatory injunction.

Solar filed a petition for certiorari before the Court of Appeals questioning the trial court's order to conduct hearing on affirmative defenses. The Court of Appeals issued a 60-day temporary restraining order enjoining the trial court from conducting any further proceeding.

In the meantime, the parties have signed a compromise agreement and are preparing the necessary motions for the implementation of the compromise agreement and withdrawal and/or dismissal of the following related cases:

a. "ABS-CBN Corporation and Sky Cable Corporation v. Solar Entertainment Corporation, et al.,"

ABS-CBN and Sky Cable filed a case for indirect contempt against Solar and William Tieng, for Solar's refusal to comply with the writ of preliminary mandatory injunction and restore the transmission of the NBA content feeds. This case is docketed as Civil Case No. R-MND-17-04167-SC and is pending before the Regional Trial Court, of Mandaluyong City, Branch 209.

b. "Solar Entertainment Corporation vs. Eugenio Lopez, III, et al.,"

Solar filed a criminal complaint for Estafa against members of the board of directors and officers of ABS-CBN and Sky Cable in connection with their joint license agreement for the NBA games. This case is docketed as NPS No. XV-05-INV-17G-2494 and was filed with the Office of the City Prosecutor of Makati City.

c. "Solar Entertainment Corporation v. ABS-CBN Corporation and Sky Cable"

Solar filed an administrative complaint against ABS-CBN and Sky Cable for violation of NTC Memorandum Cir. No. 10-10-2003, for alleged unauthorized broadcast of Solar's NBA Premium TV channel. This administrative complaint is docketed as Adm. Case No. 2017-062, and is pending before the National Telecommunications Commission.

d. "ABS-CBN Corporation, Sky Cable Corporation, and Caesar Poblador vs. William Y. Tieng"

ABS-CBN and Sky Cable filed a criminal case for perjury against William Tieng for execution of false certificate of non-forum shopping in connection with the civil complaint for damages filed by Solar against the Company and Sky Cable. This criminal case is docketed NPS Docket No. XV-05-INV-17K-4007 and was filed before the Office of the City Prosecutor, Makati City.

e. "Sky Cable Corporation, ABS-CBN Corporation, Caesar J. Poblador, And Antonio S. Ventosa vs. William Y. Tieng"

Sky Cable and ABS-CBN also filed a criminal case for perjury against William Tieng for falsely stating in the Complaint-Affidavit for Estafa that Solar continued to give Sky Cable access to the feeds for the NBA Channels despite the expiration of the Channel Carriage Agreements because of fraud and false pretenses on the part of ABS-CBN and Sky Cable. This case was docketed NPS No. XV-05-INV-17K-4303 and was filed before Office of the City Prosecutor, Makati City. This was subsequently consolidated with the earlier perjury case.

"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 is presenting its evidence and awaiting the court's order for the next hearing.

"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. Revillame filed a petition for review on certiorari with 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. Respondents Fong and Revillame have filed their respective comment/opposition.

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

The Company's common shares have been listed on the PSE since 1992. The Philippine Depository Receipts (PDRs) were listed in 1999. Common shares may be exchanged for PDRs. The common shares (PSE: ABS) closed at ₱21.20 while the PDRs (PSE: ABSP) closed at ₱20.85 on March 25, 2019.

#### 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.

### 2. Stock Dividend (Per Share)

No stock dividend declared since July 2, 1996.

#### Cash Dividend (Per Share)

Amount	Share	Declaration Date	Record Date	Payment Date
₱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 18, 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
₱0.55	Common	February 28, 2019	March 14, 2019	March 26, 2019
₱0.004	Preferred	February 28, 2019	March 14, 2019	March 26, 2019

### High and Low Share Prices

		ABS		ABSP	
		High	Low	High	Low
<b>2018</b>	First Quarter	29.40	28.70	27.85	27.50
	Second Quarter	25.50	24.90	25.00	24.20
	Third Quarter	21.30	20.90	19.50	19.20
	Fourth Quarter	20.15	19.92	18.80	18.70
<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
<b>2013</b>	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
<b>2012</b>	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
<b>2011</b>	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, 2019 was 8,353. Common shares issued as of February 28, 2019 were 883,295,819. Preferred Shares outstanding as of February 28, 2019 were 1,000,000,000.

As of February 28, 2019, the foreign equity ownership of ABS-CBN is at 0%.

**Top 20 Common Shares Stockholders**

As of February 28, 2019, the Top 20 stockholders of ABS-CBN own an aggregate of 840,003,379 or 95.07% of issued common shares.

Rank	Name	Citizenship	Record/Beneficial	No. of Shares	Percentage
1	LOPEZ, INC.	Filipino	Record	480,933,747	54.42%
2	PCD NOMINEE CORPORATION	Filipino	Record	351,536,195	39.77%
3	JOSE MARI CHAN	Filipino	Record	1,257,130	0.14%
4	CHING TIONG KENG	Filipino	Record	1,111,500	0.13%
5	ABS-CBN FOUNDATION, INC.	Filipino	Record	780,995	0.09%
6	EUGENIO LOPEZ III	Filipino	Record	769,960	0.09%
7	CREME INVESTMENT CORPORATION	Filipino	Record	417,486	0.05%
8	FG HOLDINGS	Filipino	Record	386,270	0.04%
9	MANUEL M. LOPEZ	Filipino	Record	351,196	0.04%
10	CHARLOTTE C. CHENG	Filipino	Record	340,000	0.04%
11	CYNTHIA D. CHING	Filipino	Record	337,500	0.04%
12	ROLANDO P. VALDUEZA	Filipino	Record	284,500	0.03%
13	CARLO L. KATIGBAK	Filipino	Record	249,500	0.03%
14	MA. SOCORRO V. VIDANES	Filipino	Record	239,500	0.03%
15	LA SUERTE CIGAR & CIGARETTE FACTORY	Filipino	Record	205,000	0.02%
16	LAURENTI M. DYOGI	Filipino	Record	191,500	0.02%
17	ALBERTO G. MENDOZA &/OR JEANIE MENDOZA	Filipino	Record	168,250	0.02%
18	MIMI CHUA	Filipino	Record	162,390	0.02%
19	MAJOGRAJO DEV. CORPORATION	Filipino	Record	140,700	0.02%
20	OLIVIA M. LAMASAN	Filipino	Record	140,060	0.02%
	Subtotal of Top 20 Stockholders			840,003,379	95.10%
	Others			43,292,440	4.90%
	<b>Total No. of Shares</b>			<b>883,295,819</b>	<b>100.00%</b>



### Top 20 Preferred Shares Stockholders

As of February 28, 2019, 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>

### 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.

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

On February 22, 2017, the Board of Directors approved an Employee Stock Purchase Plan and an Executive Stock Purchase Plan. The ABS-CBN Employee Stock Purchase Plan was offered to rank and file employees, technical specialists and Internal Job Market members with at least one (1) year tenure, in January 2018. The maximum number of ABS-CBN common shares that was subscribed by a participant under this plan is 2,000 shares. The subscription price was at PHP29.50, which was a 15% discount on the closing price as of the offer date. The subscription price will be paid in five (5) years. The Executive Stock Purchase Plan was offered to managers and artists and members of the Board of Directors with at least one (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 at PHP29.50, which was a 15% discount on the closing price as of the offer date. 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 stockholders unanimously approved the Employee Stock Purchase Plan and Executive Stock Purchase Plan on April 6, 2017, and the Securities and Exchange Commission (SEC) resolved that the issuance of said shares is exempt from the registration requirement, pursuant to Section 10.2 of the Securities and Regulation Code, 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.

#### **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 principal accountants and external auditors of the Company is the accounting firm of SyCip, Gorres, Velayo & Company (SGV & Co.). The accounting firm of 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) 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 25, 2019.

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 two (2) fiscal years for professional services rendered by the external auditor are as follows:

	2018	2017
Audit Fees	26,904,000	28,180,000
Non-Audit Fees	16,288,644	4,914,832

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.

#### 4. 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

Ratios	2018	2017	2016	Formula
Current Ratio	2.42	2.18	2.02	Current Assets/Current Liabilities
Net Debt-to-Equity Ratio	0.28	0.24	0.30	Interest-bearing loans and borrowings less Cash and Cash equivalent/ Total Stockholders' Equity
Asset-to-equity ratio	2.37	2.23	2.30	Total Assets/ Total Stockholders' Equity
Interest rate coverage ratio	2.71	5.09	5.65	EBIT/ Interest Expense
Return on Equity	5.34%	9.38%	11.12%	Net Income/ Total Stockholders' Equity
Return on Assets	2.26%	4.21%	4.85%	Net Income/Total Asset
Profitability Ratios:				
Gross Profit Margin	36.15%	39.42%	42.28%	Gross Profit/ Net Revenue
Net Income Margin	4.76%	7.77%	8.47%	Net Profit/ Net Revenue

#### 5. Financial Statements

The Company's Statement of Management's Responsibility and Audited Financial Statements as of December 31, 2018 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 with SEC Memorandum Circular No. 11 is also included in **Annex B**.

**6. 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 2 most recent fiscal years or subsequent interim period.

**PART III - COMPENSATION INFORMATION**

**9. Executive Compensation**

Information as to the aggregate compensation paid or accrued during the last two (2) fiscal years and to be paid in the ensuing fiscal year to the Company's chief executive and four (4) other most highly compensated executive officers as follows:

<b>SUMMARY COMPENSATION TABLE</b>				
<b>Annual Compensation – 2018 Actual and 2019 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 Rolando P. Valdueza Ma. Socorro V. Vidanes	2019E	₱153,119,172.00		₱
	2018	₱149,576,856.00	₱-34,454,182.29	-
All managers and up as a group unnamed	2019E	₱1,793,188,086		₱
	2018	₱1,676,910,928.66	₱-309,059,071.95	₱-106,327,742.65

<b>SUMMARY COMPENSATION TABLE</b>				
<b>Annual Compensation -2017</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	2017	164,581,170	137,444,883	27,872,371
	2017	2,403,159,447	924,565,684	₱378,556,460

**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% of the net income before income tax of the Company during the preceding year.

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

### Security Ownership of Certain Records and Beneficial Owners as of February 28, 2019

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	54.45%	25.54%
Common	PCD Nominee Corporation* G/F Makati Stock Exchange Bldg., Ayala Ave., Makati City	ABS-CBN Holdings Corporation	Filipino	316,297,700	35.81%	16.79%
Preferred	Lopez, Inc. 5/F Benpres Bldg, Exchange Road cor Meralco Ave., Pasig City	Lopez, Inc.	Filipino	987,130,246	98.71%	52.42%

*\*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 the late Eugenio Lopez, Jr., Oscar M. Lopez, the late 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 has been named and appointed to exercise the voting power of Lopez Inc.'s shares in ABS-CBN Corporation.

The 316,297,700 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 60% by Lopez, Inc. and 40% by Oscar M. Lopez, Manuel M. Lopez, Salvador G. Tirona, and Eugenio Lopez III. The shares in the Company registered and beneficially owned by it are covered by Philippine Depositary Receipts (PDRs) which gives the holder thereof the right to delivery or sale of the underlying share. The PDRs are listed with the PSE.

Eugenio Lopez III, or in his absence, Manuel M. Lopez, or in his absence Oscar M. Lopez has 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.

## **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.

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

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

For a detailed discussion of ABS-CBN's related party transactions, see Section 23 of the Company's audited consolidated financial statements, which also refers to Transactions with Related Parties of the said report.

### **Parent Company**

Lopez, Inc. is the registered owner of 77.96% of the voting stock of the Company as of December 31, 2018. Lopez, Inc. is the holding company of the Lopez family. It is owned by the respective holding companies of the families of the late Eugenio L. Lopez III, Oscar M. Lopez, the late 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 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 Company 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 eleven (11) members elected by the shareholders during the Annual Stockholders' Meeting. The Company has eleven (11) 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 thirty (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 2018, these directors are Eugenio L. Lopez III, Chairman Emeritus, Martin L. Lopez, Chairman, Augusto Almeda-Lopez, Carlo L. Katigbak, Oscar M. Lopez, Federico R. 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, two (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.

#### **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.

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

The respective roles of the Company's Chairman, Mr. Martin L. Lopez, 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. Martin L. Lopez 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, 2018 to December 31, 2018, the Board had ten (10) meetings.

#### Board Attendance to Meetings in 2018

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

#### Continuing Education Programs and Trainings for Directors

The Board has attended the following trainings and seminars during the year 2018:

Director's Name	Trainings / Continuing Education FY2018
Eugenio L. Lopez III	Lopez Group Economical and Political Briefing (October 2018) Lopez Group Corporate Governance Training Program (October 2018)
Martin L. Lopez	Lopez Group Economical and Political Briefing (October 2018) Lopez Group Corporate Governance Training Program (October 2018)
Carlo L. Katigbak	Lopez Group Economical and Political Briefing (October 2018) Lopez Group Corporate Governance Training Program (October 2018)
Augusto Almeda Lopez	Lopez Group Economical and Political Briefing (October 2018) Lopez Group Corporate Governance Training Program (October 2018)
Manuel M. Lopez	Lopez Group Economical and Political Briefing (October 2018) Lopez Group Corporate Governance Training Program (October 2018)
Federico R. Lopez	Green Convergence: Phil. Environment Summit, Cebu (February 2018) Bloomberg New Energy Finance Summit, New York USA (April 2018) Lopez Group Economical and Political Briefing (October 2018) Lopez Group Corporate Governance Training Program (October 2018) Bloomberg New Energy Finance: New Economy Forum, Singapore (November 2018) Bloomberg New Energy Finance: Future of Energy, China (November 2018)
Federico M. Garcia	Lopez Group Economical and Political Briefing (October 2018) Lopez Group Corporate Governance Training Program (October 2018)
Salvador Tirona	Lopez Group Economical and Political Briefing (October 2018) Lopez Group Corporate Governance Training Program (October 2018)
Emmanuel S. De Dios	Lopez Group Economical and Political Briefing (October 2018) Lopez Group Corporate Governance Training Program (October 2018)
Antonio Jose U. Periquet	Corporate Governance Seminar (February 2018)

On December 6, 2016, the SEC has granted Mr. Oscar M. Lopez a permanent exemption from the Corporate Governance training requirement under SEC Memorandum Circular No. 20, series of 2013.

## Board Committees

The Board has established the following eight (8) board committees to address any issues requiring the directors' attention:

### 1. The Programming Committee

<b>Composition</b>	Chairman, two (2) members, two (2) advisors
<b>Members</b>	Federico Garcia – Chairman, Martin L. Lopez, 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 L. Bautista, and Randolf S. David
<b>Responsibilities</b>	The Compensation Committee reviews any recommendations on bonus and incentive schemes and other compensation benefits.

### 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>	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. 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.

### 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 L. 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 Chairman and CEO.

### 5. The Audit 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 G. Poblador IV
<b>Responsibilities</b>	The Audit Committee reviews the financial reports and risks, examines internal control systems, and oversees the audit process. The Audit and Compliance Committee also selects and appoints the Company's External Auditor.

**6. The Risk Management Committee**

<b>Composition</b>	Chairman, three (3) members, and one (1) advisor
<b>Members</b>	Emmanuel S. De Dios – Chairman, Federico M. Garcia, Salvador G. Tirona and Martin L. Lopez
<b>Advisors</b>	Honorio G. 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. The Risk Management Committee also reviews material related party transactions.

**7. The Nominations and Elections Committee**

<b>Composition</b>	Chairman, two (2) members, and one (1) advisor
<b>Members</b>	Eugenio Lopez III – Chairman, Emmanuel S. De Dios, 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.

**8. The Corporate Governance Committee**

<b>Composition</b>	Chairman, two (2) members, and one (1) advisor
<b>Members</b>	Antonio Jose U. Periquet – Chairman, Eugenio Lopez III, and Emmanuel S. de Dios
<b>Advisors</b>	Mario L. Bautista
<b>Responsibilities</b>	The Corporate Governance Committee ensures compliance with and proper observance of corporate governance and sustainability principles and practices.

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 1 share of stock of the Company;
- 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 50% of all meetings, both regular and special, of the Board during his incumbency, or any 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.

**Directorship in Other Listed Companies**

The following members of the Board are also directors of the publicly listed companies identified below.

<b>Director's Name</b>	<b>Name of Listed Company</b>	<b>Directorship for FY2017</b>
<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
<b>Augusto Almeda Lopez</b>	ABS-CBN Holdings Corporation	Chairman, Executive Director
	First Philippine Holdings Corporation	Non-Executive Director
<b>Manuel M. Lopez</b>	Lopez Holdings Corporation	Chairman, Executive Director
	First Philippine Holdings Corporation	Vice Chairman
	Rockwell Land Corporation	Chairman
<b>Federico R. Lopez</b>	First Gen Corporation	Chairman, Executive Director
	Energy Development Corporation	Chairman, Executive Director
	First Philippine Holdings Corporation	Chairman, Executive Director
	Rockwell Land Corporation	Vice Chairman
<b>Salvador Tirona</b>	Lopez Holdings Corporation	Executive Director
<b>Antonio Jose U. Periquet</b>	Ayala Corporation	Independent Director
	Bank of the Philippine Islands	Independent Director
	DMCI Holdings, Inc.	Independent Director
	Philippine Seven Corporation	Independent Director
	Max's Group of Companies	Independent Director
	ABS-CBN Holdings Corporation	Independent Director

## COMPANY POLICIES

### **Code of Conduct and Conflict of Interest Policy**

The Company's Code of Conduct (CoC) defines the behaviors that are acceptable or not acceptable within the organization. It details the offenses versus the Company's or the person's property, the schedule of penalties for each offense according to its gravity, and the grievance process, and defines the roles of the different people involved in disciplinary action. The CoC covers all directors, employees, consultants, product and service providers, and anyone who acts in the name of ABS-CBN.

The CoC includes the Company's Conflict of Interest Policy. Directors are disallowed from engaging in any business, which competes with or is antagonistic to that of the Company or any of its subsidiaries and affiliates. On the other hand, employees are expected not to have any direct or indirect financial or pecuniary interest in any business, contract, or transaction in connection with which they intervene or take part in their official capacity. In addition, employees are expected not to render services to another employer without the knowledge of higher management. They are also expected to disclose other businesses or jobs undertaken which may be in conflict with any existing or future undertaking of the Company.

Assisting in the dissemination and implementation of this Code of Conduct is the Ethics Committee, which focuses on conflict-of-interest situations. The Committee helps make decisions and clarify stands in cases of personal or professional conflict, or in which the employee or the company stands to gain unfairly from an arrangement, relationship, or procedure. Essential to the idea of good and ethical conduct is the upholding of common corporate and individual values, which are disseminated through a process of values cascading.

### **Related Party Transactions Policy**

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

It is the policy of the Company to transact sales to and purchases from related parties at normal market prices. Outstanding balances as of year-end are unsecured, interest-free and settlement occurs in cash, and are collectible or payable on demand. Assessment of provision for doubtful accounts relating to amounts owed by related parties is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Related party transactions or reorganizations that would affect related-party transactions are reported to and reviewed by the Audit Committee. All related party transactions are reported in the Company's Annual Audited Financial Statement and Annual Company Report.

### **Dividend Policy**

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 that:

- All payments (including pre-payments) due on said loan and premiums on insurance of assets are current and updated;
- All financial covenants set forth therein are satisfied;
- Certain financial ratios are met and such payment will not result in the violation of the required financial ratios under the loan agreements;
- No event of default as provided in the loan agreements shall exist or occur as a result of such payment; and

- 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.

#### **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 Depository Receipts within three (3) trading days, in compliance with the PSE's requirement for such disclosure.

#### **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.

## **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 three (3)-year audit cycle that is approved by the Audit Committee. Special audit projects are also undertaken as the need arises.

In 2018, 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.

### **Report of the Audit Committee for the Year Ended December 31, 2018**

The Audit Committee represents and assists the Board of Directors in fulfilling its oversight responsibilities by reviewing the:

- Reasonableness of the Company's financial statements, efficiency of the financial reporting process, and soundness 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 Company's internal control environment, through the External Auditor's Management Letter and Internal Audit's reports on completed audit projects, and found it adequate;
- 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.

## **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 PSE.

### **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 twenty-one (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 10 calendar days prior to the scheduled stockholders meeting.

Shareholders have the right to propose matters in the agenda of the annual meeting, provided that the proposed matters are for legitimate business purposes.

Shareholders likewise have the explicit right to probe and/or ask questions during the annual 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 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 and analyst 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 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>.

#### **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.

#### **Evaluation System**

ABS-CBN continues to evaluate its compliance with its Manual of Corporate Governance. The Board of Directors regularly conducts its self-assessment as well as an assessment of ABS-CBN's compliance with the Manual of Corporate Governance. ABS-CBN participates in the corporate governance survey conducted by the PSE.

#### **Measures to Comply with Leading Practices**

ABS-CBN continues to implement enhancements to comply with leading practices on good corporate governance such as the revision of its Corporate Governance Manual to comply with recent SEC requirements and the submission of the Annual Corporate Governance Report to the SEC. In 2017, the Board approved a whistle blowing policy and a policy on insider trading. In 2018, the Board submitted to the SEC its Integrated-Annual Corporate Governance Report and implemented measures to fully comply with the same, such as, approving board committee charters, nomination and election policy and conducting self-assessment surveys. The members of the Board of Directors and the key officers attended a training seminar on corporate governance in 2018.

#### **Deviations from Manual of Corporate Governance**

There were no reported deviations from the Company's Manual of Corporate Governance.

#### **Improvement of Corporate Governance**

ABS-CBN continues to review its Manual of Corporate Governance for improvements. In May 2017, the Company released its revised Manual on Corporate Governance to comply with the requirements under SEC Memorandum Circular No. 19, Series of 2016. ABS-CBN also reviews the charters of the different committees as well as evaluates existing policies on corporate governance. In July 2017, the Company approved its policy on insider trading that will be applicable to the directors, officers, and employees.

In 2018, ABS-CBN continued to improve its compliance with corporate governance regulations. It amended its Manual on Corporate Governance to include recommendations under the new Integrated Annual Corporate Governance Report, as well as, have the board committees approve its respective charters.

The Board likewise conducted a board self-assessment last December 2018 to review and evaluate the performance of the Board, its Committees, its individual members and key corporate officers to measure the effectiveness of the company's governance practices.

#### **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, 2018, 2017 and 2016.

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

### FOR THE YEAR ENDED DECEMBER 31, 2018

The table below summarizes the results of operations for the years 2018 and 2017.

	2018	2017	Variance	
			Amount	%
<b>Consolidated Revenues</b>	<b>₱40,131</b>	<b>₱40,698</b>	<b>(₱567)</b>	<b>(1.4)</b>
Advertising Revenues	20,382	21,098	(716)	(3.4)
Consumer Sales	19,749	19,600	149	0.8
<i>Sale of Services</i>	16,567	16,976	(409)	2.4
<i>Sale of Goods</i>	3,182	2,624	558	21.3
<b>Costs and Expenses</b>	<b>37,934</b>	<b>36,573</b>	<b>1,361</b>	<b>3.7</b>
Production Costs	12,345	11,834	511	4.3
Cost of Sales and Services	13,279	12,822	457	3.6
General and Administrative Expenses (GAEX)	12,310	11,917	393	3.3
<b>Financial Costs – net</b>	<b>518</b>	<b>800</b>	<b>(281)</b>	<b>(3.5)</b>
<b>Equity in Net Loss of Associates and Joint Ventures</b>	<b>30</b>	<b>5</b>	<b>25</b>	<b>500</b>
<b>Other Income – net</b>	<b>(331)</b>	<b>(615)</b>	<b>(284)</b>	<b>(46.2)</b>
<b>Net Income</b>	<b>₱1,908</b>	<b>₱3,163</b>	<b>(₱1,255)</b>	<b>(39.7)</b>
<b>EBITDA</b>	<b>₱8,053</b>	<b>₱9,626</b>	<b>(₱1,573)</b>	<b>(16.3)</b>

#### Consolidated Revenues

For the year ended December 31, 2018, ABS-CBN generated consolidated revenues of ₱40.1 billion from advertising and consumer sales, ₱567.0 million or 1.4% lower year-on-year.

Advertising revenues decreased by ₱716 million or 3.4% lower, attributable to fewer advertising placements from the year. Consumer sales increased by ₱149 million, mainly resulting from a 26% increase in ABS-CBN TVPlus boxes sold year-on-year.

Comparative revenue mix is as follows:

	2018	2017
Advertising revenues	51%	52%
Consumer sales	49%	48%

**Consolidated Costs and Expenses**

Direct costs and expenses amounted to ₱37.94 billion in 2018, higher by ₱141 billion compared 2017.

Production cost increased by ₱511 million or 4.3%. The movement was attributable to separation costs of closing down certain regional stations of the Company. Other additional costs were licenses fees for sports programs which increased by ₱206 million and film rights amortization which increased by ₱140 million as a result of program rights acquisitions.

Cost of sales and services increased by ₱457 million or 3.6% in 2018. The increase is significantly attributable to the sale of ABS-CBN TVPlus. Boxes sold in 2018 reached 2.5 million, which was 26.3% higher or 529 thousand more boxes compared to 2017. As of December 31, 2018, total boxes sold have reached 6.8 million.



GAEX increased by ₱393 million or 3.3% compared to the previous year. The increase is attributable mainly to the Company's investments on various initiatives such as content building, information security measures, and digital initiatives.

**Net Income and EBITDA**

The Company generated ₱1.9 billion net income, with EBITDA of ₱8.0 billion for the year ended December 31, 2018.

**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 & Experiences. This segmentation is the basis upon which the Company measures its business operations.

	<p><b><u>Media Networks &amp; Studio Entertainment</u></b></p> <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></ul>
	<p><b><u>Cable, Satellite &amp; Broadband</u></b></p> <ul style="list-style-type: none"><li>- Pay TV (Cable &amp; Satellite)</li><li>- Broadband</li></ul>



	<p><b>Digital &amp; Interactive Media</b></p> <ul style="list-style-type: none"> <li>- Online</li> <li>- Mobile</li> </ul>
	<p><b>Consumer Products &amp; Experiences</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, 2018:

Segment	Operating Revenue		Net Income	
	2018	2017	2018	2017
Media Networks & Studio Entertainment	₱28,828	₱29,471	₱2,531	₱3,564
Cable, Satellite & Broadband	8,923	9,118	(340)	123
Digital & Interactive Media	1,327	1,220	(181)	(441)
Consumer Products & Experiences	1,053	889	(102)	(82)

#### A. Media Networks & Studio Entertainment

ABS-CBN channels (Channel 2, Sports & Action, Cinema, Yey, Knowledge Channel, Teleradyo, MYX, Jeepney TV, O Shopping Channel, Asianovela Channel and Movie Central) led in national audience share and ratings. Overall audience share was at 54.25% for the year 2018. ABS-CBN programs continuously filled out the Top 10 highest rating programs in 2018, which was led by the top rating program and long running telenovela "Ang Probinsyano" with an average national TV rating of 41.2%. "Pilipinas Got Talent", "Your Face Sounds Familiar Kids", "Bagani", "La Luna Sangre", "Ngayon at Kailanman" and "Maalaala Mo Kaya" were also included in the Top 10 programs.

Aside from the top programs mentioned above, ABS-CBN's TV Patrol and Bandila were among the most watched news and current affairs programs with average national ratings of 29.8 and 3.2, respectively.

Revenue from international business decreased by ₱283 million or 4.6% year-on-year. The decrease in international business was attributable to Global's cessation of its money remittance and cargo business which reduced its revenues by ₱159 million. Global's cable subscription revenues decreased by ₱88 million or 7% year-on-year.

Film & Music's revenues declined by ₱4 million or 0.3% year-on-year. Despite having weaker movie results in the first half of 2018, the Company was able to release the Philippine's highest grossing locally produced box office movie, "The Hows of Us" generating ₱788 million in domestic and international gross receipts.

ABS-CBN TVPlus contributed significant increase in revenues for the entire year with 2.5 million boxes sold, a 26.3% increase or 529 thousand additional boxes sold in comparison to 2017.

**B. Cable, Satellite & Broadband**

Sky Cable's revenue decreased by ₱195 million or 2.1% year-on-year. The decline in Sky Cable's performance was triggered by the decrease in cable subscriber count by 69 thousand. In total, subscriber count of Sky increased by 489 thousand, significantly attributable to direct-to-home subscribers.

**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 the year. In 2018, the Company also released its newest digital platform, "Iwant", wherein content from entertainment, music, films, publishing, as well as originals are made available to subscribers.

Total revenues generated from digital platforms amounted to ₱1,327 million in 2018, higher by 8.8% compared to the same period last year.

**D. Consumer Products & Experience**

Kidzania generated ₱504 million in revenues with a total of 355 thousand visitors in 2018.

ABS-CBN's live events, which brings the ABS-CBN experience closer to its audiences, generated ₱889 million in revenues in 2018.

**Capital Expenditures**

Cash capital expenditures and program rights acquisitions amounted to ₱4.9 billion as of December 31, 2018.

**Statement of Financial Position Accounts**

As at December 31, 2018, total consolidated assets stood at ₱84.6 billion, 12.6% higher than total assets of ₱75.1 billion as of December 31, 2017.

Shareholders' equity increased to ₱35.7 billion or 5.9% in December 31, 2018 compared to the previous year.

The company's net debt-to-equity ratio was at 0.24x and 0.28x as of December 31, 2018 and December 31, 2017, respectively.

**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.

	<p><b><u>Media Network &amp; Studio Entertainment</u></b></p> <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>
	<p><b><u>Cable, Satellite &amp; Broadband</u></b></p> <ul style="list-style-type: none"><li>- Pay TV (Cable &amp; Satellite)</li><li>- Broadband</li></ul>

	<p><b>Digital &amp; Interactive Media</b></p> <ul style="list-style-type: none"> <li>- Online</li> <li>- Mobile</li> <li>- Over-the-top</li> </ul>
	<p><b>Consumer Products &amp; Experiences</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)

#### E. Media Networks & Studio Entertainment

ABS-CBN channels (Channel 2, Sports & Action, Cinema, 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, 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.

#### **F. 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.

#### **G. 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.

#### **H. 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:

#### I. 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.

## J. 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.

## K. 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:

#### A. 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.

## B. 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%.

## C. 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.



REPUBLIC OF THE PHILIPPINES )  
PASIG CITY ) S.S.

**ABS-CBN CORPORATION**

**SECRETARY'S CERTIFICATE**

I, **ENRIQUE I. QUIASON**, Filipino, of legal age, the duly elected and incumbent Corporate Secretary of **ABS-CBN CORPORATION** (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines, DO HEREBY CERTIFY, That:

I am familiar with the facts herein certified and duly authorized to certify the same;

None of the Directors and Independent Directors are elected Public Servants;

To the best of the Corporation's knowledge, information and belief, none of the Directors and Independent Directors and/or Officers of the Corporation are appointed and/or employees in any government agency except as follows:

1. Dr. Emmanuel S. De Dios is currently a Professor at the University of the Philippines School of Economics.


To the best of the Corporation's knowledge, information and belief, "a public officer may generally be allowed to hold an office or employment in a private enterprise" (DOJ Opinion No. 40, Series of 2002). Hence, there is no bar for the aforementioned individuals from holding office as directors or officers. In any event, with respect to Dr. Emmanuel S. De Dios, attached is the consent of the Dean of the University of the Philippines, School of Economics.

WITNESS THE SIGNATURE of the undersigned this 22 MAR 2019 day of March, 2019 at Pasig City.

  
**ENRIQUE I. QUIASON**  
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 22 MAR 2019 day of March, 2019, affiant exhibiting to me his Community Tax Certificate No. 07823905 issued on January 9, 2018 at Pasig City with SSS No. 03-8352363-1 as his competent evidence of identity.

Doc. No. 57 ;  
Page No. 12 ;  
Book No. 14 ;  
Series of 2019.

  
**SID ANGELO M. BAUTISTA**  
NOTARY PUBLIC  
FOR AND IN THE CITY OF PASIG AND SAN JUAN,  
AND IN THE MUNICIPALITY OF PATEROS  
UNTIL DECEMBER 31, 2019  
PTR NO. 5232095; 1/5/2019; PASIG CITY  
IBP LIFETIME NO. 014963; MANILA II  
MCLE COMPLIANCE NO. VI-0013662; 4/14/2022  
ROLL NO. 66041/ APPOINTMENT NO. 34 (2018-2019)  
1/F Robinsons-Equitable Tower, 4 ADB Ave. cor. Poveda St.  
1605 Ortigas Center, Pasig City



UNIVERSITY OF THE PHILIPPINES  
SCHOOL OF ECONOMICS

21 March 2019

Dr. Emmanuel S. de Dios  
University of the Philippines  
School of Economics

Dear Dr. de Dios:

This is to formally re-confirm that you are allowed to continue your directorship(s) and/or engagement in consultancies and part-time employment for private corporations in accordance with the University's policy on limited practice of profession.

Yours truly,

Orville Jose C. Solon, PhD.  
Dean

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## COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

S	G	T		E	S	G	U	E	R	R	A		A	V	E		C	O	R	N	E	R															
M	O	T	H	E	R		I	G	N	A	C	I	A		S	T		Q	U	E	Z	O	N		C	I	T	Y									

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

**ENRIQUE I. QUIASON**  
Contact Person

**6310981**  
Company Telephone Number

**CID 2019 ESDDios**

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Month Day

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FORM TYPE

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Month Day

Fiscal Year

Annual Meeting

Secondary License Type, If Applicable

**C F D**  
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Domestic

Foreign

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

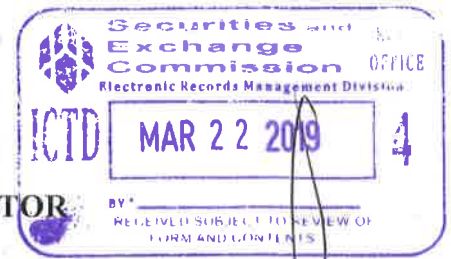
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**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **EMMANUEL S. DE DIOS**, Filipino, of legal age and a resident of 7 (formerly 60) Yakal Street, Monte Vista Subdivision, Marikina City, after having been duly sworn to in accordance with law do hereby declare that:

- I am a nominee for independent director of ABS-CBN Corporation and have been its independent director since April 2013.
- I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
University of the Philippines	Professor (Economics)	1989 to present
Pulse Asia, Inc.	Director	2008 to present
Human Development Network	President	2012 to present

- I possess all the qualifications and none of the disqualifications to serve as an Independent Director of ABS-CBN Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
- I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP

- To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/ I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS


6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the **Dean, of the UP School of Economics** to be an independent director in ABS-CBN Corporation, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the corporate secretary of ABS-CBN Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this 20<sup>th</sup> day of March 2019 at Pasig City.




**EMMANUEL S. DE DIOS**

Affiant

SUBSCRIBED AND SWORN to before me this 20<sup>TH</sup> day of March, 2019 at Pasig City, affiant personally appeared before me and exhibited to me his GSIS CRN No. 006-0086-9258-2 as his competent evidence of identity.

Doc. No. 429;  
 Page No. 67;  
 Book No. 11 ;  
 Series of 2019.



**ROCHEZKA BIANCA R. BELTRAN**  
 NOTARY PUBLIC  
 FOR AND IN THE CITY OF PASIG AND SAN JUAN  
 AND IN THE MUNICIPALITY OF PATEROS  
 UNTIL DECEMBER 31, 2019  
 PTR NO. 5232094; 1/5/2019; PASIG CITY  
 IBP NO. 060734; 1/3/2019; RSM  
 MCLE COMPLIANCE NO. VI-0012424; 4/14/2022  
 ROLL NO. 65974/ APPOINTMENT NO. 35 (2018-2019)  
 21/F Robinsons-Equitable Tower, 4 ADB Ave. cor. Poveda St.  
 1805 Ortigas Center, Pasig City

## COVER SHEET

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S.E.C. Registration Number

A	B	S		C	B	N		C	O	R	P	O	R	A	T	I	O	N										
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(Company's Full Name)

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

ENRIQUE I. QUIASON
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Contact Person

6310981
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Company Telephone Number

1	2
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Month

3	1
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Day

Fiscal Year
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### CID 2019 AJUPeriquet

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FORM TYPE

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Month

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Day

Annual Meeting

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Secondary License Type, If Applicable

C	F	D
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Dept. Requiring this Doc.

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Amended Articles Number/Section

### Total Amount of Borrowings

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Domestic

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Foreign

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Total No. of Stockholders

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### To be accomplished by SEC Personnel concerned

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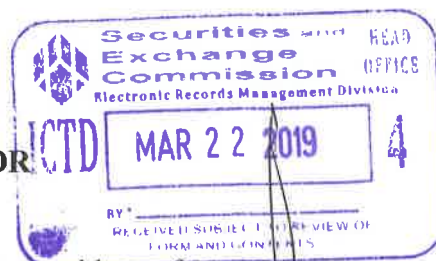
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Cashier

STAMPS

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## CERTIFICATION OF INDEPENDENT DIRECTOR



I, **ANTONIO JOSE U. PERIQUET**, Filipino, of legal age and a resident of No. 27 Banaba Road, Forbes Park South, Makati City, Philippines, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of ABS-CBN Corporation and have been its independent director since April, 2013;
2. I am affiliated with the following companies or organizations (including Government Owned and Controlled Corporations):

<b>Company/Organization</b>	<b>Position/Relationship</b>	<b>Period of Service</b>
ABS-CBN Holdings Corporation	Independent Director	2012-present
Ayala Corporation	Independent Director	2010-present
Bank of the Philippine Islands (BPI)	Independent Director	2012-present
BPI Asset Management and Trust Corporation	Chairman	2017 - present
BPI - Capital Corporation	Independent Director	2010-present
BPI - Family Savings Bank, Inc.	Independent Director	2012-present
Campden Hill Group, Inc.	Chairman	2012-present
Campden Hill Advisors, Inc.	Chairman	2012-present
DMCI Holdings, Inc.	Independent Director	2010-present
Lyceum of the Philippines University	Trustee	2010-present
Max's Group of Companies	Independent Director	2014-present
Pacific Main Holdings, Inc.	Chairman	1999-present
Philippine Seven Corporation	Independent Director	2010-present
The Straits Wine Company, Inc.	Director	2010-present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of ABS-CBN Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances;
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)


<b>NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER</b>	<b>COMPANY</b>	<b>NATURE OF RELATIONSHIP</b>
N.A.		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/ I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N.A.		


6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in ABS-CBN Corporation, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the corporate secretary of ABS-CBN Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this 18<sup>th</sup> day of March 2019 at Pasig City.

  
**ANTONIO JOSE U. PERIQUET**  
 Affiant

SUBSCRIBED AND SWORN to before me on the date and place first above written; Affiant exhibited to me his Philippine Passport No. P6023226A issued on 13 February 2018 by the Department of Foreign Affairs in Manila and SSS No. 03-8032428-6 as 2 competent evidence of identity.

Doc. No. 211;  
 Page No. 04;  
 Book No. 11;  
 Series of 2019.

  
**CARA MARIEL S. MAGLAYA**  
 NOTARY PUBLIC  
 FOR AND IN THE CITY OF PASIG AND SAN JUAN  
 AND IN THE MUNICIPALITY OF PATEROS  
 UNTIL DECEMBER 31, 2019  
 PTR NO. 5232085; 1/5/2019; PASIG CITY  
 IBP NO. 060733; 1/3/2019; RSM  
 MCLE COMPLIANCE NO. VI-0011535; 4/14/2022  
 ROLL NO. 88519/ APPOINTMENT NO. 36 (2018-2019)  
 21/F Robinsons-Equitable Tower, 4 ADB Ave. cor. Poveda St.  
 1605 Ortigas Center, Pasig, City





# 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 including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

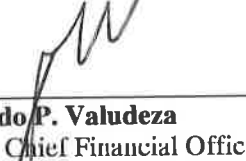
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the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

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

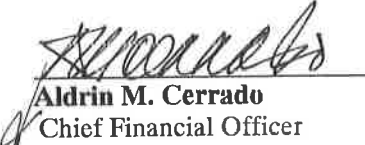
The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

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

  
\_\_\_\_\_  
**Martin L. Lopez**  
Chairman of the Board

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

  
\_\_\_\_\_  
**Carlo L. Katigbak**  
President and Chief Executive Officer


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

Signed this 28<sup>th</sup> day of February, 2019

**SUBSCRIBED AND SWORN** to me this 28th day of February 2019, affiants exhibiting to me their passports as follows:

<b>Name of Affiant</b>	<b>Competent Evidence of Identity</b>	<b>Valid Until and Place of Issue</b>
Martin L. Lopez	Passport No. EC0996805	May 2, 2019 / DFA Manila
Carlo L. Katigbak	Passport No. EC6618200	January 26, 2021 / DFA Manila
Rolando P. Valdueza	Passport No. P5844198A	January 30, 2028/DFA Manila
Aldrin M. Cerrado	Passport No. EC0845195	April 13, 2019 / DFA Manila

Doc No.: 16  
Page No.: 15  
Book No.: 14  
Series of 2019.

  
ATTY. CONCEPCION P. VILLAREÑA  
Notary Public for Quezon City  
Until December 31, 2019  
PTR No. 7323642 – 1-03-2019/ QC  
IBP No. AR14460591 – 12-17-2018/ QC  
Roll No. 30457 – 05-09-80  
MCLE 5-0012536 – 12-21-2015  
Adm. Matter No. NP 270 (2018-2019)

**ABS-CBN Corporation  
and Subsidiaries**

Consolidated Financial Statements  
December 31, 2018 and 2017  
and Years Ended December 31, 2018, 2017  
and 2016

and

Independent Auditor's Report





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

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

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

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
ABS-CBN Corporation

### 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, 2018 and 2017, 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, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the 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, 2018. 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. Further, effective January 1, 2018, the Company adopted the new revenue recognition standard, PFRS 15, *Revenue from Contracts with Customers*, under the modified retrospective approach. The adoption of PFRS 15 resulted in significant changes in the Company's revenue recognition policies, processes, and procedures. The adoption of PFRS 15 is significant to our audit because this involves application of significant management judgment and estimation in: determining whether the criteria for the recognition of the different revenue streams, such as advertising, subscription, sale of goods and other revenues, are met; determining whether there are other promises in the contract that are separate performance obligations; determining whether the transaction price includes non-cash consideration; allocation of the transaction price among the performance obligations; and determining the timing of satisfaction of performance obligation (over time or point in time). In addition, PFRS 15 requires that incremental cost to obtain a contract, such as commissions, be capitalized and amortized as the related goods or services are transferred to the customer.

The transition adjustments and disclosures related to the adoption of PFRS 15 are included 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. We tested the airtime rates for selected sample billings by comparing the television ratings used against third-party television ratings reports and recomputed the billed amounts.

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

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



For significant revenue streams with changes in the accounting treatment and significant transition adjustments, we reviewed the transition adjustment calculation prepared by management. We traced selected contracts from the list of open contracts to the transition adjustment calculation to determine if all open contracts were considered in the assessment. We reviewed sample contracts to check whether all contracts within the same revenue stream have the same terms.

In addition, we reviewed sample contracts and checked whether:

- all performance obligations within contracts with customers have been identified.
- those entered into at or near the same time with the same customer (or related parties of the customer) meet the criteria to be combined and accounted for as a single contract.
- the allocation of the transaction price to the performance obligations is appropriate. We tested management's estimate and underlying assumptions on the standalone selling price for each performance obligation included within a sample of contracts.
- the Company's timing of revenue recognition is based on when the performance occurs and control of the related goods or services is transferred to the customer.
- the costs to obtain contracts should be capitalized. For contract costs that are capitalizable, we traced the cost incurred to supporting documentation to check if the costs were incremental in nature and incurred in the process of obtaining a customer contract. We also tested whether the incremental costs are amortized over the appropriate period, which could extend beyond a single contract; and evaluated the amortization period by observing past customer behavior and assessing internal customer data.

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

#### 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, 2018, the Company's goodwill attributable to Sky Cable Corporation, Sapiensis Holdings, Inc., Columbus Technologies, Inc., ABS-CBN Convergence, Inc. and ABS-CBN International and other intangible assets with indefinite useful lives amounted to ₱7,903 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 Notes 3 and 12 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.

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

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the 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.

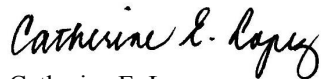
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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

Partner

CPA Certificate No. 86447

SEC Accreditation No. 0468-AR-4 (Group A),

February 19, 2019, valid until February 18, 2022

Tax Identification No. 102-085-895

BIR Accreditation No. 08-001998-65-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 7332564, January 3, 2019, Makati City

February 28, 2019



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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 6)	₱18,104,686	₱12,346,556
Short-term investments (Note 6)	1,804,041	1,358,429
Trade and other receivables (Notes 7 and 23)	10,369,080	10,630,014
Inventories (Note 8)	680,628	508,721
Program rights and other intangible assets (Note 12)	1,359,188	1,137,234
Other current assets (Notes 9, 15 and 23)	5,383,138	5,062,390
Total Current Assets	37,700,761	31,043,344
<b>Noncurrent Assets</b>		
Property and equipment (Notes 10, 18 and 31)	27,875,625	25,700,997
Goodwill, program rights and other intangible assets - net of current portion (Note 12)	13,310,366	13,181,185
Available-for-sale (AFS) investments (Note 13)	-	242,743
Financial assets at fair value through other comprehensive income (FVOCI) (Note 13)	268,304	-
Investment properties (Notes 11 and 18)	202,763	200,740
Investments in associates and joint ventures (Note 14)	495,247	524,953
Deferred tax assets (Note 29)	3,020,803	2,462,942
Other noncurrent assets (Notes 7, 16 and 23)	1,685,348	1,748,181
Total Noncurrent Assets	46,858,456	44,061,741
<b>TOTAL ASSETS</b>	<b>₱84,559,217</b>	<b>₱75,105,085</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Notes 4, 17, 23 and 30)	₱13,637,426	₱13,252,577
Contract liabilities (Note 9)	890,644	-
Income tax payable	208,056	263,329
Obligations for program rights (Note 19)	441,875	349,736
Interest-bearing loans and borrowings (Notes 10, 11 and 18)	414,911	350,678
Total Current Liabilities	15,592,912	14,216,320
<b>Noncurrent Liabilities</b>		
Interest-bearing loans and borrowings - net of current portion (Notes 10, 11 and 18)	27,810,584	20,036,027
Obligations for program rights - net of current portion (Note 19)	541,548	554,657
Accrued pension obligation and other employee benefits (Note 30)	4,029,891	5,757,944
Deferred tax liability (Note 29)	138,271	138,271
Convertible note (Note 20)	221,217	205,380
Other noncurrent liabilities (Note 21)	500,346	485,542
Total Noncurrent Liabilities	33,241,857	27,177,821
Total Liabilities	48,834,769	41,394,141

(Forward)



	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital stock (Note 22):		
Common	<b>₱872,124</b>	₱872,124
Preferred	<b>200,000</b>	200,000
Additional paid-in capital	<b>4,745,399</b>	4,745,399
Treasury shares and Philippine depository receipts convertible to common shares (Note 22)	<b>(1,638,719)</b>	(1,638,719)
Exchange differences on translation of foreign operations	<b>921,624</b>	359,816
Unrealized gain on AFS investments (Note 13)	-	180,408
Fair value reserves on financial assets at FVOCI (Note 13)	<b>205,969</b>	-
Retained earnings (Note 22)	<b>30,291,703</b>	28,560,106
Equity attributable to Equity Holders of the Parent	<b>35,598,100</b>	33,279,134
<b>Noncontrolling Interests</b> (Note 4)	<b>126,348</b>	431,810
Total Equity	<b>35,724,448</b>	33,710,944
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱84,559,217</b>	<b>₱75,105,085</b>

*See accompanying Notes to Consolidated Financial Statements.*



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

	<b>Years Ended December 31</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>REVENUES</b> (Notes 23, 24 and 31)	<b>₱40,130,592</b>	₱40,698,244	₱41,630,599
<b>PRODUCTION COSTS</b> (Notes 10, 12, 23, 25, 30 and 31)	<b>(12,345,277)</b>	(11,833,615)	(12,011,950)
<b>COST OF SERVICES</b> (Notes 8, 10, 12, 15, 23, 26, 30 and 31)	<b>(10,785,230)</b>	(10,711,713)	(10,323,075)
<b>COST OF SALES</b> (Notes 8, 10, 23, 26, 30 and 31)	<b>(2,493,359)</b>	(2,109,942)	(1,693,608)
<b>GROSS PROFIT</b>	<b>14,506,726</b>	16,042,974	17,601,966
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Notes 7, 8, 10, 11, 12, 22, 23, 27, 30 and 31)	<b>(12,310,128)</b>	(11,916,759)	(12,661,479)
<b>FINANCE COSTS</b> (Notes 18, 20 and 28)	<b>(1,124,677)</b>	(1,007,916)	(1,036,386)
<b>INTEREST INCOME</b> (Notes 6 and 23)	<b>202,801</b>	166,788	220,982
<b>FOREIGN EXCHANGE GAINS - net</b>	<b>404,031</b>	41,194	89,063
<b>EQUITY IN NET LOSSES OF ASSOCIATES AND JOINT VENTURES</b> (Note 14)	<b>(29,706)</b>	(5,052)	(1,055)
<b>OTHER INCOME - net</b> (Notes 15, 21, 28 and 31)	<b>331,253</b>	614,806	467,780
<b>INCOME BEFORE INCOME TAX</b>	<b>1,980,300</b>	3,936,035	4,680,871
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 29)			
Current	<b>600,791</b>	604,575	1,047,055
Deferred	<b>(528,732)</b>	167,883	108,500
	<b>72,059</b>	772,458	1,155,555
<b>NET INCOME</b>	<b>₱1,908,241</b>	₱3,163,577	₱3,525,316
<b>Attributable to</b>			
Equity holders of the Parent Company (Note 34)	<b>₱2,110,251</b>	₱3,333,889	₱3,885,278
Noncontrolling interests	<b>(202,010)</b>	(170,312)	(359,962)
	<b>₱1,908,241</b>	₱3,163,577	₱3,525,316
<b>Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent Company</b> (Note 34)	<b>₱2.560</b>	₱4.046	₱4.716

See accompanying Notes to Consolidated Financial Statements.



**ABS-CBN CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Amounts in Thousands)

	Years Ended December 31		
	2018	2017	2016
<b>NET INCOME</b>	<b>₱1,908,241</b>	₱3,163,577	₱3,525,316
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Other comprehensive income (loss) not to be reclassified to profit and loss in subsequent periods:			
Remeasurement gain (loss) on defined benefit plan - net of tax (Note 30)	331,772	(632,998)	(358,306)
Fair value adjustments on financial assets at FVOCI - net of tax (Note 13)	25,561	–	–
	<b>357,333</b>	<b>(632,998)</b>	<b>(358,306)</b>
Other comprehensive income (loss) to be reclassified to profit and loss in subsequent periods:			
Exchange differences on translation of foreign operations	561,808	341,467	484,508
Unrealized fair value gain (loss) on AFS investments - net of tax (Note 13)	–	32,524	(28,125)
	<b>561,808</b>	<b>373,991</b>	<b>456,383</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>919,141</b>	<b>(259,007)</b>	<b>98,077</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱2,827,382</b>	<b>₱2,904,570</b>	<b>₱3,623,393</b>
<b>Attributable to:</b>			
Equity holders of the Parent Company	₱3,124,981	₱3,109,445	₱3,890,533
Noncontrolling interests	(297,599)	(204,875)	(267,140)
	<b>₱2,827,382</b>	<b>₱2,904,570</b>	<b>₱3,623,393</b>

*See accompanying Notes to Consolidated Financial Statements.*



**ABS-CBN CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016**  
(Amounts in Thousands)

	Attributable to the Equity Holders of the Parent Company										Noncontrolling Interests (Notes 17 and 20)	Total Equity		
	Common	Preferred	Additional Paid-in Capital	Convertible to Common Shares (Note 22)	Receivables	Exchange Differences in Translation of Foreign Operations	Unrealized Gain on Available-for-Sale Investments (Note 13)	Fair Value Reserves on Financial Assets Defined At FVOCI (Note 13)	Measurement Gain (Loss) on Plan - Net	Retained Earnings (Note 22)			Appropriated Unappropriated	
At January 1, 2018	#872,124	#200,000	#4,745,399	(#1,638,719)	#359,816	#180,408	-	-	-	#16,200,000	#12,360,106	#33,279,134	#431,810	#33,710,944
Effect of adoption of new accounting standards:	-	-	-	-	-	(180,408)	180,408	-	-	-	(11,124)	(11,124)	(7863)	(18,987)
PERS 15 (Note 2)	-	-	-	-	-	-	-	-	-	-	(11,124)	(11,124)	(7863)	(18,987)
PERS 9 (Note 2)	-	-	-	-	-	-	-	-	-	-	(11,124)	(11,124)	(7863)	(18,987)
At January 1, 2018, as restated	872,124	200,000	4,745,399	(1,638,719)	359,816	-	180,408	-	-	16,200,000	12,348,982	33,268,010	423,947	33,691,957
Net income (loss)	-	-	-	-	561,808	-	25,561	-	-	-	2,110,251	2,110,251	(202,010)	1,908,241
Other comprehensive income	-	-	-	-	561,808	-	25,561	-	-	-	-	1,014,730	(95,589)	919,141
Total comprehensive income (loss)	-	-	-	-	1,123,616	-	51,122	-	-	-	2,110,251	3,124,981	(297,599)	2,827,382
Remeasurement gain on defined benefit plan transferred to retained earnings	-	-	-	-	-	-	-	-	-	-	427,361	(794,891)	-	(794,891)
Cash dividends declared	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At December 31, 2018	#872,124	#200,000	#4,745,399	(#1,638,719)	#921,624	#-	#205,969	#-	#-	#16,200,000	#14,091,703	#35,598,100	#126,348	#35,724,448



Attributable to the Equity Holders of the Parent Company

	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 - Net (Note 22)	Retained Earnings (Note 22)	Appropriated Unappropriated (Note 22)	Treasury Shares and Philippine Depository Receipts Convertible to Common Shares (Note 22)	Noncontrolling Interests (Notes 17 and 20)	Total Equity	
	Common	Preferred											
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)	-	(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)	-	-	-	-	5,235	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

See accompanying Notes to Consolidated Financial Statements.





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

	Years Ended December 31		
	2018	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱1,980,300</b>	₱3,936,035	₱4,680,871
Adjustments to reconcile income before tax to net cash flows:			
Depreciation and amortization (Notes 10 and 11)	<b>3,819,919</b>	3,666,140	3,401,610
Amortization of:			
Program rights and other intangibles (Note 12)	<b>1,721,520</b>	1,818,806	1,182,544
Debt issue costs (Note 28)	<b>32,927</b>	40,390	49,609
Deferred charges (Note 26)	<b>292</b>	6,993	6,402
Impairment of property and equipment (Note 10)	<b>9,438</b>	–	–
Movements in accrued pension obligation and other employee benefits (Note 30)	<b>(73,913)</b>	(439,759)	723,243
Interest expense (Note 28)	<b>1,061,666</b>	931,459	968,768
Interest income (Notes 6 and 23)	<b>(202,801)</b>	(166,788)	(220,982)
Net unrealized foreign exchange loss (gain)	<b>(179,111)</b>	(55,261)	42,624
Equity in net losses of associates and joint ventures (Note 14)	<b>29,706</b>	5,052	1,055
Gain on sale of property and equipment (Notes 10 and 28)	<b>(849)</b>	(6,221)	(3,987)
Dividend income	<b>(7,651)</b>	(10,364)	(14,230)
Working capital changes:			
Decrease (increase) in:			
Trade and other receivables	<b>398,356</b>	(662,248)	1,084,131
Other current assets	<b>(208,986)</b>	(975,176)	(526,167)
Inventories	<b>(169,576)</b>	(158,875)	328,993
Increase (decrease) in:			
Trade and other payables	<b>(956,435)</b>	(683,328)	(2,903,438)
Obligations for program rights	<b>(651,615)</b>	(197,019)	427,155
Contract liabilities	<b>790,567</b>	–	–
Other noncurrent liabilities	<b>(11,573)</b>	197,694	230,664
Cash generated from operations	<b>7,382,181</b>	7,247,530	9,458,865
Income taxes paid	<b>(656,064)</b>	(618,484)	(907,865)
Net cash provided by operating activities	<b>6,726,117</b>	6,629,046	8,551,000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Property and equipment (Notes 5 and 10)	<b>(5,970,703)</b>	(5,058,385)	(5,565,611)
Goodwill, program rights and other intangible assets (Notes 12 and 35)	<b>(1,319,100)</b>	(1,944,422)	(1,114,971)
Decrease (increase) in short-term investments	<b>(445,612)</b>	1,707,364	(1,448,248)
Interest received	<b>190,124</b>	174,369	222,265
Acquisition of a business (Note 4)	–	(350,000)	–
Increase in other noncurrent assets	<b>406,827</b>	684,846	338,551
Proceeds from sale of property and equipment	<b>18,377</b>	221,983	10,967
Acquisition of AFS investments (Note 13)	–	–	(21,008)
Investments in joint ventures and associates (Note 14)	–	–	(10,062)
Net cash used in investing activities	<b>(7,120,087)</b>	(4,564,245)	(7,588,117)

(Forward)



	<b>Years Ended December 31</b>		
	<b>2018</b>	2017	2016
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term debt	<b>₱8,761,795</b>	₱3,346,000	₱8,950,000
Payments of:			
Interest	<b>(962,001)</b>	(938,629)	(871,375)
Long-term debt (Note 18)	<b>(943,946)</b>	(3,457,765)	(8,951,483)
Dividends	<b>(766,831)</b>	(856,938)	(615,566)
Obligations under finance lease	<b>(11,986)</b>	(14,105)	(685)
Bank loans (Note 18)	-	-	(60,000)
Deposit for future subscription (Note 4)	-	1,220,000	-
Net cash provided by (used in) financing activities (Note 35)	<b>6,077,031</b>	(701,437)	(1,549,109)
<b>EFFECTS OF EXCHANGE RATE CHANGES AND TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>			
	<b>75,069</b>	18,668	13,191
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>5,758,130</b>	1,382,032	(573,035)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>12,346,556</b>	10,964,524	11,537,559
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)</b>	<b>₱18,104,686</b>	₱12,346,556	₱10,964,524

*See accompanying Notes to Consolidated Financial Statements.*



## **ABS-CBN CORPORATION AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Amounts in Thousands Unless Otherwise Specified)

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#### **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 movie production, audio recording and distribution, video/audio post-production and film distribution. Other activities of the subsidiaries include merchandising, internet services and theme parks. The Parent Company is a holder of a legislative franchise to construct, install, operate and maintain, for commercial purposes and in the public interest, radio and television broadcasting stations in the Philippines. The latest franchise renewal was approved on March 30, 1995 for a period of 25 years.

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 28, 2019.

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#### **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 investments in equity shares and club shares which have been 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 Company applied PFRS 15, *Revenue from Contracts with Customers* and PFRS 9, *Financial Instruments* for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described in the succeeding section.



Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Company, unless otherwise indicated. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

▪ PFRS 15, *Revenue from Contracts with Customers*

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

The five-step model is as follows:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and,
5. Recognize revenue as the entity satisfies a performance obligation.

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

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

The Company adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, PFRS 15 can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the method only to those contracts that are not completed as at January 1, 2018. In addition, the Company applied PFRS 15 guidance to a portfolio of contracts with similar characteristics as the entity reasonably expects that the effects on the consolidated financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts within that portfolio. The Company applied the practical expedient on costs to obtain a contract (see Note 3). Sky Cable is precluded from availing the practical expedient because the amortization period of its contract cost asset is more than one year.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to significant revenue streams of the Company are set out below. Under PFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

Revenue Stream	Nature and timing of satisfaction of performance obligation	Nature of change in accounting policy
Advertising revenue	Control is transferred at a point in time when advertisement is aired.	Under PFRS 15, revenue is still recognized at a point in time, when advertisements are aired.



Revenue Stream	Nature and timing of satisfaction of performance obligation	Nature of change in accounting policy
		Under PAS 18, no revenue is allocated for bonus spots (free spots provided as incentive). Under PFRS 15, bonus spots are considered as separate performance obligations. Accordingly, transaction price shall be separately allocated to bonus spots based on standalone selling prices and recognized as revenue when these are aired.
Subscription and related services	Control is transferred over time as the TFC.tv, cable and broadband services are provided to the consumer in accordance with the terms of the agreement.  For the related installation service, it is not distinct within the context of the contract, hence, not a separate performance obligation. Control is then transferred over the period the services are provided to the customer.	No changes under PFRS 15. Subscription revenue and related installation fees are still recognized over time (over the subscriber relationship) using the output method as the service is provided.
Licensing	Control is transferred <ul style="list-style-type: none"> <li>• At a point in time when a right to use the Company's intellectual property when the license is granted or</li> <li>• Over time when right to access the Company's intellectual property throughout the license period is granted.</li> </ul>	Under PAS 18, revenue is recognized over the agreed license period when the right to use the content is provided to customers.  Under PFRS 15, revenue is only recognized over time if all the following criteria are met; otherwise, revenue is recognized outright. <ul style="list-style-type: none"> <li>• the contract requires, or the customer reasonably expects, that the Company will undertake activities that significantly affect the intellectual property to which the customer has rights</li> <li>• the rights granted by the license directly expose the customer to any positive or negative effects of the Company's activities</li> <li>• those activities do not result in the transfer of a good or a service to the customer as those activities occur.</li> </ul>
Income from film exhibition	Control is transferred when film is shown.	No changes under PFRS 15.
Sale of goods	Customers obtain control when goods are received.	No changes under PFRS 15.
Income from TV / cable / film rights	Control is transferred at the time when the TV/ film/ cable rights are granted.	No changes under PFRS 15.
Admission revenue / Ticket sales	Control is transferred when tickets are used on the day of the event.	Under PAS 18 and PFRS 15, tickets issued are initially recorded as contract liabilities. Revenue is only recognized upon redemption of tickets; tickets not redeemed shall be recognized as revenue upon expiry.



Revenue Stream	Nature and timing of satisfaction of performance obligation	Nature of change in accounting policy
Sponsorship	Control is transferred at a point in time when endorsements are implemented in films/events.	No changes under PFRS 15.

The cumulative impact of the changes made to the consolidated statement of financial position of the Company as at January 1, 2018 for the adoption of PFRS 15 is as follows:

	As at December 31, 2017	Increase (decrease) due to PFRS 15 Adjustments	As at January 1, 2018
<b>Assets</b>			
Contract cost assets	₱-	₱72,957	₱72,957
Deferred tax assets	2,462,942	8,137	2,471,079
	<b>₱2,462,942</b>	<b>₱81,094</b>	<b>₱2,544,036</b>
<b>Liabilities</b>			
Trade and other payables	₱13,252,577	(₱663,175)	₱12,589,399
Contract liabilities	-	763,256	763,256
	<b>₱13,252,577</b>	<b>₱100,081</b>	<b>₱13,352,655</b>
<b>Equity</b>			
Retained earnings	₱28,560,106	(₱11,124)	₱28,548,982
Noncontrolling interests	431,810	(7,863)	423,947
	<b>₱28,991,916</b>	<b>(₱18,987)</b>	<b>₱28,972,929</b>

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2018 as a result of the adoption of PFRS 15. The adoption of PFRS 15 did not have a material impact on other comprehensive income or the Company's operating, investing and financing cash flows. The first column shows amounts prepared under PFRS 15 and the second column shows what the amounts would have been had PFRS 15 not been adopted:

Consolidated statement of income

	Amounts Prepared under		Increase/ (Decrease)
	PFRS 15	Previous PFRS	
<b>Revenues</b>			
Subscription revenue and related services	₱13,154,191	₱13,137,538	₱16,653
<b>General and administrative expenses</b>			
Advertising and promotions	779,884	752,197	27,687
<b>Provision for income tax</b>	72,059	75,369	(3,310)
<b>Net income</b>	<b>1,908,241</b>	<b>1,915,965</b>	<b>(7,724)</b>
<b>Net income attributable to:</b>			
Equity holders of the Parent Company	₱2,110,252	₱2,114,941	(₱4,689)
Noncontrolling interest	(202,011)	(198,976)	(3,035)
	<b>₱1,908,241</b>	<b>₱1,915,965</b>	<b>(₱7,724)</b>
<b>Basic/Diluted Earnings per Share Attributable to the Equity Holders of the Parent Company</b>	<b>₱2.560</b>	<b>₱2.565</b>	<b>(₱0.006)</b>



**Consolidated statement of financial position**

	Amounts Prepared under		Increase/ (decrease)
	PFRS 15	Previous PFRS	
<b>Assets</b>			
Contract cost assets (shown as part of “Other current assets” account)	₱45,270	₱–	₱45,270
Deferred tax assets	3,020,803	3,046,845	(26,042)
	<b>₱3,066,073</b>	<b>₱3,046,845</b>	<b>₱19,228</b>
<b>Liabilities</b>			
Trade and other payables	₱13,637,426	₱14,444,644	(₱807,218)
Contract liabilities	890,644	–	890,644
	<b>₱14,528,070</b>	<b>₱14,444,644</b>	<b>₱83,426</b>
<b>Equity</b>			
Retained earnings	₱30,291,703	₱30,307,516	(₱15,813)
Noncontrolling interests	126,348	137,246	(10,898)
	<b>₱30,418,051</b>	<b>₱30,444,762</b>	<b>(₱26,711)</b>

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

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

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

The Company has elected to apply the optional practical expedient for costs to obtain a contract which allows the Company to immediately expense sales commissions (shown as part of “Advertising and promotion” under General and administrative expenses” account) because the amortization period of the asset that the Company otherwise would have used is one year or less. Sky Cable is precluded from availing the practical expedient because the amortization period of its contract cost asset is more than one year.

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

Payments received before broadcast (pay before broadcast) previously presented as part of “Customer deposits” account and advanced payments received for distribution of music catalogue, subscription fees, nonrefundable installation service fees and initial fees from the industry partners of PII previously presented as part of “Deferred revenue” are reclassified and presented as “Contract liabilities”.



As a result, the consolidated statement of financial position as at January 1, 2018 was restated resulting to a net decrease in retained earnings by ₱11 million and recognition of contract cost assets amounting to ₱73 million and contract liabilities amounting to ₱763 million.

▪ PFRS 9, *Financial Instruments*

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

The Company has applied PFRS 9 with an initial application date of January 1, 2018. The Company has not restated the comparative information, which continues to be reported under PAS 39. The adoption of PFRS 9 did not have material impact on the consolidated financial statements.

a) *Classification and measurement*

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

The assessment of the Company's business model was made at the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are SPPI was based on the facts and circumstances at the initial recognition of the assets.

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

- Cash and cash equivalents and trade and other receivables previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as financial assets at amortized cost.
- Quoted club shares and equity investments in listed and non-listed companies classified as available-for-sale (AFS) financial assets as at December 31, 2017 are classified and measured as equity instruments designated at fair value through OCI (FVOCI) beginning January 1, 2018. The Company elected to classify irrevocably its listed and non-listed equity investments under this category at the date of initial application as the investments do not pass the contractual cash flow test and the Company does not intend to hold these investments for trading. There were no impairment losses recognized in profit or loss for these investments in prior periods. As a result, the related "Unrealized gain on AFS investments" was reclassified to "Fair value reserves on financial assets on FVOCI" account under OCI.
- The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.





In summary, upon the adoption of PFRS 9, the Company had the following required or elected reclassifications:

PAS 39 Measurement Category	As at January 1, 2018	PFRS 9 Measurement Category		
		Fair value through profit or loss	Amortized cost	FVOCI
Loans and receivables:				
Cash and cash equivalents	₱12,346,556	₱-	₱12,346,556	₱-
Short-term investments	1,358,429	-	1,358,429	-
Trade receivables:				
Airtime	6,294,058	-	6,294,058	-
Subscriptions	1,498,752	-	1,498,752	-
Others	1,512,908	-	1,512,908	-
Nontrade receivables	1,002,069	-	1,002,069	-
Due from related parties	322,227	-	322,227	-
Deposits	213,023	-	213,023	-
AFS investments:				
Listed equity investments	168,039	-	-	168,039
Non-listed equity investments and quoted club shares	74,704	-	-	74,704
<b>Total</b>	<b>₱24,790,765</b>	<b>₱-</b>	<b>₱24,548,022</b>	<b>₱242,743</b>

*b) Impairment*

The adoption of PFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Company to recognize an allowance for ECL for all debt instruments not held at fair value through profit or loss. The adoption of PFRS 9 ECL approach, however, did not materially impact the recognized impairment on the Company's financial assets.

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

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The amendments are not applicable to the Company since none of the entities within the Company have activities that are predominantly connected with insurance or issue insurance contracts.

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

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



transaction changes its classification from cash settled to equity settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

The Company has no unvested or vested but unexercised share-based payment transactions as at January 1, 2018. The Company's share-based payment transaction granted on or after the adoption of this amendment is an equity-settled share-based payment transaction. There are no net settlement features nor modification to the terms and conditions of the existing share-based arrangements. The adoption of the amendments did not have any impact on the consolidated financial statements.

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

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

The amendments have no significant impact on the Company's consolidated financial statements.

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

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

The amendments have no impact on the Company's consolidated financial statements.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.



The clarification has no impact on the Company's consolidated financial statements.

**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, 2018 and 2017:

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest	
				2018	2017
<b>Media, Network, and Studio Entertainment</b>					
Global:					
ABS-CBN Global Ltd. (ABS-CBN Global) <sup>(a) (i)</sup>	Cayman Islands	Holding company	United States dollar (USD)	100.0	100.0
ABS-CBN Europe Ltd. (ABS-CBN Europe) <sup>(b)(c) (i)</sup>	United Kingdom	Cable and satellite programming services	Great Britain pound (GBP)	100.0	100.0
ABS-CBN Japan, Inc. (ABS-CBN Japan) <sup>(d) (i) (r)</sup>	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) (i)</sup>	Dubai, UAE	Cable and satellite programming services	United Arab Emirates dirham (AED)	100.0	100.0
ABS-CBN Middle East LLC <sup>(b) (i)</sup>	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) (n)</sup>	California, USA	Cable and satellite programming services	USD	100.0	100.0
ABS-CBN Australia Pty. Ltd. (ABS-CBN Australia) <sup>(i) (k)</sup>	Victoria, Australia	Cable and satellite programming services	Australian dollar (AUD)	100.0	100.0
ABS-CBN Canada, ULC (ABS-CBN Canada) <sup>(i) (k)</sup>	Canada	Cable and satellite programming services	Canadian dollar (CAD)	100.0	100.0
ABS-CBN Telecom North America, Inc. <sup>(i) (k)</sup>	California, USA	Telecommunications	USD	100.0	100.0
ABS-CBN Global Netherlands B.V. (ABS-CBN Netherlands) <sup>(i) (n)</sup>	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	100.0
Tarsier Records, Inc. <sup>(g)</sup>	Philippines	Music production	Philippine peso	100.0	-
<b>Narrowcast and Sports:</b>					
ABS-CBN Publishing, Inc. (ABS-CBN Publishing) <sup>(v)</sup>	Philippines	Print publishing	Philippine peso	-	100.0
Creative Programs, Inc. (CPI) <sup>(v)</sup>	Philippines	Content development and programming services	Philippine peso	100.0	100.0
<b>Others:</b>					
ABS-CBN Europe Remittance Inc. <sup>(d) (i) (z)</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) (z)</sup>	California, USA	Services - money remittance	USD	100.0	100.0
ABS-CBN Canada Remittance Inc. <sup>(i) (n) (z)</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



Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest	
				2018	2017
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.	Philippines	Production facility	Philippine peso	100.0	100.0
Medianow Strategies, Inc. (Medianow) <sup>(x)</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>(q)</sup>	Philippines	Holding company	Philippine peso	70.0	70.0
ABS-CBN Convergence, Inc. (ABS-C) <sup>(q)</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) (o) (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) (o) (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 (SCH) <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
Tarlac Cable Television Network, Inc. <sup>(b) (w)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Telemondial Holdings, Inc. <sup>(b) (i) (w)</sup>	Philippines	Holding company	Philippine peso	59.4	59.4
JMY Advantage Corporation <sup>(b) (w)</sup>	Philippines	Cable television services	Philippine peso	56.4	56.4
Cebu Cable Television, Inc. <sup>(b) (o) (p) (w)</sup>	Philippines	Cable television services	Philippine peso	57.4	57.4
Suburban Cable Network, Inc. <sup>(b) (w)</sup>	Philippines	Cable television services	Philippine peso	54.9	54.9
Pacific CATV, Inc. (Pacific) <sup>(b) (o) (w)</sup>	Philippines	Cable television services	Philippine peso	58.0	58.0
First Ilocandia CATV, Inc. <sup>(b) (o) (w)</sup>	Philippines	Cable television services	Philippine peso	54.9	54.9
Mactan CATV Network, Inc. <sup>(b) (o) (p) (w)</sup>	Philippines	Cable television services	Philippine peso	56.6	56.6
Discovery Mactan Cable, Inc. <sup>(b) (s) (w)</sup>	Philippines	Cable television services	Philippine peso	41.6	41.6
Home-Lipa Cable, Inc. <sup>(b) (s) (w)</sup>	Philippines	Cable television services	Philippine peso	35.6	35.6
<b>Consumer Products and Experiences</b>					
ABS-CBN Theme Parks and Resorts Holdings, Inc. (ABS-CBN Theme Parks)	Philippines	Holding company	Philippine peso	100.0	100.0
ABS-CBN Themed Experiences, Inc. (ABS-CBN Themed Experiences) <sup>(u)</sup>	Philippines	Management of locations	Philippine peso	100.0	—
Play Innovations, Inc. (PII) <sup>(g)</sup>	Philippines	Theme park	Philippine peso	73.0	73.0
Play Innovations Hungary Kft. (Play Innovations) <sup>(i) (g)</sup>	Budapest, Hungary	Theme park	USD	73.0	73.0

(a) With branches in the Philippines and Taiwan

(b) Through ABS-CBN Global

(c) With branches in Italy and Spain

(d) Subsidiary of ABS-CBN Europe

(e) Nonstock ownership interest

(f) On June 5, 2017, the SEC approved the incorporation of Cinescreen. Cinescreen was established primarily to own, acquire, establish, lease, maintain, operate, manage, control, promote, advertise, undertake and carry on the business of theatres, movie houses and places of public amusement and entertainment.

(g) Through ABS-CBN Theme Parks

(h) Through Sky Cable

(i) Subsidiary of SCHI

(j) Considered as foreign subsidiary

(k) Subsidiary of ABS-CBN International

(l) With a branch in Luxembourg

(m) With a regional operating headquarters in the Philippines



- (n) Through ABS-CBN Hungary*
- (o) Subsidiary of PCC*
- (p) Through Pacific*
- (q) Through Sapiensis*
- (r) With branch in Korea*
- (s) A subsidiary of Sky Cable where Sky Cable effectively owns more than 50% interest*
- (t) In liquidation*
- (u) On July 7, 2017, the SEC approved the incorporation of ABS-CBN Themed Experiences. ABS-CBN Themed Experiences was established primarily to design, build, develop, manage, operate and maintain theme and amusement parks, hotels, restaurants, coffee shops, refreshment parlors and other attractions and facilities.*
- (v) On September 18, 2018, the SEC approved the merger of CPI and ABS-CBN Publishing with the former being the surviving entity.*
- (w) In 2012, ABS-CBN acquired additional interest in Sky Vision increasing its economic interest to 24.8%. On the same year, Lopez, Inc. also executed a proxy in favor of ABS-CBN assigning its voting rights in Sky Vision. As a result, ABS-CBN has a voting interest of 75% in Sky Vision since 2012. Sky Vision is the holding company of Sky Cable, where ABS-CBN has an economic interest of 57.4% in 2014. In 2015, ABS-CBN purchased additional shares in Sky Vision increasing its economic interest on Sky Vision and Sky Cable to 75% and 59.4%, respectively.*
- (x) In 2014, CPI and Sky Cable entered into an agreement to form a joint venture company. Medianow, which was incorporated on August 22, 2014, is 78.7% effectively owned by the Company in 2014. As a result of the acquisition of additional interest in Sky Vision, economic interest on Medianow increased to 79.7% in 2015.*
- (y) On February 14, 2018, the SEC approved the incorporation of Tarsier. Tarsier was established primarily to own, manufacture, create, produce, reproduce, distribute, purchase, sell, export, import, lease, license, sublicense, merchandise, exploit, promote, market or otherwise deal in any kind of audio-visual materials, music records, musical compositions and scores, and other forms of music-related/entertainment activities.*
- (z) On June 30, 2018, ABS-CBN Europe Remittance Inc., ABS-CBN Global Remittance Inc. and ABS-CBN Canada Remittance Inc. ceased operations.*

The Company controls an investee if and only if the Company has:

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

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements,
- The Company's voting rights and potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All significant intra-group balances, transactions, income and expenses and profits and losses are eliminated in full during consolidation.

Noncontrolling interests represent the portion of profit or loss and net assets not held by the Parent Company and are presented separately from equity attributable to equity holders of the Parent Company in the consolidated financial statements. This includes the equity interests in Sky Vision, Sky Cable and its subsidiaries, subsidiaries of Sapiensis, ABS-CBN Theme Parks and Medianow.



A change in the ownership interest of a subsidiary, without a loss of control, is considered as an acquisition or disposal of noncontrolling interest and accounted for as an equity transaction. The difference between the amount by which the noncontrolling interest is adjusted and the fair value of the consideration paid or received is recorded directly in equity.

If the Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interest
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance.

#### Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any noncontrolling interest in the acquiree. For each business combination, the 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 PFRS 9 beginning January 1, 2018 (PAS 39 prior to January 1, 2018), 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 by 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.

All other liabilities are classified as non-current.

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.



*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.

*Initial Recognition and Subsequent Measurement prior to the Adoption of PFRS 9*

*Initial Recognition.* 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 (FVTPL).

The Company classifies its financial assets in the following categories: financial assets at FVTPL, held-to-maturity (HTM) investments, loans and receivables and AFS investments. Financial liabilities are classified as either financial liabilities at FVTPL 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.

- a. *Financial Assets and Liabilities at FVTPL.* Financial assets and liabilities at FVTPL include financial assets and liabilities held for trading and financial assets and liabilities designated upon initial recognition as at FVTPL. 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 FVTPL, 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 FVTPL 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 FVTPL 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 FVTPL as at December 31, 2017.



- b. *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 FVTPL, 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).

- c. *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.

- d. *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).

- e. *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.

The Company has no embedded derivatives as at December 31, 2017.

*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.

- a. *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.

- b. *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.
- c. *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.

The determination of what is "significant" or "prolonged" requires judgment. The Company treats "significant" as 20% or more of the original cost of investment, and "prolonged" as greater than 12 months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and discount factors for unquoted equities.

*Derecognition of Financial Assets.* A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

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



Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of ownership of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

*Initial Recognition and Subsequent Measurement Upon Adoption of PFRS 9*

Financial Assets

*Initial Recognition and Measurement of Financial Assets.* Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through OCI, and fair value through profit or loss.

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

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

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

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

*Subsequent Measurement.* For purposes of subsequent measurement, financial assets are classified in four categories: financial assets at amortized cost (debt instruments), financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments), financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) and financial assets at FVTPL.

- a. *Financial Assets at Amortized Cost (Debt Instruments).* This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:
  - the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



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

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).

- b. *Financial Assets at FVOCI (Debt Instruments)*. The Company measures debt instruments at fair value through OCI if both of the following conditions are met:
- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company has no debt instruments at FVOCI as at December 31, 2018.

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

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

The Company elected to classify irrevocably its listed and non-listed equity investments and investments in club shares under this category.

- d. *Financial Assets at FVTPL*. Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of income.



This category includes derivative instruments.

The Company has not designated any financial assets at FVTPL as at December 31, 2018.

*Embedded Derivatives.* A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristic and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded with a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

The Company has no embedded derivatives as at December 31, 2018.

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

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

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

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

*Impairment of Financial Assets.* The Company recognizes an ECL for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.





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

For cash and cash equivalents and short-term investments, the Company applies a general approach in calculating ECLs. The Company recognizes a loss allowance based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its cash and cash equivalents since initial recognition.

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

The Company considers a financial asset in default when contractual payments are generally 60 to 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### Financial Liabilities

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

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

The Company's 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).

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

- a. *Financial Liabilities at FVTPL.* Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

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

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied.



The Company has not designated any financial liability as at FVTPL.

*Financial Liabilities at Amortized Cost.* This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included under “Finance costs” account in the consolidated statement of income.

Classified under this category 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).

*Derecognition of Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

#### Classification of Financial Instruments Between Liability and Equity

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

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

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

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

#### Offsetting Financial Instruments

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



Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the moving average method. Net realizable value of inventories that are for sale is the selling price in the ordinary course of business, less the cost of marketing and distribution. Net realizable value of inventories not held for sale is the current replacement cost.

Other Current Assets

*Creditable Withholding Taxes (CWT).* CWT represents the amount withheld by the Company's customers in relation to its revenues. These are recognized upon collection of the related billings and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations.

*Advances to Suppliers.* Advances to suppliers represent advance payments on goods to be received or services to be incurred in connection with the Company's operations and are generally applied to acquisition of inventories and fixed assets and availment of services and others within the next financial year.

*Preproduction Expenses.* Preproduction expenses represent costs incurred prior to the airing of the programs or episodes. These costs include talent fees of artists and production staff and other costs directly attributable to production of programs. These are charged to expense upon airing of the related program or episodes. Costs related to previously taped episodes determined not to be aired are charged to expense.

*Prepayments.* Prepayments are carried at cost and are amortized on a straight-line basis over the period of expected usage, which is equal to or less than 12 months or within the normal operating cycle.

Property and Equipment

Property and equipment, except land, are carried at cost (including capitalized interest), excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and any impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Land is stated at cost, which includes initial purchase price and other cost directly attributable in bringing such asset to its working condition, less any impairment in value.

Initial installation costs, including materials, labor and overhead costs are capitalized as part of distribution equipment (included in the "Towers, transmission, television, radio, movie and auxiliary equipment" account) and depreciated over the subscriber relationship or the estimated useful life of the distribution equipment whichever is shorter. The costs of subsequent disconnection and reconnection are charged to profit or loss when incurred.

Unissued spare parts represent major spare parts that can be used only in connection with the distribution equipment. Unissued spare parts 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.

Amortization of program rights is computed on a straight-line method over the following method:

Category	Policy
Specific run with specific terms	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	
Multiple runs with indefinite start date of license term	
Perpetual rights	For perpetuity program and film rights, amortized on a straight-line basis at the beginning of the term as indicated in the contract, regardless if the program and film right is aired or not, and shall run over a period of 15 years from the start of amortization.

The policies applied on other intangible assets are as follows:

Intangible Asset	Useful Lives	Amortization Method Used	Impairment Testing	Current and Noncurrent Classification
Music Rights	Finite (useful economic benefit) - 50 years	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 (i.e. majority of the cost is amortized upon showing and the remainder is over 15 years)	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



<b>Intangible Asset</b>	<b>Useful Lives</b>	<b>Amortization Method Used</b>	<b>Impairment Testing</b>	<b>Current and Noncurrent Classification</b>
Story and Publication	Finite (useful economic benefit) - 10 to 50 years	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
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



<b>Intangible Asset</b>	<b>Useful Lives</b>	<b>Amortization Method Used</b>	<b>Impairment Testing</b>	<b>Current and Noncurrent Classification</b>
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
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



<b>Intangible Asset</b>	<b>Useful Lives</b>	<b>Amortization Method Used</b>	<b>Impairment Testing</b>	<b>Current and Noncurrent Classification</b>
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
Business Process Re-engineering	Finite – 7 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

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.

Investments in Associates

The Company’s investments in associates are accounted for under the equity method of accounting. An associate is an entity over which the Company has significant influence or the power to participate in the financial and operating policy decisions of the investee, but has no control or joint control over those policies.





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

Under the equity method, investment in associates is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Company's share in net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not tested for impairment. The consolidated statement of income reflects the Company's share on the financial performance of an associate. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share in any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The reporting dates of the associates and the Company are identical and the associates' accounting policies conform to those used by the Company for like transactions and events in similar circumstances. Unrealized intercompany gains and losses arising from the transactions with the associate are eliminated to the extent of the interest in the associate.

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

#### Investments in Joint Ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Company's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Company's share in net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. The consolidated statement of income reflects the Company's share of the results of operations of the joint venture. Any change in the OCI of the joint venture is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the joint venture, the Company recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Company's share in profit or loss of a joint venture is shown in the face of the consolidated statement of income outside operating profit and represents share in income or loss after tax and noncontrolling interests in the subsidiaries of the joint venture.

The reporting dates of the joint venture and the Company and the joint venture's accounting policies conform to those used by the Company for like transactions and events in similar circumstances.



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

When the remaining investment in a joint venture constitutes significant influence, it is accounted for as an investment in an associate. The Company continues to apply the equity method and does not remeasure the retained interest.

#### Tax Credits

Tax credits from government airtime sales availed under Presidential Decree (PD) No. 1362 are recognized in the books upon actual airing of government commercials and advertisements. These are included under "Other noncurrent assets" account in the consolidated statement of financial position.

#### Impairment of Nonfinancial Assets

The Company assesses at each financial reporting date whether there is an indication that property and equipment, investment properties, program rights and other intangible assets with finite lives, investments in associates and joint ventures and tax credits may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value, less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income. After such a reversal, the depreciation and amortization are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The following criteria are also applied in assessing impairment of specific nonfinancial assets:

*Intangible Assets with Indefinite Life.* Goodwill, cable channels, trademark, licenses and IP block are reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill, cable channels, trademarks, licenses and IP block by assessing the recoverable amount of the cash-generating units, to which the goodwill, cable channels, trademarks, licenses and IP block relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which the goodwill, cable



channels, trademarks, licenses and IP block has been allocated, an impairment loss is recognized in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Company performs its annual impairment test of goodwill, cable channels, trademarks, licenses and IP block as at December 31 of each year.

*Investments in Associates and Joint Ventures.* After application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the Company's net investments in the associates and joint ventures. The Company determines at each financial reporting date whether there is any objective evidence that the investments in associates and joint ventures are impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the recoverable amount of an investment in associate and joint ventures and the carrying value and recognizes the loss as part of "Equity in net earnings (losses) of associates and joint ventures" in the consolidated statement of income.

#### Paid-in Capital

The Company has issued par value capital stock that is classified as equity. Incremental costs directly attributable to the issuance of new capital stock are shown in equity as a deduction, net of tax, from the proceeds.

When the Company issues its par value shares, the proceeds shall be credited to the "Capital stock" account in the consolidated statement of financial position to the extent of the par value, with any excess being reflected as "Additional paid-in capital" in the consolidated statement of financial position.

Where the Company purchases its capital stock and PDRs issued by ABS-CBN Holdings that are convertible to Parent Company common shares (recorded as "Treasury shares and PDRs convertible to common shares" account in the consolidated statement of financial position), the consideration paid, including any directly attributable incremental costs (net of applicable taxes) is deducted from equity attributable to the equity holders of the Parent Company until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the equity holders of the Parent Company.

#### Share-based Payment Transactions

Employees and talents (including directors) of the Company receive remuneration in the form of share-based payment transactions from the Parent Company and from Lopez Holdings Corporation (a commonly-controlled entity), whereby eligible participants render services as consideration for equity instruments (equity-settled transactions). Selected key employees of the Company, also receive remuneration in the form of share-based payment transactions, whereby the Company incurs a liability to pay cash (cash-settled transactions) to the employees in consideration for their services rendered.

*Equity-settled Transactions.* The cost of equity-settled transactions is determined by the fair value of the stock options at the date the option is granted. The fair value is determined using the Black-Scholes-Merton Option Pricing Model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the subjected shares ("market conditions") and non-vesting conditions, if applicable.

The cost of equity-settled transactions is recognized, together with a corresponding increase in "Share-based payment plan" account in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period).



The cumulative expense recognized for equity-settled transactions at each financial reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of the number of equity instruments that will ultimately vest at that date. The current income or expense charges in “Personnel expenses”, under “General and administrative expenses” account in the consolidated statement of income, represents the movement in cumulative expense recognized as at financial reporting date.

No expense is recognized for awards that do not ultimately vest.

When the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled with payment, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. There is no reversal of cost already charged after vesting of the equity-settled transactions, only transfers between components of equity.

*Cash-settled Transactions.* The cost of liability from the cash-settled transactions for notional shares allocated to selected key employees is measured by reference to the market price of the Parent Company’s share as at financial reporting date. At each financial reporting date between the grant date and settlement, the liability recognized is the fair value of the award at that date multiplied by the expired portion of the vesting period. All changes in the liability are recognized in profit or loss for the period.

#### Retained Earnings

Retained earnings includes profit attributable to the equity holders of the Parent Company and reduced by dividends on capital stock.

Retained earnings may also include effect of changes in accounting policy as may be required by the standard’s transitional provisions.

#### Dividends on Common and Preferred Shares of the Parent Company

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

#### Revenue Recognition

Prior to the adoption of PFRS 15, revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably.

Upon adoption of PFRS 15, revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.



Revenue is recognized when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

The changes in the policy between the legacy standards and PFRS 15 are discussed in Note 2. The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

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

*Advertising revenue.* Revenue is recognized upon airing of the advertisements. The Parent Company uses the cost per individual rating point (CPIRP) pricing scheme. The scheme provides that the advertising spots sold will be computed using a multiplier based on the actual rating point of the spot aired as provided by a third party measurement company.

The Company receives non-cash considerations (such as program materials, merchandise or services) from certain customers in exchange for advertising time. The fair value of such non-cash considerations received from the customers is included in the transaction price and measured upon airing of the advertisement.

The Company applies the requirements of PFRS 13, *Fair Value Measurement* in measuring the fair value of the non-cash considerations. If the fair value cannot be reasonably estimated, the non-cash consideration is measured indirectly by reference to the stand-alone selling price of the advertisements when aired.

Industry rules allow ABS-CBN to sell up to 18 minutes of commercial spots per hour of television programming. These spots are sold mainly through advertising agencies which act as the buying agents of advertisers, and to a lesser extent, directly to advertisers. Agency commissions are recognized at a standard rate of 15%.

Incentives, which include volume discounts for large quantities of telecast order, are recognized upon airing.

Payments received before broadcast (pay before broadcast) represent customer deposits, which are recognized as revenue upon airing of related advertisements. These are included in the consolidated statement of financial position as part of “Contract liabilities” in 2018 and “Deferred revenue” under “Trade and other payables” account in 2017.

Sale of services comprise of the following:

- a. Subscription fees are recognized as follows:

*DTH and Internet Protocol Television Subscribers and Cable Operators.* Subscription fees are recognized over the subscription period in accordance with the terms of the subscription agreements.

*Share in DirecTV Subscription Revenue.* Subscription revenue from subscribers of DirecTV who subscribe to the “The Filipino Channel” is recognized over time in accordance with the Deal Memorandum as discussed in Note 31.



*Subscription Revenue from TFC.tv (formerly TFC Now).* Payment from online streaming services of Filipino-oriented content and programming received in advance is deferred (included as “Contract liabilities” in 2018 and “Deferred Revenue” under “Trade and other payables” account in 2017 consolidated statement of financial position) and recognized as revenue on a straight-line basis over the period during which the service is rendered.

*Cable and Broadband Subscribers.* Subscription and related installation fees are recognized over the subscription period and estimated length of customer relationship, respectively, in accordance with the terms of the subscription agreements. Subscription and related installation fees billed and collected in advance are deferred and shown as part of “Contract liabilities” in 2018 and “Deferred revenue” under “Trade and other payables” account in 2017 and recognized as revenue when service is rendered.

Sky Cable offers bundled cable and broadband services and is assessed as two separate performance obligations. The performance obligations to deliver cable television and broadband services on a monthly basis qualify as performance obligations satisfied over time since the customer simultaneously receives and consumes the benefit provided by the Company’s performance.

- b. Telecommunications revenue pertains, among others, to postpaid and prepaid service revenues.

Postpaid service arrangements include fixed monthly charges (including excess of consumable fixed monthly service fees) generated from cellular voice, short messaging services, or SMS, and data services which is recognized on a straight-line basis over the customer’s subscription period. Services provided to postpaid subscribers are billed throughout the month according to the billing cycles of subscribers. Services availed by subscribers in addition to these fixed fee arrangements are charged separately at their stand-alone selling prices and recognized as revenue when the additional service is provided or as availed by the subscribers.

Prepaid service revenues arise from the usage of airtime load from channels and prepaid cards provided by the Company. Proceeds from over-the-air reloading channels and prepaid cards are initially recognized part of “Contract liabilities” in 2018 and “Deferred revenue” under “Trade and other payables” account in 2017, and realized upon actual usage of the airtime value for voice, SMS, mobile data and other value-added services, prepaid unlimited and bucket-priced SMS and call subscriptions, net of bonus credits from load packages purchased, such as free additional call minutes, SMS, data allocation or airtime load, or upon expiration, whichever comes earlier.

The Company also considers recognizing revenue from the expected breakage or expiry of airtime load in proportion to the pattern of rights exercised by the customer if it expects to be entitled to that breakage amount. If the Company does not expect to be entitled to a breakage amount based on historical experience with the customers, the Company recognizes the expected breakage amount as revenue when the likelihood of the prepaid customer exercising its remaining rights becomes remote.



Interconnection fees and charges arising from the actual usage of airtime value or subscriptions are recorded as incurred.

Revenue from international and national long-distance calls is generally based on rates which vary with distance and type of service (direct dial or operator-assisted, paid or collect, etc.). Revenue from long distance calls is recognized as the service is provided.

- c. Income from film exhibition is recognized on the dates the films are shown.
- d. Short-messaging-system/text-based revenue, sale of news materials and Company-produced programs are recognized upon delivery.
- e. Royalty income is recognized at a point in time upon rendering of service based on the terms of the agreement and is reduced to the extent of the share of the composers or co-publishers of the songs produced for original sound recording. It also includes income from Parent Company's share in fees from endorsements and other external services of its talents equivalent to 10% of gross receipts.
- f. Ancillary rights pertain to income from TV rights and cable rights which are recognized on the dates the films are permitted to be publicly shown.
- g. Admission revenue and ticket sales are recognized at a point in time when tickets are used or expired.
- h. Other revenues include fees for IPTV reauthorization, restocking, shipping and activation, publishing revenue and remittance revenue. Revenue is recognized at a point in time when these services are rendered.

Sale of goods is recognized when delivery has taken place and control has been completed. These are stated net of sales discounts.

Interest income is recognized on a time proportion basis that reflects the effective yield on the asset.

Dividends are recognized when the shareholders' right to receive payment is established.

#### Other Revenue

Other revenue is recognized when the services are rendered or goods are delivered:

- a. Rental income is recognized as income on a straight-line basis over the lease term.
- b. Channel lease revenue is recognized as income on a straight-line basis over the lease term.

#### Contract Balances

*Trade Receivables.* A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to the accounting policies of Financial Instruments section.

*Contract Assets.* A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.



*Contract Liabilities.* A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due, whichever is earlier. Contract liabilities are recognized as revenue when the Company performs under the contract.

#### Incremental Costs to Obtain a Contract

The Company incurs certain incremental costs to obtain a contract with a customer that would not have been incurred if the contract had not been entered into. Prior to the adoption of PFRS 15, these are recognized as expense when incurred. Upon adoption of PFRS 15, these are recognized as incremental costs of obtaining a contract and are capitalized as an asset if the costs are expected to be recoverable. These costs are amortized on a systematic basis that is consistent with the Company's transfer of the related goods or services to the customer. The Company applies the practical expedient to immediately expense contract costs that are expected to be amortized within one year or less. Sky Cable is precluded from availing the practical expedient because the amortization period of its contract cost asset is more than one year.

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

Capitalized contract costs are subject to an impairment assessment at the end of each reporting period. Impairment losses are recognized in profit or loss.

#### Cost and Expense Recognition

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distribution to equity participant. Cost and expenses other than those with specific policies are recognized in the consolidated statement of income in the year these are incurred.

#### Leases

The determination whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

*Company as a Lessee.* Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against the consolidated statement of income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognized as expense in the consolidated statement of income on a straight-line basis over the lease term.





*Company as a Lessor.* Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

#### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

#### Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the year, less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalizable rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during the year shall not exceed the amount of borrowing costs incurred during that year.

Capitalization of borrowing costs commences when the activities necessary to prepare the asset for intended use are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the asset is available for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects, to the extent that they are regarded as an adjustment to interest costs.

All other borrowing costs are expensed as incurred in the year in which they occur.

#### Pension Costs and Other Employee Benefits

The Company's pension plans are funded (Parent Company, Sky Cable and PCC) and unfunded (other subsidiaries) defined benefit pension plans, except for ABS-CBN International, which has a defined contribution pension plan. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method.

*Defined Benefit Pension Plans.* The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.



Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit obligation or asset
- Remeasurements of net defined benefit obligation or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as part of costs and expenses in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit obligation or asset is the change during the period in the net defined benefit obligation or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit obligation or asset is recognized under costs and expenses in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit obligation) are recognized immediately in OCI in the period in which they arise and subsequently transferred to retained earnings. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

*Defined Contribution Pension Plans.* For ABS-CBN International, the defined contribution pension plan is composed of the contribution of ABS-CBN International or employee (or both) to the employee's individual account. These contributions generally are invested on behalf of the employee through American Funds. Employees ultimately receive the balance in their account, which is based on contributions plus or minus investment gains or losses. The value of each account will fluctuate due to changes in the value of investments.

The amount of the Company's contribution to the defined contribution pension plan is recognized as expense in the period incurred.

*Termination Benefit.* Termination benefits are employee benefits provided in exchange for the termination of an employee's employment before the normal retirement date as a result of either an entity's decision or an employee's decision to accept an offer of benefits in exchange for the termination of employment.



A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

*Employee Leave Entitlement.* Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before 12 months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period. Liability for leaves expected to be settled beyond 12 months are recognized as part of the noncurrent portion of other employee benefits liability and measured at the present value of the benefit as at financial reporting date.

#### Taxes

*Current Tax.* Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at financial reporting date.

Current tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income.

*Deferred Tax.* Deferred tax is provided, using the liability method, on all temporary differences at financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT over RCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries and associates. With respect to investments in other subsidiaries and associates, deferred tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred tax assets are measured at each financial reporting date and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax to be recovered.



Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at financial reporting date.

Deferred tax relating to items recognized outside profit and loss is recognized in correlation to the underlying transaction either in OCI or directly in equity and not in the consolidated statement of income.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

*VAT.* Revenue, expenses and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

#### Earnings Per Share (EPS) attributable to the Equity Holders of the Parent Company

Basic EPS amounts are calculated by dividing the net income (less preferred shares, if any) attributable to equity holders of the Parent Company for the year over the weighted average number of common shares outstanding (net of treasury shares and PDRs) during the year, with retroactive adjustments for any stock dividends and stock split.

Diluted EPS amounts are computed in the same manner, adjusted for the dilutive effect of any potential common shares. As the Company has no dilutive potential common shares outstanding, basic and diluted EPS are stated at the same amount.

#### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

#### Events after Financial Reporting Date

Any event after financial reporting date that provides additional information about the Company's financial position at financial reporting date (adjusting events) are reflected in the consolidated financial statements. Events after financial reporting date that are not adjusting events are disclosed in the notes to consolidated financial statements, when material.

#### Segment Reporting

For management purposes, the Company's operating businesses are organized and managed separately into four (4) business activities. Such business segments are the bases upon which the Company reports its operating segment information. The Company operates in three (3) geographical areas where it derives its revenue. Financial information on segment reporting is presented in Note 5.



#### Future Changes in Accounting Policies

The standards, amendments and interpretations that are issued, but not yet effective as at December 31, 2018 are disclosed in the next section. The Company intends to adopt these standards, if applicable, when these become effective.

#### *Effective beginning on or after January 1, 2019*

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

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

These amendments have no impact on the consolidated financial statements of the Company.

- PFRS 16, *Leases*

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

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

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

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

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

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



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

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

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

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

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

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

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

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

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Company does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

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

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



The interpretation specifically addresses the following:

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

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

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

■ *Annual Improvements to PFRSs 2015-2017 Cycle*

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

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

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

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Company but may apply to future transactions.

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

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

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Company because dividends declared by the Company do not give rise to tax obligations under the current tax laws.



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

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

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

Since the Company's current practice is in line with these amendments, the Company does not expect any effect on its consolidated financial statements upon adoption.

*Effective beginning on or after January 1, 2020*

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

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

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

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

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

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

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. The amendments will not cause any material impact.

*Effective beginning on or after January 1, 2021*

▪ PFRS 17, *Insurance Contracts*

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





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

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted. This standard is not applicable to the Company.

#### *Deferred effectivity*

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

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

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

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### **3. Management's Use of Judgments, Estimates and Assumptions**

The Company's consolidated financial statements prepared under PFRS require management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.



Judgments, key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are consistent with those applied in the most recent annual financial statements, except for those that relate to the adoption of PFRS 9 and PFRS 15.

#### Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

#### *Recognition of Revenue from Contracts with Customers Prior to January 1, 2018*

*Revenue Recognition.* The Company assesses its revenue arrangements from its telecommunications business against specific criteria to determine if it is acting as principal or agent. The following criteria indicate whether the Company is acting as a principal or an agent:

- the Company has the primary responsibility for providing services to the customer;
- the Company has latitude in establishing price, either directly or indirectly, for example by providing additional services;
- the Company bears the customer's credit risk for the amount receivable from the customer; and,
- the Company has inventory risk before or after the customer order, during shipping or on return.

The Company has concluded that it is acting as a principal in its revenue arrangements. Revenue is stated at gross amount including the share of the other telecommunications carriers.

#### *Recognition of Revenue from Contracts with Customers Effective January 1, 2018*

- a. *Identifying Performance Obligations.* The Company identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Company's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

Revenues earned from multiple element arrangements are split into separately identifiable performance obligations based on their relative stand-alone selling price to reflect the substance of the transaction.

In relation to the subscription business, Sky Cable offers bundled cable and broadband services and is assessed as two separate performance obligations. The performance obligations to deliver cable television and broadband services on a monthly basis qualify as performance obligations satisfied over time since the customer simultaneously receives and consumes the benefit provided by the Company's performance.



b. *Principal versus Agent Consideration.* The Company enters into contracts with its customers. The Company determined that it controls the goods and services before they are transferred to customers, and it has the ability to direct their use. The following factors indicate that the Company controls the goods and services before they are being transferred to customers. Therefore, the Company determined that it is a principal in these contracts.

- The Company is primarily responsible for fulfilling the promise to provide the specified goods and services.
- The Company has inventory risk on the goods and services before these are transferred to the customer.
- The Company has discretion in establishing the prices for the other party's goods or services and, therefore, the benefit that the Company can receive from those goods or services is not limited. It is incumbent upon the Company to establish the price of its services to be offered to its customers.
- The Company's consideration in these contracts is the entire consideration billed to the service provider.

Based on the foregoing, the Company is considered the principal in its contracts with its customers. It has the primary obligation to provide the services to them.

c. *Revenue Recognition.* The Company recognizes revenue over time or at a point in time depending on its evaluation of when the customer obtains control of the promised goods or services.

The subscription revenue from cable and broadband service, because transfer of control is assessed to be over the contract period, is recognized monthly as the Company provides the service. The related installation service is not distinct from the cable and broadband service, revenue is recognized over the period the cable and broadband services are provided to the customer.

For licensing, judgment is exercised in determining whether the Company can recognize revenue outright or over the license period. The Company recognizes revenue over the license period if all of the following criteria are met; otherwise, revenue is recognized outright:

- the contract requires, or the customer reasonably expects, that the Company will undertake activities that significantly affect the intellectual property to which the customer has rights
- the rights granted by the license directly expose the customer to any positive or negative effects of the Company's activities
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

Revenues from other revenue streams are recognized at a point in time when control over goods or services is transferred (see Note 2).

*Determination of Functional Currency.* The Parent Company and all other subsidiaries and associates, except for foreign subsidiaries, have determined that their functional currency is the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Parent Company and all other subsidiaries and associates, except for foreign subsidiaries, operate. The Philippine peso is also the currency that mainly influences the sale of goods and services as well as the costs of selling such goods and providing such services.



Each foreign subsidiary determines its functional currency (i.e., USD, GBP, JPY, AUD, CAD, EUR or SGD). Thus, the accounts of foreign subsidiaries were translated to Philippine peso for purposes of consolidation to the ABS-CBN Group's accounts.

*Leases.* The evaluation of whether an arrangement contains a lease is based on its substance. An arrangement is, or contains, a lease when the fulfillment of the arrangement depends on a specific asset or assets and the arrangement conveys the right to use the asset.

The Company has entered into lease arrangements as a lessor and as a lessee. Such contracts are accounted for as operating leases when the Company, as a lessee, has determined that the lessor retains substantial risks and benefits of ownership of these properties, and as a lessor, the Company retains substantially all the risks and benefits incidental to ownership of the assets.

The Company has also entered into lease agreements covering certain property and equipment. Such contracts are accounted for as finance leases when the Company, as a lessee, has determined that it bears substantially all the risks and benefits incidental to ownership of said asset and as a lessor, it does not retain all the significant risks and rewards of ownership of the leased assets.

Bayan Telecommunications, Inc. (Bayantel) has entered into an agreement with Sky Cable for the grant of Indefeasible Right of Use (IRU) in certain capacities in the network. The arrangement is assessed as a transaction which contains a lease on the basis that fulfillment of the arrangement is dependent on the use of a specific asset or assets and arrangement conveys a right to use the asset. Sky Cable has accounted for the arrangement as a finance lease on the basis that the lease term is for the major part of the economic life of the asset of 25 years. The IRU was included as part of "Other equipment" account (see Note 10).

The carrying amount of property and equipment under finance lease amounted to ₱311 million and ₱348 million as at December 31, 2018 and 2017, respectively (see Notes 10 and 31).

#### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation at the financial reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Allowance for Doubtful Accounts Prior to 2018.* The Company reviews its loans and receivables, including unbilled receivables, at each financial reporting date to assess whether an allowance for impairment should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes in the allowance.

#### *Allowance for Doubtful Accounts After January 1, 2018*

- a. *Definition of Default and Credit-Impaired Financial Assets.* Upon adoption of PFRS 9, the Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:
  - *Quantitative Criteria.* The borrower is generally more than 60 to 90 days past due on its contractual payments, which is consistent with the Company's definition of default.



- *Qualitative Criteria.* The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
  - a. The borrower is experiencing financial difficulty or is insolvent;
  - b. The borrower is in breach of financial covenant(s); or
  - c. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the probability of default (PD), loss given default (LGD) and exposure at default (EAD) throughout the Company's ECL calculation.

- b. *Simplified Approach for Trade and Other Receivables.* The Company uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

- c. *Macro-economic Forecasts and Forward-looking Information.* Macro-economic forecasts is determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost and effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company takes into consideration different macro-economic variables to ensure linear relationship between internal rates and outside factors. Regression analysis was used to objectively determine which variables to use.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 3 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

Provision for doubtful accounts amounted to ₱339 million, ₱498 million and ₱572 million in 2018, 2017 and 2016, respectively (see Notes 7 and 27). Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱10.4 billion and ₱10.6 billion as at December 31, 2018 and 2017, respectively. Allowance for doubtful accounts amounted to ₱2.0 billion and ₱1.9 billion as at December 31, 2018 and 2017, respectively (see Note 7).

*Estimated Useful Lives of Property and Equipment, Investment Properties and Intangible Assets.* The useful life of each item of the Company's property and equipment, investment properties and intangible assets with finite life is estimated based on the period over which the asset is expected to be available for use. Estimation for property and equipment and investment properties is based on a



collective assessment of industry practice, internal technical evaluation and experience with similar assets while for intangible assets with finite life, estimated life is based on the life of agreement covering such intangibles or based on expected future benefits. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of these assets. However, it is possible that future financial performance could be materially affected by changes in the estimates brought about by changes in the aforementioned factors. The amounts and timing of recording the depreciation and amortization for any year, with regard to the property and equipment, investment properties and intangible assets would be affected by changes in these factors and circumstances. A reduction in the estimated useful life of any of the property and equipment, investment properties or intangible assets would increase the recorded expenses and decrease noncurrent assets.

There were no changes in the estimated useful lives of property and equipment, other intangible assets and investment properties in 2018 and 2017.

The carrying values of property and equipment, investment properties and intangible assets with finite life are as follows (see Notes 10, 11 and 12):

	<b>2018</b>	2017
Property and equipment	<b>₱18,846,494</b>	₱19,558,658
Program rights	<b>4,773,920</b>	4,514,725
Movie in-process and filmed entertainment	<b>1,056,361</b>	1,003,400
Customer relationships	<b>619,475</b>	511,214
Story, video and publication and record master	<b>124,599</b>	128,922
Production and distribution business - Middle East	<b>50,702</b>	57,247
Investment properties	<b>29,747</b>	29,862
License – franchise	<b>25,188</b>	28,924
Digital platforms	<b>13,685</b>	30,614
Music rights	<b>806</b>	3,356

*Amortization of Program Rights.* The Company reviews its program rights inventory and plans for its usage across different platforms to maximize its benefits. The Company amortizes program rights based on usage or specific term.

Program rights amounted to ₱4.8 billion and ₱4.5 billion as at December 31, 2018 and 2017, respectively (see Note 12).

*Impairment of Nonfinancial Assets.* The Company assesses impairment on nonfinancial assets (enumerated in the following table) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant under-performance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.



The Company did not note any impairment indicators in 2018 and 2017. The carrying values of nonfinancial assets as at December 31, 2018 and 2017 are as follows (see Notes 9, 10, 11, 12, 14 and 15):

	<b>2018</b>	2017
Property and equipment	<b>₱27,875,625</b>	₱25,700,997
Program rights	<b>4,773,920</b>	4,514,725
Movie in-process and filmed entertainment	<b>1,056,361</b>	1,003,400
Tax credits - net of allowance for impairment	<b>785,943</b>	1,149,321
Preproduction expenses	<b>579,086</b>	425,308
Investments in associates and joint venture	<b>495,247</b>	524,953
Customer relationships	<b>619,475</b>	511,214
Investment properties	<b>202,763</b>	200,740
Story, video and publication and record master	<b>124,599</b>	128,922
Production and distribution business - Middle East	<b>50,702</b>	57,247
License - franchise	<b>25,188</b>	28,924
Digital platforms	<b>13,685</b>	30,614
Music rights	<b>806</b>	3,356

*Recoverability of Goodwill, Cable Channels, Trademarks, Licenses and IP Block.* The Company performs recoverability testing annually or more frequently when there are indications of impairment for goodwill and intangible assets with indefinite lives. The Company has identified that cable channels of CPI, trademarks, licenses and IP block have indefinite lives. Recoverability testing requires an estimation of the value-in-use of the cash-generating units to which goodwill, cable channels, trademarks, licenses and IP block to operate wireless business are allocated. Goodwill acquired through business combination has been allocated to one cash-generating unit which is also the operating entity acquired through business combination and to which the goodwill relates. Estimating the recoverable amount of the cash-generating unit involves significant assumptions about the future results of the business such as revenue growth and gross margins in its cable subscription, advertising, broadband and mobile businesses, and discount rates which were applied to cash flow forecasts. The cash flow forecasts were based on financial budgets approved by senior management of the subsidiaries covering a five-year period.

The impairment on goodwill, cable channels, trademarks, licenses and IP block is determined by comparing: (a) the carrying amount of the cash-generating unit; and (b) the present value of the annual projected cash flows for five years and the present value of the terminal value computed under the discounted cash flow method.

The key assumptions used in the impairment test of goodwill, cable channels, trademarks and licenses are as follows:

a. Gross Revenue

On the average, gross revenue of the subsidiaries over the next five years were projected to grow in line with the economy or with nominal Gross Domestic Product. This assumes that the market share of the subsidiaries in their respective industries will be flat on the assumption that the industries also grow at par with the economy. Historically, advertising spending growth had a direct correlation with economic growth. A 1-4% perpetuity growth rate was assumed at the end of the five-year forecast period.

b. Operating Expenses

On the average, operating expenses were projected to increase at a single-digit growth rate and at a slower pace than revenue.



c. Gross Margins

Increased efficiencies over the next five years are expected to result in margin improvements.

d. Discount Rate

The discount rate used to arrive at the present value of future cash flows was the Company's Weighted Average Cost of Capital (WACC). WACC was based on the appropriate weights of debt and equity, which were multiplied with the assumed costs of debt and equity. The discount rates applied to the cash flow projections range from 7.25% to 10.90% in 2018 and from 8.3% to 10.7% in 2017.

The carrying values of goodwill and intangible assets with indefinite useful lives as at December 31, 2018 and 2017 are as follows (see Note 12):

	2018	2017
Goodwill	<b>₱5,328,818</b>	₱5,473,725
Trademarks	<b>1,111,784</b>	1,111,784
License - wireless business	<b>965,049</b>	965,049
Cable channels - CPI	<b>459,968</b>	459,968
IP block	<b>37,804</b>	29,491

*Present Value of Pension Obligation and Other Employee Benefits.* The cost of defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions such as discount rates and future salary increases, among others. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each financial reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 30.

Employee leave entitlements that is expected to be settled within one year from reporting date is classified as a current liability in the consolidated statement of financial position. Otherwise, this is classified as part of the noncurrent portion of other employee benefits liability. Accrued pension obligation and other employee benefits of the Company amounted to ₱5.6 billion and ₱6.1 billion as at December 31, 2018 and 2017, respectively (see Note 30).

*Recoverability of Deferred Tax Assets.* Management's assessment of the deferred tax assets to be recognized involves significant judgments and is based on assumptions regarding the entities' current performance, future plans for the business and tax planning strategies. Management exercised judgment on the financial forecast used in determining the forecasted taxable income of the entities, including the timing of reversal of future taxable and deductible temporary differences.

As at December 31, 2018 and 2017, the Company recognized deferred tax assets amounting to ₱3,021 million and ₱2,463 million, respectively. From this amount, ₱1,214 million and ₱369 million as at December 31, 2018 and 2017, respectively, relates to significant subsidiaries that incurred net losses and/or are in a capital deficiency position. Management has determined that there is sufficient taxable profit against which these recognized deferred tax assets will be realized. The Company did not recognize deferred tax assets from certain subsidiaries amounting to ₱867 million and ₱1,135 million as at December 31, 2018 and 2017, respectively, as management believes that sufficient future taxable profit will not be available to allow these deferred tax assets to be utilized (see Note 29).





*Provisions and Contingencies.* The Company is currently involved in various legal proceedings and periodic examinations by tax authorities, which may result in taxation issues due to different interpretation and implementation of the relevant laws and regulations. Significant estimates and judgment are made by management regarding the outcome of these legal proceedings and tax examinations. The Company's estimate of the costs of the resolution of these claims has been developed in consultation with their external legal counsels and considering the correspondences with relevant tax authorities and any relevant historical and recent judgments issued by the court or tax authorities. Any change on these assumptions and the estimates may have a material impact on the Company's consolidated financial statements (see Note 36).

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#### 4. Significant Acquisitions, Re-organization and Material Noncontrolling interests

##### Significant Acquisitions and Re-organization

- a. Sky Cable's Acquisition of Inter-Island Information System, Inc.'s Internet and Value-added Services Business and Assets

On March 6, 2017, Sky Cable entered into an Asset Purchase Agreement (APA) with Inter-Island Information System, Inc. (Tri-Isys) to acquire the internet and value-added services business of Tri-Isys and its assets, equipment, material contracts and subscription contracts to grow Sky Cable's broadband business. The transaction was accounted as an acquisition of a business. The purchase price as provided for in the APA is ₱350 million.

The fair value of the identifiable net assets of Tri-Isys as at date of acquisition is as follows:

	Provisional	Final
Trade receivables	₱4,730	₱4,730
Property and equipment (see Note 10)	24,539	24,539
Intangible assets (see Note 12)	163,406	325,968
Deferred input VAT	8,415	42,000
Other current assets	2,133	–
Customers' deposits	(10,726)	(10,726)
Deferred output VAT	(507)	(507)
Net assets acquired	191,990	386,004
Goodwill arising on acquisition (see Note 16)	158,010	–
<b>Total consideration</b>	<b>₱350,000</b>	<b>₱386,004</b>
<hr/>		
Purchase price		₱350,000
Trade receivables		4,730
Customers' deposits		(10,726)
Deferred input VAT		42,000
<b>Total consideration</b>		<b>₱386,004</b>

The purchase price allocation which was determined provisionally in 2017 was finalized in 2018.

The fair value and gross amount of trade and other receivables amounted to ₱5 million. If the combination had taken place at the beginning of 2017, the Company's consolidated net income and revenue would increase by ₱17 million and ₱42 million, respectively, for the year ended December 31, 2017.



b. Subscription agreement between Sky Cable, Sky Vision, Sampaquita Communications PTE LTD (Sampaquita) and the Parent Company

On December 18, 2017, Sky Cable, Sky Vision, Sampaquita and the Parent Company entered into a subscription agreement with the following salient provisions:

- The Parent Company agreed to subscribe to 162,373,928 PDRs for ₱9.6853 per PDR from Sky Vision.
- Sky Cable agreed to offer 314,910,225 shares to its shareholders from an increase in capital stock. Sky Vision agreed to subscribe to 288,338,018 offered shares and the Parent Company agreed to subscribe to 26,572,207 offered shares for ₱9.6853 per share.

The Parent Company and Sampaquita agreed that the following aggregate economic interests shall be maintained:

- ABS-CBN, Lopez Holdings Corporation, Lopez, Inc. and Sky Vision shall have an aggregate economic interest of at least 59.4% of the total issued share capital of Sky Cable on a fully diluted basis; and
- Sampaquita shall have an aggregate economic interest of 40% of the total issued share capital of Sky Cable on a fully diluted basis.

On December 19, 2017, the Parent Company and Sky Vision paid Sky Cable their respective subscription for shares. The Parent Company and Sampaquita also paid Sky Vision their subscription for PDRs. The payment of Sampaquita of ₱1.2 billion is recorded under “Deposit for future subscription” under “Trade and Other Payables” account in the 2017 consolidated statement of financial position (see Note 17). As at February 28, 2019, the PDR instruments remain unissued.

c. Merger of ABS-CBN Publishing and CPI

On January 25, 2018, the BOD of the Parent Company approved the merger of ABS-CBN Publishing and CPI, with the latter as the surviving corporation. The SEC approved the merger on September 18, 2018. The merger has no impact on the consolidated financial statements.

Material non-controlling interests

Financial information of subsidiaries that have material non-controlling interests is provided below.

*Proportion of Equity Interest Held by Non-controlling Interests*

Company	Place of Incorporation	Percentage	
		2018	2017
Sky Cable Corporation and Subsidiaries	Philippines	40.6%	40.6%
Sapientis Holdings Corporation and Subsidiaries	Philippines	30.7%	30.7%

*Accumulated Earnings (Losses) of Material Noncontrolling Interests*

Company	2018	2017
Sky Cable Corporation and Subsidiaries	₱1,812,352	₱2,059,786
Sapientis Holdings Corporation and Subsidiaries	(1,593,917)	(1,560,423)



*Net Income (Loss) Attributable to Material Noncontrolling Interests*

Company	Years Ended December 31		
	2018	2017	2016
Sky Cable Corporation and Subsidiaries	<b>(P145,469)</b>	P49,098	P14,181
Sapientis Holdings Corporation and Subsidiaries	<b>(43,740)</b>	(205,239)	(354,554)

The summarized financial information of Sky Cable and Sapientis are provided in the succeeding section. This information is based on amounts before intercompany eliminations and after fair value adjustments.

*a. Sky Cable*

*Summarized Consolidated Statements of Financial Position*

	2018	2017
Cash and cash equivalents	<b>P3,899,012</b>	P2,717,523
Other current assets	<b>2,287,015</b>	3,061,885
Goodwill	<b>4,491,817</b>	4,649,827
Trademarks	<b>1,111,784</b>	1,111,784
Customer relationships	<b>606,940</b>	511,215
Other noncurrent assets	<b>14,241,214</b>	11,237,995
Current liabilities	<b>(7,522,348)</b>	(7,002,500)
Noncurrent liabilities	<b>(6,708,295)</b>	(4,801,663)

*Summarized Consolidated Statements of Comprehensive Income*

	Years Ended December 31		
	2018	2017	2016
Revenue	<b>P8,858,023</b>	P9,123,752	P8,760,859
Cost of services	<b>(7,574,587)</b>	(6,708,772)	(6,176,978)
General and administrative expenses	<b>(1,849,654)</b>	(2,246,346)	(2,364,915)
Finance costs	<b>(244,683)</b>	(261,504)	(324,254)
Other income - net	<b>367,034</b>	255,298	154,259
Income before income tax	<b>(443,867)</b>	162,428	48,971
Provision for income tax	<b>(101,250)</b>	36,527	8,515
Net income (loss)	<b>(342,617)</b>	125,901	40,456
Other comprehensive income (loss)	<b>(204,925)</b>	(161,770)	226,038
Total comprehensive income (loss)	<b>(P547,542)</b>	(P35,869)	P266,494

*Summarized Consolidated Statements of Cash Flows*

	Years Ended December 31		
	2018	2017	2016
Operating	<b>P2,487,794</b>	P2,051,343	P2,204,832
Investing	<b>(2,957,845)</b>	(1,608,928)	(2,785,725)
Financing	<b>1,651,540</b>	(187,495)	(92,395)
	<b>P1,181,489</b>	P254,920	(P673,288)



b. *Sapientis*

*Summarized Consolidated Statements of Financial Position*

	2018	2017
Cash and cash equivalents	<b>₱9,007</b>	₱92,636
Other current assets	<b>1,251,477</b>	1,287,770
Goodwill	<b>567,836</b>	567,836
Other noncurrent assets	<b>1,667,404</b>	1,770,025
Current liabilities	<b>(386,667)</b>	(731,267)
Noncurrent liabilities	<b>(10,165,776)</b>	(9,757,659)

*Summarized Consolidated Statements of Comprehensive Income*

	Years Ended December 31		
	2018	2017	2016
Revenue	<b>₱312,027</b>	₱562,845	₱356,104
Cost of services	<b>(244,835)</b>	(380,798)	(465,706)
General and administrative expenses	<b>(167,323)</b>	(817,091)	(1,072,184)
Finance costs	<b>(2,566)</b>	(261)	(317)
Other income - net	<b>2,709</b>	11,103	26,963
Loss before income tax	<b>(99,988)</b>	(624,202)	(1,155,140)
Provision for income tax	<b>(1,786)</b>	(722)	(1,145)
Net loss	<b>(98,202)</b>	(623,480)	(1,153,995)
Other comprehensive income (loss)	<b>(20,148)</b>	6,587	(244)
<b>Total comprehensive loss</b>	<b>(₱118,350)</b>	<b>(₱616,893)</b>	<b>(₱1,154,239)</b>

*Summarized Consolidated Statements of Cash Flows*

	Years Ended December 31		
	2018	2017	2016
Operating	<b>(₱2,842,160)</b>	₱5,510	₱209,114
Investing	<b>(1,701,057)</b>	(45,268)	(90,236)
Financing	<b>4,459,588</b>	-	-
	<b>(₱83,629)</b>	<b>(₱39,758)</b>	<b>₱118,878</b>

5. **Segment Information**

Segment information is prepared on the following bases:

Business Segments

For management purposes, the Company is organized into four business activities – Media, Network and Studio Entertainment, Cable, Satellite and Broadband, Digital and Interactive Media, and Consumer Products and Live Experience. This segmentation is the basis upon which the Company reports its primary segment information.

- Media, network and studio entertainment comprise broadcast, news and current affairs, digital terrestrial TV, global operations, film and music production, cable channels and publishing. This consists of local and global content creation and distribution through television and radio broadcasting.



- Cable, satellite and broadband includes cable television and broadband services of Sky Cable and its subsidiaries in Metro Manila and in certain provincial areas in the Philippines.
- Digital and interactive media comprise of content distribution through digital platforms and wireless telecommunications business.
- Consumer products and live experience comprise of retail and licensing, theme parks and live events and concerts.

Geographical Segments

The Company operates in three major geographical areas namely, the Philippines, United States and Other Countries. In the Philippines, its home country, the Company is involved in TV and studio entertainment, pay TV networks and new businesses. In the United States and in other locations (which include Middle East, Europe, Australia, Canada and Japan), the Company operates its cable and satellite operations to bring television programming outside the Philippines.

The Company does not have revenue from transactions with a single external customer amounting to 10% or more of the Company's revenues.

Inter-segment Transactions

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

The Executive Committee, the Company's chief operating decision maker, monitors operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit and loss in the consolidated financial statements.

On a consolidated basis, the Company's performance is evaluated based on consolidated net income for the year, earnings before interest, taxes and depreciation and amortization (EBITDA) and EBITDA margin. EBITDA margin pertains to EBITDA divided by gross revenues.

EBITDA and EBITDA margin are non-PFRSs measures.

The following table shows the reconciliation of the consolidated EBITDA to consolidated net income:

	<b>Years Ended December 31</b>		
	<b>2018</b>	2017	2016
Consolidated EBITDA	<b>₱8,053,108</b>	₱9,625,717	₱9,852,538
Depreciation and amortization	<b>(3,819,919)</b>	(3,666,140)	(3,401,610)
Amortization of intangible assets**	<b>(1,351,659)</b>	(1,218,481)	(972,662)
Finance costs*	<b>(1,094,593)</b>	(971,849)	(1,018,377)
Interest income	<b>202,801</b>	166,788	220,982
Provision for income tax	<b>(72,059)</b>	(772,458)	(1,155,555)
Impairment of property and equipment	<b>(9,438)</b>	-	-
<b>Consolidated net income</b>	<b>₱1,908,241</b>	₱3,163,577	₱3,525,316

\*Excluding bank service charges

\*\*Excluding amortization of movie in-process and filmed entertainment and story, video and publication and record master



**Business Segment Data**

The following tables present revenue and income information and certain asset and liability information regarding business segments for each of the three years in the period ended December 31:

	Media, Network and Studio Entertainment			Cable, Satellite and Broadband			Digital and Interactive Media			Consumer Products and Live Experience			Eliminations			Consolidated		
	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016
<b>Revenue</b>	<b>\$28,728,169</b>	<b>\$29,297,994</b>	<b>\$30,968,688</b>	<b>\$6,702,572</b>	<b>\$9,123,752</b>	<b>\$8,749,167</b>	<b>\$1,687,131</b>	<b>\$1,309,877</b>	<b>\$842,407</b>	<b>\$1,975,515</b>	<b>\$1,725,062</b>	<b>\$1,703,523</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$41,093,337</b>	<b>\$41,546,685</b>	<b>\$42,263,785</b>
External sales	4,072,970	4,540,561	4,656,719	155,501	-	11,692	-	3,874	16,985	30,521	14,589	14,589	30,521	14,589	30,000	-	-	-
Inter-segment sales	(820,625)	(706,225)	(597,009)	-	-	-	(178,718)	(107,259)	(44,504)	(46,278)	(25,487)	(25,487)	81,102	11,601	30,000	(848,441)	(633,189)	-
Revenue deductions	<b>\$31,980,514</b>	<b>\$33,157,080</b>	<b>\$35,028,398</b>	<b>\$8,858,023</b>	<b>\$9,123,752</b>	<b>\$8,760,859</b>	<b>\$1,508,413</b>	<b>\$1,271,462</b>	<b>\$818,702</b>	<b>\$1,931,011</b>	<b>\$1,709,305</b>	<b>\$1,692,625</b>	<b>(\$4,147,369)</b>	<b>(\$4,563,355)</b>	<b>(\$4,669,985)</b>	<b>\$40,230,592</b>	<b>\$40,698,244</b>	<b>\$41,630,599</b>
<b>Results</b>																		
Operating results	\$2,057,413	\$4,445,401	\$5,782,811	(\$566,218)	\$166,630	\$218,966	\$211,013	(\$482,177)	(\$112,407)	(\$232,881)	(\$114,183)	\$7,544	\$727,271	\$110,544	\$43,573	\$2,966,598	\$4,262,215	\$4,940,487
Finance costs	(1,036,638)	(933,627)	(886,696)	(244,683)	(261,504)	(324,254)	(2,566)	(261)	(317)	(47,221)	(46,310)	(7,123)	206,931	233,786	182,004	(1,124,677)	(1,007,916)	(1,056,386)
Foreign exchange gains (losses) - net	244,694	46,929	144,574	118,530	8,024	(25,750)	(542)	2,083	(3,562)	(3,275)	8	(1,656)	44,624	(15,850)	(24,543)	404,031	41,194	89,063
Interest income	182,590	240,664	315,613	38,805	6,306	4,629	119	1,229	61	2,116	2,020	2,050	(20,829)	(83,531)	(101,371)	166,788	220,982	
Equity in net losses of associates and joint ventures	(29,706)	(5,052)	(1,055)	-	-	-	-	-	-	-	-	-	-	-	-	(29,706)	(5,052)	(1,055)
Other income - net	1,082,689	777,601	893,877	209,699	240,968	175,380	6,480	7,690	30,464	31	10,138	5,740	(967,646)	(421,591)	(637,681)	531,253	614,808	467,780
Income tax	(175,532)	(738,469)	(1,138,306)	101,250	(32,226)	(8,515)	1,786	722	1,145	237	(2,485)	(8,159)	-	-	(1,220)	(72,059)	(772,458)	(1,155,555)
Net income	<b>\$2,325,710</b>	<b>\$3,833,447</b>	<b>\$5,110,818</b>	<b>(\$342,617)</b>	<b>\$128,198</b>	<b>\$40,456</b>	<b>\$216,290</b>	<b>(\$470,614)</b>	<b>(\$1,084,616)</b>	<b>(\$281,493)</b>	<b>(\$150,812)</b>	<b>(\$1,604)</b>	<b>(\$9,649)</b>	<b>(\$176,642)</b>	<b>(\$539,238)</b>	<b>\$1,908,241</b>	<b>\$3,168,577</b>	<b>\$3,525,316</b>
<b>EBITDA</b>																		
EBITDA Margin				20%			23%											23%
<b>Assets and Liabilities</b>																		
Operating assets	\$71,015,096	\$62,875,687	\$61,697,812	\$23,686,425	\$21,584,134	\$20,112,974	\$3,322,420	\$3,589,758	\$3,066,809	\$3,448,120	\$908,307	\$1,045,703	(\$17,328,894)	(\$16,218,028)	(\$16,218,028)	\$91,043,167	\$72,117,190	\$69,705,270
Investing assets	21,311,493	20,488,396	20,344,288	1,562	1,562	-	-	128,278	120,498	21,343	-	22,218	(20,817,408)	(19,965,005)	(19,815,845)	495,247	524,953	530,005
Deferred tax assets - net	1,972,430	1,761,641	1,622,104	935,276	786,797	744,618	137,303	137,303	137,303	137,303	137,303	137,303	(45,549)	(235,449)	(10,761)	3,020,803	2,469,942	2,498,677
Total assets	<b>\$94,298,619</b>	<b>\$85,125,724</b>	<b>\$83,664,204</b>	<b>\$24,623,263</b>	<b>\$22,372,493</b>	<b>\$20,859,154</b>	<b>\$3,459,723</b>	<b>\$3,718,476</b>	<b>\$3,187,307</b>	<b>\$3,604,633</b>	<b>\$929,542</b>	<b>\$1,067,921</b>	<b>(\$38,191,851)</b>	<b>(\$37,041,150)</b>	<b>(\$36,044,634)</b>	<b>\$94,589,217</b>	<b>\$75,105,085</b>	<b>\$72,733,952</b>
Operating liabilities	\$12,611,239	\$13,439,910	\$15,719,803	\$6,780,074	\$6,203,801	\$8,392,788	\$3,088,112	\$758,764	\$2,699,071	\$588,238	\$769,726	\$838,547	(\$3,136,258)	(\$303,036)	(\$7,238,454)	\$19,931,405	\$20,869,165	\$20,431,755
Contract liabilities	302,728	16,698,267	16,745,892	83,411	4,200,671	3,688,458	153,459	-	-	-	-	-	-	-	28,197,030	20,362,938	20,434,350	
Interest-bearing loans and borrowings	22,597,737	-	-	6,140,674	-	-	138,271	138,271	138,271	-	-	-	(\$41,331)	(\$45,000)	138,271	138,271	138,271	
Deferred tax liability	-	-	12,139	-	-	-	138,271	20,718	20,717	-	-	-	-	-	28,415	23,667	37,873	
Other liabilities	-	-	-	13,589	3,049	5,017	-	20,718	20,717	-	-	-	-	-	-	-	-	-
Other intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities under finance lease	<b>\$35,511,794</b>	<b>\$30,138,177</b>	<b>\$32,477,834</b>	<b>\$12,017,748</b>	<b>\$10,416,521</b>	<b>\$12,086,263</b>	<b>\$3,394,608</b>	<b>\$917,753</b>	<b>\$2,858,059</b>	<b>\$588,238</b>	<b>\$769,726</b>	<b>\$838,547</b>	<b>(\$3,673,89)</b>	<b>(\$848,036)</b>	<b>(\$7,238,454)</b>	<b>\$48,834,769</b>	<b>\$41,394,141</b>	<b>\$41,002,289</b>
<b>Other Segment Information</b>																		
Capital expenditures:	\$2,728,505	\$3,237,700	\$3,376,425	\$3,217,990	\$1,802,798	\$1,989,638	\$14,260	\$5,045	\$206,184	\$9,948	\$12,842	\$15,208	\$-	\$-	\$-	\$5,970,703	\$5,038,385	\$5,587,455
Property and equipment	1,797,213	2,184,930	1,944,156	2,485,991	1,658,827	7,042	15,822	29,265	19,846	-	-	-	-	-	-	2,462,126	2,380,122	1,971,044
Intangible assets	4,805,242	4,703,841	3,613,160	1,747,389	1,597,389	1,592,353	1,077,728	91,996	136,531	79,011	78,884	77,345	(1,197,931)	(986,664)	(835,235)	5,541,439	5,484,946	4,584,154
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-cash expenses other than depreciation and amortization	61,770	47,754	292,603	302,339	456,128	181,770	7,668	34,131	49,950	-	-	-	-	(72,059)	(97,213)	371,777	538,013	621,536



**Geographical Segment Data**

The following tables present revenue and expenditure and certain asset information regarding geographical segments for each of the three years in the period ended December 31:

	Philippines			United States			Others			Eliminations			Consolidated		
	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016
<b>Revenue</b>															
External sales	<b>P35,342,690</b>	<b>P35,622,752</b>	<b>P36,494,030</b>	<b>P4,241,484</b>	<b>P4,228,437</b>	<b>P4,052,619</b>	<b>P1,509,163</b>	<b>P1,695,496</b>	<b>P1,717,136</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P41,093,337</b>	<b>P41,546,685</b>	<b>P42,263,785</b>
Inter-segment sales	4,228,471	4,574,956	4,699,986	-	-	-	-	-	-	(4,228,471)	(4,574,956)	(4,699,986)	-	-	-
Revenue deductions	(1,043,847)	(860,042)	(663,186)	-	-	-	-	-	-	81,102	11,601	30,000	(962,745)	(848,441)	(633,186)
Total revenue	<b>P38,527,314</b>	<b>P39,337,666</b>	<b>P40,530,830</b>	<b>P4,241,484</b>	<b>P4,228,437</b>	<b>P4,052,619</b>	<b>P1,509,163</b>	<b>P1,695,496</b>	<b>P1,717,136</b>	<b>(P4,147,369)</b>	<b>(P4,563,355)</b>	<b>(P4,669,986)</b>	<b>P40,130,592</b>	<b>P40,698,244</b>	<b>P41,630,599</b>
<b>Assets</b>															
Operating assets	<b>P87,581,879</b>	<b>P79,663,191</b>	<b>P75,766,138</b>	<b>P1,882,190</b>	<b>P2,038,282</b>	<b>P2,149,742</b>	<b>P8,806,231</b>	<b>P7,256,413</b>	<b>P8,007,418</b>	<b>(P17,328,894)</b>	<b>(P16,840,696)</b>	<b>(P16,218,028)</b>	<b>P80,941,406</b>	<b>P72,117,190</b>	<b>P69,705,270</b>
Contract assets	45,270	-	-	-	-	-	-	-	-	-	-	-	45,270	-	-
Investments in associates and joint ventures	21,312,655	20,489,958	20,345,850	-	-	-	-	-	-	(20,817,408)	(19,965,005)	(19,815,845)	495,247	524,953	530,005
Deferred tax assets - net	3,031,304	2,604,233	2,302,767	83,870	218,043	217,125	7,669	(123,885)	(10,454)	(45,549)	(235,449)	(10,761)	3,077,294	2,467,942	2,498,677
Total assets	<b>P111,971,108</b>	<b>P102,757,382</b>	<b>P99,841,475</b>	<b>P1,966,060</b>	<b>P2,256,325</b>	<b>P2,366,867</b>	<b>P8,813,900</b>	<b>P7,132,528</b>	<b>P7,996,964</b>	<b>(P38,191,851)</b>	<b>(P37,041,150)</b>	<b>(P36,044,634)</b>	<b>P84,599,217</b>	<b>P75,105,085</b>	<b>P72,735,952</b>
<b>Liabilities</b>															
Operating liabilities	<b>P19,757,419</b>	<b>P20,551,111</b>	<b>P26,004,310</b>	<b>P137,769</b>	<b>P583,465</b>	<b>P726,814</b>	<b>P3,172,475</b>	<b>P37,625</b>	<b>P939,085</b>	<b>(P3,136,258)</b>	<b>(P303,036)</b>	<b>(P7,238,454)</b>	<b>P19,931,405</b>	<b>P20,869,165</b>	<b>P20,431,755</b>
Contract liabilities	362,986	-	-	176,612	-	-	-	-	-	-	-	-	539,598	-	-
Interest-bearing loans and borrowings	28,703,540	20,872,388	20,396,661	32,154	2,436	37,692	2,717	33,114	-	(541,331)	(545,000)	-	28,197,080	20,362,938	20,434,353
Deferred tax liability	138,271	138,271	138,271	-	-	-	-	-	-	-	-	-	138,271	138,271	138,271
Obligations under finance lease	28,415	23,767	37,870	-	-	-	-	-	-	-	-	-	28,415	23,767	37,870
Total liabilities	<b>P48,990,631</b>	<b>P41,585,537</b>	<b>P46,577,112</b>	<b>P346,535</b>	<b>P585,901</b>	<b>P764,506</b>	<b>P3,175,192</b>	<b>P70,739</b>	<b>P939,085</b>	<b>(P3,677,589)</b>	<b>(P848,036)</b>	<b>(P7,238,454)</b>	<b>P48,834,769</b>	<b>P41,394,141</b>	<b>P41,042,249</b>
<b>Other Segment Information</b>															
Capital expenditures:	<b>P5,945,910</b>	<b>P4,907,685</b>	<b>P5,436,755</b>	<b>P24,727</b>	<b>P147,524</b>	<b>P147,524</b>	<b>P66</b>	<b>P3,176</b>	<b>P3,176</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P5,970,703</b>	<b>P5,058,385</b>	<b>P5,587,455</b>
Property and equipment	2,062,126	2,380,122	1,971,044	-	-	-	-	-	-	-	-	-	2,062,126	2,380,122	1,971,044
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-



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6. **Cash and Cash Equivalents and Short-term Investments**

	2018	2017
Cash on hand and in banks	<b>₱11,232,571</b>	₱7,906,083
Cash equivalents	<b>6,872,115</b>	4,440,473
	<b>₱18,104,686</b>	₱12,346,556

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

Cash deposits amounting to ₱1,804 million and ₱1,358 million as at December 31, 2018 and 2017, respectively, and with maturities of more than three months but less than one year are classified as “Short-term investments” in the consolidated statements of financial position.

Interest earned from cash and cash equivalents and short-term investments amounted to ₱203 million, ₱167 million and ₱221 million in 2018, 2017 and 2016, respectively.

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7. **Trade and Other Receivables**

	2018	2017
Trade:		
Airtime	<b>₱6,132,965</b>	₱6,627,531
Subscriptions	<b>2,572,585</b>	2,675,490
Others	<b>2,318,899</b>	1,824,713
Due from related parties (see Note 23)	<b>458,285</b>	322,227
Advances to employees and talents (see Note 23)	<b>361,328</b>	638,035
Others	<b>574,972</b>	433,999
	<b>12,419,034</b>	12,521,995
Less allowance for doubtful accounts	<b>2,049,954</b>	1,891,981
	<b>₱10,369,080</b>	₱10,630,014

Trade receivables are noninterest-bearing and are generally on 60 to 90-days term upon receipt of invoice by the customer.

Airtime receivables include unbilled airtime arising from advertisements which have been aired during the year. Invoicing normally takes around 7 days from airing.

Subscription receivables include unbilled subscription, where revenue has been accrued based on the rates in the subscription agreements multiplied by the number of subscribers based on the latest report from the cable providers.

For terms and conditions relating to due from related parties, refer to Note 23.

Advances to employees and talents are usually settled within one year (see Note 23).

Other trade receivables pertain to other revenue generated from the sale of goods and services and usually collected within one year.





The aging analysis of the unbilled airtime and subscription receivables follows:

	2018	2017
Less than 30 days	₱1,210,930	₱756,404
31 to 60 days	30,219	134,922
	<b>₱1,241,149</b>	<b>₱891,326</b>

Allowance for Doubtful Accounts

Movements in the allowance for doubtful accounts are as follows:

	Trade			Nontrade	Total
	Airtime	Subscriptions	Others		
Balance at January 1, 2017	₱333,473	₱1,045,388	₱310,406	₱69,965	₱1,759,232
Provisions (see Note 27)	-	456,272	41,352	-	497,624
Write-offs and others	-	(324,922)	(39,953)	-	(364,875)
Balance at December 31, 2017	333,473	1,176,738	311,805	69,965	1,891,981
Provisions* (see Note 27)	23,635	292,113	23,102	-	338,850
Write-offs and others	(39,623)	(126,631)	(14,158)	(465)	(180,877)
<b>Balance at December 31, 2018</b>	<b>₱317,485</b>	<b>₱1,342,220</b>	<b>₱320,749</b>	<b>₱69,500</b>	<b>₱2,049,954</b>

\* The Company uses a provision matrix to calculate ECLs for trade and other receivables beginning January 1, 2018.

**8. Inventories**

	2018	2017
At cost:		
Merchandise inventories	₱524,868	₱379,247
Office supplies	4,777	1,396
At net realizable value:		
Merchandise inventories	51,753	37,937
Materials, supplies and spare parts	99,230	90,141
	<b>₱680,628</b>	<b>₱508,721</b>

Merchandise inventory consists mainly of set-top boxes, records and other consumer products held for sale by the Parent Company and subsidiaries. Materials, supplies and spare parts comprise mainly of cable, construction and installation supplies of Sky Cable and the Parent Company's spare parts and supplies.

In 2015, the Parent Company launched the ABS-CBN TVPlus, a digital box which allows users to receive clear pictures and sounds in the television sets through digital transmission. Cost of sales related to digital boxes amounting to ₱2,382 million, ₱1,959 million and ₱1,518 million in 2018, 2017 and 2016, respectively, is recorded as part of "Inventory costs" under the "Cost of sales" account in the consolidated statements of income (see Note 26). Total inventory costs, recognized under "Cost of sales and services" amounted to ₱2,554 million, ₱2,124 million and ₱1,661 million in 2018, 2017 and 2016, respectively (see Note 26).

The cost of inventories carried at net realizable value amounted to ₱330 million and ₱277 million as at December 31, 2018 and 2017, respectively. Inventory losses amounted to ₱58 million, ₱27 million and ₱23 million in 2018, 2017 and 2016, respectively (see Note 27).



## 9. Contract Cost Assets and Contract Liabilities

	2018	
	December 31	January 1
Contract cost assets (see Note 15)	₱45,270	₱72,957
Contract liabilities	890,644	763,256

### Incremental Costs to Obtain Contracts

Contract cost assets pertain to the incremental costs incurred by the Company in obtaining contracts with customers.

Sky Cable pays sales commission to its sales agents for each contract that they obtain from subscribers. This sales commission is considered incremental cost of obtaining the contract and has been capitalized in accordance with PFRS 15 since Sky Cable expects that sales commission is recoverable. This is amortized on a straight-line basis over the period the services are provided to the customer.

For the year ended December 31, 2018, the amortization related to incremental costs to obtain contracts recorded in “Advertising and promotion” under “General and administrative expense account in the consolidated statement of income amounted to ₱74 million (see Note 27).

No impairment loss was recognized in 2018.

### Contract Liabilities

Contract liabilities pertain to the payments received before broadcast, subscription fees billed and received in advance, nonrefundable installation service fee received in advance, payments received for distribution of music catalogue and advance payments from the industry partners of PII. These are recognized as revenue when the Company performs under the contract.

Out of the contract liabilities as at beginning of year, total revenue recognized amounted to ₱620 million for the year ended December 31, 2018.

## 10. Property and Equipment

	December 31, 2018						Total
	Land and Land Improvements	Buildings and Improvements	Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Other Equipment	Construction in Progress		
<b>Cost</b>							
Balance at beginning of year	₱2,221,854	₱12,802,354	₱22,897,683	₱13,547,798	₱4,026,682		₱55,496,371
Additions	2,060	11,890	2,147,527	589,286	3,219,940		5,970,703
Disposals/retirements	-	(179,333)	(240,457)	(906,908)	-		(1,326,698)
Reclassifications	2,547	196,398	38,604	165,149	(402,698)		-
Translation adjustments	4,748	30,648	23,498	44,185	(406)		102,673
Balance at end of year	2,231,209	12,861,957	24,866,855	13,439,510	6,843,518		60,243,049
<b>Accumulated Depreciation and Amortization</b>							
Balance at beginning of year	40,989	7,422,247	14,385,557	7,946,581	-		29,795,374
Depreciation and amortization (see Notes 25, 26 and 27)	2,379	504,646	2,231,912	1,079,213	-		3,818,150
Impairment	-	-	-	9,438	-		9,438
Disposals/retirements	-	(179,333)	(228,873)	(900,964)	-		(1,309,170)
Translation adjustments	56	11,466	6,782	35,328	-		53,632
Balance at end of year	43,424	7,759,026	16,395,378	8,169,596	-		32,367,424
<b>Net Book Value</b>	<b>₱2,187,785</b>	<b>₱5,102,931</b>	<b>₱8,471,477</b>	<b>₱5,269,914</b>	<b>₱6,843,518</b>		<b>₱27,875,625</b>



December 31, 2017						
	Land and Land Improvements	Buildings and Improvements	Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Other Equipment	Construction in Progress	Total
<b>Cost</b>						
Balance at beginning of year	₱2,161,114	₱12,244,968	₱20,195,726	₱12,594,599	₱3,734,488	₱50,930,895
Additions	53,091	146,921	2,023,750	643,651	2,166,433	5,033,846
Effect of business acquisition (see Note 4)	-	-	-	24,539	-	24,539
Disposals/retirements	-	(33,214)	(361,796)	(127,781)	-	(522,791)
Reclassifications	7,273	441,683	1,034,169	391,407	(1,874,532)	-
Translation adjustments	376	1,996	5,834	21,383	293	29,882
<b>Balance at end of year</b>	<b>2,221,854</b>	<b>12,802,354</b>	<b>22,897,683</b>	<b>13,547,798</b>	<b>4,026,682</b>	<b>55,496,371</b>
<b>Accumulated Depreciation and Amortization</b>						
Balance at beginning of year	32,818	6,945,257	12,484,073	6,958,767	-	26,420,915
Depreciation and amortization (see Notes 25, 26 and 27)	8,167	476,174	2,094,813	1,085,294	-	3,664,448
Disposals/retirements	-	(820)	(194,869)	(111,340)	-	(307,029)
Translation adjustments	4	1,636	1,540	13,860	-	17,040
<b>Balance at end of year</b>	<b>40,989</b>	<b>7,422,247</b>	<b>14,385,557</b>	<b>7,946,581</b>	<b>-</b>	<b>29,795,374</b>
<b>Net Book Value</b>	<b>₱2,180,865</b>	<b>₱5,380,107</b>	<b>₱8,512,126</b>	<b>₱5,601,217</b>	<b>₱4,026,682</b>	<b>₱25,700,997</b>

Construction in progress pertains to cost of building the production facilities.

Certain property and equipment of Sky Cable and PCC with a carrying value of ₱492 million as at December 31, 2009 were pledged as collateral to secure the long-term debt of Sky Cable. As part of the refinancing of the restructured long-term debt of Sky Cable in 2010, creditors of Sky Cable, executed a deed of release of property from indenture lien and cancellation of mortgage. As at February 28, 2019, the cancellation of mortgage annotations with the remaining register of deeds located in some provinces is still in process.

Certain property and equipment with cost amounting to ₱21,088 million and ₱19,572 million as at December 31, 2018 and 2017, respectively, have been fully depreciated but are still being used by the Company.

Unamortized borrowing costs capitalized as part of property and equipment amounted to ₱1,470 million and ₱1,298 million as at December 31, 2018 and 2017, respectively. Borrowing costs capitalized in 2018 and 2017 amounted to ₱200 million. Borrowing cost capitalization rate in 2018 and 2017 is 5.335%.

Property and equipment, classified as other equipment, includes the following amounts where the Company is a lessee under a finance lease (see Note 31):

	2018	2017
Cost capitalized under finance lease	<b>₱846,994</b>	₱786,867
Accumulated depreciation	<b>(536,035)</b>	(438,705)
<b>Net book value</b>	<b>₱310,959</b>	₱348,162

The amount of property and equipment under finance lease includes the net book value of the IRU covered by the lease agreement between Sky Cable and Bayantel.



## 11. Investment Properties

	December 31, 2018		
	Land	Building	Total
<b>Cost:</b>			
Balance at beginning of year	₱170,878	₱43,072	₱213,950
Translation adjustments	2,138	2,546	4,684
Balance at end of year	173,016	45,618	218,634
<b>Accumulated depreciation:</b>			
Balance at beginning of year	–	13,210	13,210
Depreciation (see Note 27)	–	1,769	1,769
Translation adjustments	–	892	892
Balance at end of year	–	15,871	15,871
<b>Net book value</b>	<b>₱173,016</b>	<b>₱29,747</b>	<b>₱202,763</b>

	December 31, 2017		
	Land	Building	Total
<b>Cost:</b>			
Balance at beginning of year	₱171,560	₱42,033	₱213,593
Translation adjustments	(682)	1,039	357
Balance at end of year	170,878	43,072	213,950
<b>Accumulated depreciation:</b>			
Balance at beginning of year	–	11,479	11,479
Depreciation (see Note 27)	–	1,692	1,692
Translation adjustments	–	39	39
Balance at end of year	–	13,210	13,210
<b>Net book value</b>	<b>₱170,878</b>	<b>₱29,862</b>	<b>₱200,740</b>

The Parent Company owns a parcel of land for capital appreciation purposes costing ₱136 million as at December 31, 2018 and 2017. The Parent Company did not obtain updated appraisal reports for the year ended December 31, 2018 since management believes that the change in the fair values is not material. The fair value of the land, based on the latest appraisal report dated August 4, 2017, amounted to ₱1.6 billion as determined by an independent appraiser using the Sales Comparison Approach, which considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. The fair value of this investment property is categorized under Level 3 of the fair value hierarchy as the market for the identical or similar properties is not active. The highest and best use of the asset is as a commercial utility.

Land and building with carrying value of ₱61 million and ₱58 million as at December 31, 2018 and 2017, respectively, pertain to a parcel of land purchased by ABS-CBN International, with a two-storey house constructed thereon, located in Redwood City, California, USA. The real property, which was acquired in July 2008 at a purchase price of US\$1.4 million (₱67 million), was intended to be held by ABS-CBN International as investment properties. To fund the acquisition, ABS-CBN International obtained a loan from Citibank, North America amounting to US\$1 million (₱50 million) for which the property was pledged as collateral (see Note 18). The building has a useful life of 28 years.



As at December 31, 2018 and 2017, the fair value of the land and building of ABS-CBN International, which is based on market price of similar properties within the area, amounted to ₱121 million and ₱79 million, respectively. The fair value of these investment properties is categorized under Level 3 of the fair value hierarchy as the market for the identical or similar properties is not active.

Rental income derived from the investment properties amounted to ₱2 million in 2018, 2017 and 2016. Direct operating expenses, which consist mainly of depreciation, amounted to ₱2 million in 2018 and 2017 and ₱1 million in 2016.



12. Goodwill, Program Rights and Other Intangible Assets

	Goodwill	Program Rights	Music Rights	Entertainment and Filmed	Movie In-Process and Record	Video and Publication	Story, Master and Trademarks	Licenses	Relationships	Customer Channels - CPI	Cable Distribution Business - Middle East	Production and Business Process Re-engineering	Digital Platforms and IP Block	Total
Balance as at December 31, 2017	\$5,473,725	\$4,514,725	\$3,356	\$1,003,400	\$128,922	\$1,111,784	\$993,973	\$511,214	\$459,968	\$57,247	\$-	\$60,105	\$14,318,419	
Effect of business combination (as adjusted - see Note 4)	(158,010)	-	-	-	-	-	-	-	-	-	-	-	-	
Additions	-	1,518,112	-	412,087	6,412	-	-	154,249	-	-	-	8,313	4,552	
Amortization (see Notes 25, 26 and 27)	-	(1,258,917)	(2,550)	(359,126)	(10,735)	-	(4,745)	(45,988)	-	(6,712)	101,384	15,829	2,053,824	
Translation adjustments	13,103	-	-	-	-	-	1,009	-	-	167	-	(32,747)	(1,721,520)	
Balance as at December 31, 2018	\$5,328,818	\$4,773,920	\$806	\$1,056,361	\$124,599	\$1,111,784	\$990,237	\$619,475	\$459,968	\$50,702	\$101,384	\$51,500	\$14,669,554	
Less current portion	\$5,328,818	\$1,139,931	\$806	\$111,939	\$107,318	\$1,111,784	\$990,237	\$619,475	\$459,968	\$50,702	\$101,384	\$51,500	\$1,359,188	
Noncurrent portion	\$-	\$3,633,989	\$-	\$944,422	\$17,281	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$13,310,366	
Balance as at January 1, 2017	\$5,314,677	\$4,233,293	\$128,618	\$850,462	\$14,713	\$1,111,784	\$998,490	\$400,108	\$459,968	\$63,192	\$-	\$22,160	\$13,597,465	
Additions	-	1,436,491	2,713	742,196	3,530	-	-	2,419	-	-	-	29,367	2,216,716	
Effect of business combination (see Note 4)	158,010	-	-	-	-	-	-	133,915	-	-	-	29,491	321,416	
Reclassification Amortization (see Notes 25, 26 and 27)	-	(1,155,059)	(121,746)	(589,258)	(11,067)	-	(4,631)	(25,228)	-	(6,421)	-	(20,913)	(1,818,806)	
Translation adjustments	1,038	-	-	-	-	-	114	-	-	476	-	-	1,628	
Balance as at December 31, 2017	\$5,473,725	\$4,514,725	\$3,356	\$1,003,400	\$128,922	\$1,111,784	\$993,973	\$511,214	\$459,968	\$57,247	\$-	\$60,105	\$14,318,419	
Less current portion	\$5,473,725	\$1,072,248	\$1,653	\$54,838	\$8,495	\$1,111,784	\$993,973	\$511,214	\$459,968	\$57,247	\$-	\$60,105	\$1,137,234	
Noncurrent portion	\$-	\$3,442,477	\$1,703	\$948,562	\$120,427	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$13,181,185	



Goodwill

Goodwill arose from the following acquisitions and business combination:

	2018	2017
Sky Cable	₱4,491,817	₱4,491,817
CTI and ABS-C	567,836	567,836
ABS-CBN International*	259,964	246,861
Sapientis	9,201	9,201
	<b>₱5,328,818</b>	<b>₱5,315,715</b>

\*Includes translation adjustments

Program Rights and Other Intangible Assets

Program rights include the acquired rights of the Company to air foreign and local films or programs for a certain period of time. As at December 31, 2018, the remaining useful life of program rights range from one to 14 years. Licenses with finite life include franchise of KidZania brand in the Philippines, acquired in 2012, by PII. As at December 31, 2018, the remaining useful life of the license is approximately four years.

The customer relationships acquired in a business combination relate to the core subscribers of the following:

- Sky Cable postpaid, prepaid and platinum, broadband and other subscribers at conversion date who have sustained their relationship with Sky Cable for more than a year
- Destiny Cable, Incorporated (DCI), Solid Broadband Corporation and UNI Cable TV, Inc. cable postpaid, prepaid and broadband subscribers
- Tri-Isys postpaid internet subscribers
- Bayantel postpaid wireless landline subscribers

The cable channels include Lifestyle Channel, Cinema One, and Myx Channel acquired by CPI from Sky Vision. Based on the Company's analysis of all the relevant factors, there is no foreseeable limit to the period over which this business is expected to generate net cash inflows for the Company and therefore, these were assessed to have an indefinite life. As such, yearly amortization has been discontinued in 2001. The carrying amount is net of previously recognized amortization amounting to ₱115 million.

Production and distribution business for Middle East operations represent payments arising from the sponsorship agreement between Arab Digital Distribution (ADD) and ABS-CBN Middle East. This agreement grants the Company the right to operate in the Middle East with ADD as sponsor for a period of 25 years. As at December 31, 2018, the remaining useful life of this intangible asset is approximately five years.

Costs of other intangible assets with infinite life are as follows:

	Trademarks	Licenses	Cable Channels - CPI	IP Block	Total
Balance as at December 31, 2017	₱1,111,784	₱965,049	₱459,968	₱29,491	₱2,566,292
Effect of business combination (as adjusted - see Note 4)	-	-	-	8,313	8,313
Balance as at December 31, 2018	<b>₱1,111,784</b>	<b>₱965,049</b>	<b>₱459,968</b>	<b>₱37,804</b>	<b>₱2,574,605</b>



	Trademarks	Licenses	Cable Channels - CPI	IP Block	Total
Balance as at January 1, 2017	₱1,111,784	₱965,049	₱459,968	₱-	₱2,536,801
Effect of business combination (see Note 4)	-	-	-	29,491	29,491
Balance as at December 31, 2017	₱1,111,784	₱965,049	₱459,968	₱29,491	₱2,566,292

Other intangible assets assessed to have indefinite life include trademarks and licenses to operate the wireless business. Trademarks pertain to DCI and Sky Cable distinctive sign to promote and distinguish its products and services from those of other entities. Based on the Company's analysis of all the relevant factors, there is no foreseeable limit to the period over which the business is expected to generate net cash inflows for the Company and therefore, these were assessed to have an indefinite life.

### 13. Financial Assets at Fair Value through Other Comprehensive Income /Available-for-Sale Investments

As a result of the adoption of PFRS 9 in 2018, AFS investments were reclassified to financial assets at FVOCI.

	2018	2017
Quoted equity securities	₱194,324	₱168,039
Non-listed ordinary common and quoted club shares	73,980	74,704
	₱268,304	₱242,743

Investment in quoted equity securities represents the Parent Company's investment in Manila Electric Company common shares. Investments in quoted club shares mainly comprise of investments in Wack Wack Golf and Country Club, Manila Polo Club and others.

Quoted equity securities generated dividends amounting to ₱7.5 million, ₱10.4 million and ₱14.2 million in 2018, 2017 and 2016, respectively.

Movements in this account follow:

	2018	2017
Balance at beginning of year	₱242,743	₱210,219
Unrealized fair value gain	25,561	32,524
Balance at end of year	₱268,304	₱242,743

### 14. Investments in Associates and Joint Ventures

Entity	Principal Activities	Percentage of Ownership	
		2018	2017
Associates:			
Amcara Broadcasting Network Incorporated (Amcara)	Services	49.0	49.0
Star Cinema Productions, Inc.	Services	45.0	45.0
The Flagship, Inc. (Flagship)	Services	40.0	40.0





Entity	Principal Activities	Percentage of Ownership	
		2018	2017
Transmission Specialists, Inc. (TSI)	Services	35.0	35.0
Joint ventures:			
A C J O Shopping Corporation (A C J O)	Home shopping	50.0	50.0
Daum Kakao Philippines Corp. (Daum Kakao)	Services	50.0	50.0
ALA Sports	Boxing promotions	44.0	44.0

Details and movement in the account are as follows:

	2018	2017
Acquisition costs –		
Balance at beginning and end of year	<b>₱1,064,552</b>	₱1,064,552
Accumulated equity in net losses:		
Balance at beginning of year	<b>(536,864)</b>	(531,812)
Equity in net loss during the year	<b>(29,706)</b>	(5,052)
Balance at end of year	<b>(566,570)</b>	(536,864)
Accumulated impairment loss –		
Balance at beginning and end of year	<b>(2,735)</b>	(2,735)
	<b>₱495,247</b>	₱524,953
Investments in:		
Joint ventures	<b>₱341,407</b>	₱370,938
Associates	<b>153,840</b>	154,015
	<b>₱495,247</b>	₱524,953

All the associates and joint ventures are incorporated and have principal place of business in the Philippines. The associates and joint ventures have no contingent liabilities or capital commitments as at December 31, 2018 and 2017.

a. Investments in Joint Ventures

i. A C J O

The joint venture operates O Shopping Channel which broadcasts company-produced shopping programs 24/7 via Sky Cable and Destiny Cable. It also airs programs through ABS-CBN's Channel 2.

ii. ALA Sports

The primary purpose of ALA Sports, which was incorporated in December 2013, is to organize, stage and promote boxing matches, and provide, distribute and market products and services that are otherwise connected to the operations of said business, in the Philippines and other territories.



iii. Daum Kakao

In 2015, the Parent Company entered into a joint venture agreement with Kakao Corporation to form a joint venture corporation, Daum Kakao. The primary purpose of Daum Kakao, which was incorporated in February 2015, is to engage in and provide KakaoTalk services developed and/or customized for users in the Philippines for mobile devices, including marketing and sales promotions. The joint venture agreement also includes a put option in favor of the Parent Company for the joint venture partner to purchase all of the Parent Company's stocks in Daum Kakao within 60 days after the second year of Daum Kakao's registration.

On July 29, 2016, the stockholders and the BOD of Daum Kakao approved the resolution to cease business operations and dissolve the corporation, subject to approval of SEC, effective August 30, 2016. Thereafter, the Parent Company recognized ₱3 million impairment loss from its investment in Daum Kakao in 2016.

In view of the recent developments in Daum Kakao, the stockholders and the BOD of Daum Kakao revoked its previous resolution on cessation and dissolution of the corporation, and thereafter approved the continuance of its business operations in 2017.

Combined financial information of the joint ventures follows:

	2018	2017
Current assets	₱896,427	₱865,792
Noncurrent assets	150,402	147,498
Current liabilities	(347,422)	(253,962)
Noncurrent liabilities	(1,225)	(695)
Net equity	₱698,182	₱758,633

	Years Ended December 31		
	2018	2017	2016
Revenue	₱438,243	₱850,184	₱894,093
Costs and expenses	(498,694)	(861,496)	(903,267)
Net income	(₱60,451)	(₱11,312)	(₱9,174)

Equity in net losses of joint ventures	(₱29,531)	(₱5,015)	(₱4,113)
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Below is the reconciliation of the summarized financial information of the joint ventures to the carrying amount of the Parent Company's investments therein:

	2018			
	A C J O	ALA Sports	Daum Kakao	Total
Net assets of joint ventures	₱219,364	₱82,478	₱396,340	₱698,182
Interest of the Parent Company in the net assets of the joint ventures	50%	44%	50%	
	109,682	36,290	198,170	344,142
Accumulated impairment loss	-	-	(2,735)	(2,735)
Carrying amount of investments in joint ventures	₱109,682	₱36,290	₱195,435	₱341,407



	2017			
	A C J O	ALA Sports	Daum Kakao	Total
Net assets of joint ventures	₱269,934	₱94,051	₱394,648	₱758,633
Interest of the Parent Company in the net assets of the joint ventures	50%	44%	50%	
	134,967	41,382	197,324	373,673
Accumulated impairment loss	-	-	(2,735)	(2,735)
Carrying amount of investments in joint ventures	₱134,967	₱41,382	₱194,589	₱370,938

b. Investments in Associates

The carrying value of investments in associates consists of investments in Flagship, Amcara and TSI.

The Company has investment in TSI amounting to ₱10 million, which represents 35% ownership in the entity. The Company did not recognize equity in net income of TSI for the years ended December 31, 2018 and 2017 because it is immaterial.

In 2015, the Parent Company entered into an agreement with certain individuals to form Flagship, a holding company with interests on entities engaged in the business of producing and co-producing motion pictures and providing visual effects and post-production services. In 2018 and 2017, the Company did not recognize equity in net income of Flagship because it is immaterial. In 2016, the Company recognized equity in net income of Flagship amounting to ₱3 million.

Investment in the other associate, Star Cinema Productions, Inc., has been reduced to zero due to accumulated equity in net losses. The net cumulative unrecognized net losses amounted to ₱17 million as at December 31, 2018 and 2017.

Combined financial information of associates follows:

	2018	2017
Current assets	₱119,892	₱48,917
Noncurrent assets	230,288	255,082
Current liabilities	(259,382)	(212,844)
Net equity	₱90,798	₱91,155

	Years Ended December 31		
	2018	2017	2016
Revenue	₱33,252	₱33,290	₱125,469
Costs and expenses	(33,609)	(33,365)	(117,769)
Net income (loss)	(₱357)	(₱75)	₱7,700
Equity in net earnings (losses) of associates	(₱175)	(₱37)	₱3,058



Below is the reconciliation of the summarized financial information of the associates to the carrying amount of the Parent Company's investment therein:

	2018	2017
Net assets of associate - Amcara	₱82,857	₱83,215
Interest of the Parent Company in the net assets of the associate	49%	49%
Carrying amount of investment in Amcara	40,600	40,775
Carrying amount of investment in Flagship	103,178	103,178
Investment in TSI	10,062	10,062
<b>Carrying amount of investments in associates</b>	<b>₱153,840</b>	<b>₱154,015</b>

#### 15. Other Current Assets

	2018	2017
Creditable withholding and prepaid taxes	₱2,866,597	₱2,397,592
Advances to suppliers	934,794	1,406,488
Preproduction expenses	579,086	425,308
Prepayments:		
Licenses	509,267	491,968
Subscription	82,640	6,346
Rent	51,144	91,239
Insurance	35,594	23,207
Transponder services	16,181	23,244
Contract cost assets (see Notes 2, 9 and 23)	45,270	-
Other prepayments	262,565	196,998
<b>Total</b>	<b>₱5,383,138</b>	<b>₱5,062,390</b>

Advances to suppliers are generally applied against future billings within next year.

Other prepayments mainly pertain to sponsorship and royalties.

#### 16. Other Noncurrent Assets

	2018	2017
Tax credits - net of allowance for impairment	₱785,943	₱1,149,321
Deposits and bonds	486,581	361,321
Others (see Note 23)	412,824	237,539
<b>Total</b>	<b>₱1,685,348</b>	<b>₱1,748,181</b>

Tax credits represent claims from the government arising from airing of government commercials, advertisements and cablecast services. Pursuant to PD No. 1362, these will be collected in the form of tax credits which the Company can use in paying for import duties and taxes on its broadcasting and cable equipment. The tax credits cannot be used to pay for any other tax obligation to the government. The Company expects to utilize these tax credits within the next ten years until 2027.



On January 9, 2012, the Department of Finance issued a favorable ruling on the request of the Parent Company to utilize the tax credits in the payment of duties and taxes on the importation of digital terrestrial television boxes which will be subsequently distributed or made available to its customers and end-users.

Allowance for impairment of tax credits amounted to ₱216 million as at December 31, 2018 and 2017.

#### 17. Trade and Other Payables

	2018	2017
Trade	<b>₱1,970,119</b>	₱1,247,188
Accrued expenses:		
Production costs and other expenses	<b>4,244,952</b>	5,912,409
Salaries and other employee benefits (see Note 30)	<b>3,131,495</b>	1,339,504
Taxes	<b>1,139,393</b>	1,203,142
Interest	<b>309,525</b>	225,697
Customer deposits	<b>895,535</b>	608,469
Deposit for future subscription (see Notes 4 and 22)	<b>1,287,014</b>	1,220,000
Dividend payable	<b>286,024</b>	257,961
Due to related parties (see Note 23)	<b>33,470</b>	171,303
Deferred revenue	-	881,700
Others	<b>339,899</b>	185,204
	<b>₱13,637,426</b>	₱13,252,577

Trade payables are noninterest-bearing and are normally settled on 30 to 90-day term.

Accrued expenses are normally settled within the next financial year.

Accrued production costs and other expenses represent accruals for various expenses related to the production of programs.

Deposits for future subscription include deposits from Sampaquita (see Note 4) and from eligible ABSP participants (see Note 22).

For terms and conditions relating to due to related parties, refer to Note 23.

Other current liabilities include statutory liabilities which are payable within the next financial year.

#### 18. Interest-bearing Loans and Borrowings

Borrower	December 31, 2018			December 31, 2017		
	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion	Total
Parent Company	<b>₱91,547</b>	<b>₱22,231,317</b>	<b>₱22,322,864</b>	₱70,934	₱16,351,784	₱16,422,718
Play Innovations, Inc.	<b>240,000</b>	-	<b>240,000</b>	240,000	-	240,000
Sky Cable	<b>76,715</b>	<b>5,536,218</b>	<b>5,612,933</b>	23,737	2,883,530	2,907,267
ABS-CBN International	<b>2,717</b>	<b>32,155</b>	<b>34,872</b>	2,441	33,108	35,549
ABS-C (see Note 31)	<b>3,932</b>	<b>10,894</b>	<b>14,826</b>	6,758	13,959	20,717
PCC	-	-	-	6,808	753,646	760,454
	<b>₱414,911</b>	<b>₱27,810,584</b>	<b>₱28,225,495</b>	₱350,678	₱20,036,027	₱20,386,705



Parent Company

The details of interest-bearing loans and borrowings of the Parent Company are as follows:

	December 31, 2018			December 31, 2017		
	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion	Total
Term loans:						
Loan agreements	₱91,547	₱16,256,624	₱16,348,171	₱70,934	₱10,388,056	₱10,458,990
Bonds payable	-	5,974,693	5,974,693	-	5,963,728	5,963,728
	<b>₱91,547</b>	<b>₱22,231,317</b>	<b>₱22,322,864</b>	<b>₱70,934</b>	<b>₱16,351,784</b>	<b>₱16,422,718</b>

a. *Loan Agreements*

- (i) On October 29, 2010, the Parent Company signed a syndicated loan for ₱10 billion with Allied Banking Corporation, Allied Savings Bank, Banco de Oro (BDO) Unibank, Inc., BDO Unibank, Inc. - Trust and Investment Group, Bank of the Philippine Islands (BPI), Insular Life Assurance Company Ltd., Philippine National Bank (PNB), PNB Life Insurance, Inc., Security Bank Corporation (Security Bank) (collectively, the “Lenders”), BPI Capital Corporation (the “Lead Arranger”), BDO Capital & Investment Corporation and Security Bank (collectively, the “Arrangers”) and PNB Capital & Investment Corporation and Insular Life Assurance Company Ltd. (collectively the “Co-Arranger”). BPI - Asset Management and Trust Group served as the loan’s facility agent. The loan was used to refinance existing indebtedness and fund working capital requirements.

The loan is unsecured and unsubordinated with interest at 3-month PDST-F plus 0.65% per annum for the floating rate portion and 7-year PDST-F plus 0.65% per annum for the fixed rate portion.

On November 9, 2010, the Parent Company availed the amount of ₱6,906 million from the syndicated loan to prepay existing debt facilities, namely, the Senior Credit Agreement (SCA) facility, the BDO facility, the ₱800 million Syndicated Loan facility and the Combined facility agreements.

On January 30, 2014 and October 30, 2014, the BOD approved the refinancing of the fixed rate portions of the syndicated loan, which amounted to ₱4,850 million in principal. Thereafter, on February 28, 2014 and November 10, 2014, the Company entered into loan agreements with local banks for principal amounts of ₱1,650 million and ₱3,200 million, respectively. The loans are intended to refinance existing indebtedness and to fund working capital requirements.

The ₱1,650 million loan, which was availed from Security Bank, bears interest of 4.25% per annum and a term of four years. The ₱3,200 million loan, which was secured from BPI, bears interest of 3.88% per annum and a term of three years. Transaction cost incurred in availing the 2014 loans amounted to ₱105 million.

On February 9, 2016, the Parent Company entered into a loan agreement with Unionbank of the Philippines for a principal amount of ₱4,750 million. The loan, which refinanced the remaining portion of the syndicated loan, bears interest of 5.00% payable semi-annually with a term of ten years. Transaction cost incurred in availing the loan amounted to ₱24 million.

On May 13, 2016, the Parent Company entered into a loan with BPI to refinance the ₱3,200 million loan availed from BPI in 2014. The loan bears interest of 5.00% payable quarterly with a term of ten years. Transaction cost incurred in availing the loan amounted to ₱16 million.



On April 26, 2017, the Parent Company entered into a loan with Unionbank of the Philippines for a principal amount of ₱1,600 million for a term of 10 years. The loan, which was used to finance the settlement of the ₱1,650 million loan from Security Bank, bears interest of 4.25% per annum for first year, and 5.15% per annum for succeeding years until maturity. Transaction costs incurred in availing the loan amounted to ₱8 million.

- (ii) On March 7, 2014, the Company secured a ₱1 billion loan from Philippine American Life and General Insurance Company to partially finance its capital expenditure requirements and general working capital requirements. The loan has a term of ten years and a fixed rate of 5.40% per annum. Transaction cost incurred in availing the loan amounted to ₱5 million.
- (iii) On March 1, 2018, the Parent Company entered into a loan with BPI for a principal amount of ₱6 billion to refinance maturing debt and general working capital requirements. The loan bears interest of 5.75% payable quarterly with a term of seven years.

The new loans contain provision regarding the maintenance of certain financial ratios and limiting, among others, the payment of dividends, making investments, the issuing or selling of the Company's capital stock or some of its subsidiaries, the selling or exchange of assets, the creation of liens and the effecting of mergers.

As at December 31, 2018 and 2017, the Company is in compliance with the provisions of its loan agreements.

Unamortized debt issue cost, presented as a deduction from the Company's outstanding loan, amounted to ₱75 million and ₱44 million as at December 31, 2018 and 2017, respectively.

Amortization of debt issue costs amounted to ₱14 million, ₱17 million and ₱33 million for the years ended December 31, 2018, 2017 and 2016, respectively (see Note 28).

b. *Bonds Payable*

On January 23, 2014, the Philippine SEC approved the Parent Company's offering of debt securities in the aggregate principal amount of up to ₱10 billion to be issued in one or two tranches, as approved by the BOD on November 29, 2013. The first tranche comprised of fixed rate bonds amounting to ₱5 billion and an over allotment option of ₱1 billion with BDO Capital & Investment Corporation, BPI Capital and Hongkong and Shanghai Banking Corporation as joint-issue managers. The term of the bonds is seven years with a fixed interest rate of 5.335% per annum. Interest on the bonds shall be payable quarterly in arrears starting on May 10, 2014 for the first interest payment date.

On February 10, 2014, the Parent Company listed the ₱6 billion worth of retail bonds in the Philippine Dealing and Exchange Corporation. The bonds were rated PRS Aaa by the Philippine Rating Services Corporation on December 27, 2013.

As at December 31, 2018 and 2017, the Parent Company is in compliance with the provisions of this facility.

Unamortized debt issue cost, presented as a deduction from the Parent Company's bonds payable, amounted to ₱25 million and ₱36 million as at December 31, 2018 and 2017, respectively.

Amortization of debt issue costs amounted to ₱11 million in 2018 and ₱10 million in 2017 and 2016 (see Note 28).



Breakdown of the Parent Company's term loans as at December 31, 2018 and 2017 follows:

	December 31, 2018			December 31, 2017		
	Loan Agreements	Bonds Payable	Total	Loan Agreements	Bonds Payable	Total
Principal	₱16,422,999	₱6,000,000	₱22,422,999	₱10,502,500	₱6,000,000	₱16,502,500
Less unamortized transaction costs	74,828	25,307	100,135	43,510	36,272	79,782
	16,348,171	5,974,693	22,322,864	10,458,990	5,963,728	16,422,718
Less current portion	91,547	–	91,547	70,934	–	70,934
Noncurrent portion	₱16,256,624	₱5,974,693	₱22,231,317	₱10,388,056	₱5,963,728	₱16,351,784

Debt issue costs as at December 31, 2018 are amortized over the term of the loans using the effective interest method as follows:

Year	Loan Agreements	Bonds Payable	Total
2019	₱10,217	₱11,596	₱21,813
2020	11,047	12,296	23,343
2021 and onwards	53,564	1,415	54,979
	₱74,828	₱25,307	₱100,135

Amortization of debt issue costs for the years ended December 31, 2018, 2017 and 2016 amounted to ₱25 million, ₱27 million and ₱42 million, respectively (see Note 28).

Repayments of loan and bonds payable based on nominal values are scheduled as follows:

Year	Loan Agreements	Bonds Payable	Total
2019	₱95,500	₱–	₱95,500
2020	161,816	–	161,816
2021-2027	16,165,683	6,000,000	22,165,683
	₱16,422,999	₱6,000,000	₱22,422,999

#### Sky Cable

The details of interest-bearing loans and borrowings of the Sky Cable are as follows:

	December 31, 2018			December 31, 2017		
	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion	Total
Term Loans:						
Unsubordinated loan	₱64,265	₱4,564,772	₱4,629,037	₱13,710	₱1,911,185	₱1,924,895
Loan agreement	8,969	961,338	970,307	9,004	970,318	979,322
Obligations under finance lease (see Note 31)	3,481	10,108	13,589	1,023	2,027	3,050
	₱76,715	₱5,536,218	₱5,612,933	₱23,737	₱2,883,530	₱2,907,267

#### a. Unsubordinated Loan

On October 17, 2013, Sky Cable executed an unsecured and unsubordinated loan agreement with BPI and Security Bank for ₱1,800 million with interest at 7-year PDST-F plus 1% per annum subject to a floor rate of 5.40% and Robinsons Bank for ₱200 million with interest at 10-year PDST-F plus 0.9% per annum subject to a floor rate of 5.40%. The proceeds were used to repay the existing short-term loan of Sky Cable with BPI amounting to ₱1,850 million. The remaining ₱150 million was allocated for working capital purposes.





On January 16, 2017, Sky Cable executed a loan agreement with BPI for ₱873 million for a term of 7 years, with interest rate of 5.40% per annum for the first 4 years from the issue date and the higher between the PDST-F plus 1.25% and 5.0% floor rate per annum until the date of maturity. The proceeds were used to refinance the existing loan of Sky Cable with BPI amounting to ₱900 million.

On February 1, 2017, Sky Cable executed a loan agreement with Security Bank for ₱873 million for a term of 7 years, with a fixed interest rate of 5.40% per annum until maturity date. The proceeds were used to refinance the existing loan of Sky Cable with Security Bank amounting to ₱900 million.

On January 15, 2018, Sky Cable executed a loan agreement with BDO for ₱2 billion for a term of 10 years, with a fixed interest rate of 5.80% per annum until the first interest rate repricing date, 5.80% per annum until the second interest rate repricing date, and interest rate based on the prevailing PDST-R2 or a fixed interest rate until date of maturity, that will be mutually agreed upon by Sky Cable and BDO. The proceeds will be used to finance Sky Cable's capital expenditures.

On January 15, 2018, Sky Cable executed another loan agreement with BDO, for the purpose of refinancing PCC's outstanding loan obligation, amounting to ₱762 million for a term of 7 years, with an interest rate of higher of the sum of the prevailing 3-month PDST-R2 rate and the prevailing BSP Term Deposit Facility Rate until the first interest rate repricing date, and the higher of the sum of the prevailing 3-month PDST-R2 rate and the prevailing BSP Term Deposit Facility Rate divided by .95 until maturity date.

b. *Loan Agreement*

On January 25, 2016, Sky Cable secured a ₱1 billion loan from Rizal Commercial Banking Corporation to partially finance its capital expenditure requirements, investments and/or debt refinancing. The loan has a term of five years and a fixed rate of 4.60% per annum.

As at December 31, 2018 and 2017, Sky Cable is in compliance with the provisions and all of the financial ratios required by its creditors in the agreement.

Unamortized debt issue costs, presented as a deduction from the unsubordinated, amounted to ₱28 million and ₱17 million as at December 31, 2018 and 2017, respectively. Using the effective interest method, unamortized debt issue costs as at December 31, 2018 will be amortized as follows:

Year	Amount
2019	₱4,771
2020	4,886
2021	4,023
2022 and onwards	14,032
	₱27,712

Amortization of debt issue costs amounted to ₱8 million, ₱12 million and ₱6 million in 2018, 2017 and 2016, respectively (see Note 28).



Based on nominal values, the schedule of debt repayments of the unsubordinated loans is as follows:

<u>Year</u>	<u>Amount</u>
2019	₱77,350
2020	77,350
2021 and onwards	5,465,355
	<u>₱5,620,055</u>

PCC

On April 10, 2012, PCC signed an omnibus notes facility and security agreement with BDO in the amount of ₱800 million based on the interest rate setting date by reference to the prevailing BSP overnight borrowing rate multiplied by 97/100.

The loan is supported by deed of pledge executed by Sky Cable and the Continuing Suretyship Agreement executed by Sky Vision. The loan is payable in quarterly installments commencing on July 16, 2013 with a maturity on April 1, 2019.

The agreement provided for certain requirements and restrictions with respect to, among others, the use of the proceeds, maintenance of certain financial ratios, incurrence of additional debt, sale or lease of all or substantially all of PCC's assets, declaration of cash dividends or enter into merger or consolidation, except where PCC is the surviving entity and it does not result to a change in control.

As at December 31, 2017, PCC is in compliance with the provisions and all of the financial ratios required by its creditors in the agreement.

Debt issue costs on the loan amounting to ₱2 million as at December 31, 2017, is deferred and amortized using the effective interest method. Amortization of debt issue costs amounted to about ₱1 million in 2017 and 2016 (see Note 28).

This loan was settled by Sky Cable on January 15, 2018 which resulted to a loss of ₱1.5 million (see Note 28).

Sky Cable group has finance leases over various transportation and office equipment and IRU granted by various telecommunication companies classified as part of "Other assets" under "Other noncurrent assets" account. The carrying value of the lease obligation amounted to ₱14 million and ₱3 million as at December 31, 2018 and 2017, respectively.

ABS-CBN International

On August 19, 2008, ABS-CBN International availed of a loan from Citibank, North America amounting to US\$1 million (₱50 million). The loan has a term of 20 years and can be prepaid starting on the 15th year. The loan bears interest at a fixed rate per annum of 5.75%, which Cost of Funds rate is based on the applicable term Libor Swap Rate.

The investment property acquired for which the loan was availed was pledged as collateral (see Note 11).



The schedule of debt repayment is as follows:

Year	Amount
2019	₱2,717
2020	2,877
2021	3,047
2022	3,227
2023 and onwards	23,004
	<b>₱34,872</b>

As at December 31, 2018 and 2017, ABS-CBN International is in compliance with the provisions and all of the financial ratios required by its creditors in the agreement.

Play Innovations

Play Innovations, Inc. availed of various short-term loans from BPI to finance the construction of Kidzania theme park. The principal amount of the loans totaled ₱240 million as at December 31, 2018 and 2017, bearing an annual fixed interest rate of 7%. The loans are free from liens and mortgages.

ABS-C

In 2016, ABS-C entered into a finance lease covering transportation equipment. The carrying value of the lease obligation amounted to ₱15 million and ₱21 million as at December 31, 2018 and 2017, respectively.

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**19. Obligations for Program Rights**

This account represents liabilities to foreign and local film suppliers for program rights purchased by the Company. The liabilities are noninterest-bearing and are payable in equal monthly, quarterly or semiannual installments over a period of one to six years. The amounts presented in the consolidated statements of financial position represent the face amounts of the obligations, net of unamortized discounts, which represent the difference between the face amounts and the fair values of the obligations upon initial recognition.

The schedule of repayments as at December 31 is as follows:

	2018			2017		
	Gross Value	Unamortized Discount	Carrying Value	Gross Value	Unamortized Discount	Carrying Value
Within one year	<b>₱464,482</b>	<b>₱22,607</b>	<b>₱441,875</b>	₱382,841	₱33,105	₱349,736
More than one year to five years	<b>576,976</b>	<b>35,428</b>	<b>541,548</b>	614,117	59,460	554,657
	<b>₱1,041,458</b>	<b>₱58,035</b>	<b>₱983,423</b>	₱996,958	₱92,565	₱904,393

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**20. Convertible Note**

On February 14, 2011, ABS-CBN, Lopez, Inc, Lopez Holdings, Sky Vision, Sky Cable, STT Communications Ltd. (STTC) and Sampaquita, entered into a Subscription and Purchase Agreement (SPA) wherein Sampaquita agreed to purchase PDRs from ABS-CBN and Lopez Holdings and to subscribe to originally issued PDRs from Sky Vision and convertible note to be issued by Sky Cable.



On March 30, 2011, ABS-CBN completed the sale of 143,107,174 PDRs with underlying Sky Cable shares to Sampaquita for ₱1,816 million. Simultaneously, Sampaquita completed the subscription of originally issued 149,711,934 PDRs with underlying Sky Cable shares from Sky Vision for ₱1,450 million and Sky Cable convertible note for ₱250 million.

On May 12, 2011, Sky Cable, as provided in the SPA dated February 14, 2011, completed the issuance of the ₱250 million note to Sampaquita convertible into 25,812,403 shares of Sky Cable at the option of Sampaquita any time from issue date to maturity date, which is 10 years from date of issuance.

The convertible note bears 0% interest rate for the first three years, subject to adjustment every three years upon mutual agreement of the parties, provided that the interest rate shall not exceed 10% per annum. The interest rate shall be agreed upon by Sky Cable and Sampaquita at least 30 days prior to the commencement of each 3-year period. If no such agreement is reached, the interest rate for the succeeding period shall be the same as the interest rate for the preceding 3-year period. Such interest shall accrue from and including the first day of such interest period but not including the last day of such interest period.

The convertible note was accounted for under split accounting. The equity component of the convertible note amounting to ₱27 million (net of transaction costs of ₱2 million and tax of ₱12 million) was recognized as part of noncontrolling interests in the consolidated financial statements. The liability component is presented separately as “Convertible note” in the consolidated statements of financial position.

In 2017, Sampaquita and Sky Cable agreed to retain the interest rate at 0% for the next three year period. Accordingly, Sky Cable recalculated the carrying amount of the convertible note to reflect the actual and revised estimated cash flows. The difference between the carrying values computed at the original effective interest rate and the revised effective interest rate amounting to ₱31 million is recognized as gain in 2017, shown as part of “Other income - others” account in the 2017 consolidated statement of income (see Note 28).

The carrying value of the convertible note amounted to ₱221 million and ₱205 million as at December 31, 2018 and 2017, respectively.

Accretion of the convertible note recognized as part of interest expense in the consolidated statements of income amounted to ₱16 million in 2018, 2017, and 2016 (see Note 28).

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## 21. Other Noncurrent Liabilities

	2018	2017
Customers' deposits	₱353,758	₱386,805
Deferred credits	20,406	17,525
Others	126,182	81,212
	<b>₱500,346</b>	<b>₱485,542</b>

Customers' deposits represent deposits on set-top boxes and modems upon subscription and are refunded to the customers upon termination of service.

Others include outstanding transmission liability and other long-term payables.



## 22. Equity

### Capital Stock

Details of authorized and issued capital stock as at December 31, 2018 and 2017 are as follows:

	Number of Shares	Amount
	<i>(Amounts in Thousands, Except Number of Shares)</i>	
Authorized -		
Common shares - ₱1.0 par value	1,300,000,000	₱1,300,000
Preferred shares - ₱0.2 par value	1,000,000,000	200,000
Issued -		
Common shares	872,123,642	₱872,124
Preferred shares	1,000,000,000	200,000

Below is the Parent Company's track record of the registration of securities:

Date of SEC Order Rendered Effective or Permit to Sell	Event	Authorized Capital Stock	Issued Shares	Issue Price
	Registered and Listed Shares (Original Shares)	₱200,000	111,327,200	₱1.00
March 31, 1992	Initial Public Offering (Primary)	200,000	12,428,378	15.00
	Secondary *	200,000	18,510,517	15.00
	ESOP*	200,000	1,403,500	15.00
June 16, 1993	40% stock dividends	200,000	49,502,074	1.00
August 18, 1994	50% stock dividends	500,000	86,620,368	1.00
July 25, 1995	100% stock dividends	1,500,000	259,861,104	1.00
July 2, 1996	50% stock dividends	1,500,000	259,861,104	1.00
January 7, 2014	Issuance	1,500,000	57,836,900	43.125
January 7, 2014	Issuance	1,500,000	34,702,140	43.225

\*Included in the 111,327,200 shares existing at the time of the IPO

The Parent Company's total number of common stockholders is 5,263 and 5,317 as at December 31, 2018 and 2017, respectively.

*Preferred Shares.* The account consists of 1 billion cumulative, voting, non-participating, redeemable and nonconvertible preferred shares with a par value of ₱0.20 per share.

The Parent Company's total number of preferred shareholders is 197 as at December 31, 2018 and 2017.

### Share-based Payment Transactions

*Lopez Holdings (LPZ) ESPP.* Lopez Holdings, a commonly controlled entity, has an Employee Stock Purchase Plan (LPZ ESPP) that was approved by its BOD and stockholders on February 28, 2011. The terms of LPZ ESPP, include among others, a limit as to the number of shares a qualified regular employee, officer or qualified director of Lopez Holdings and Lopez, Inc. or a qualified officer of Lopez Holdings' subsidiaries and associates, may purchase and the manner of payment based on equal semi-monthly installments over a period of two years through salary deductions. The stock options vest after two years from the grant date. All qualified participants are given until 10 years from grant date to exercise the stock options.



The primary terms of the grant are as follows:

Grant date	May 2011
Number of options granted allocable to the Company	21,974,257
Offer price per share	₱4.573
Option value per share	₱1.65

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes Option Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the option grants:

Expected volatility	42.6%
Weighted average share price	₱4.573
Risk-free interest rate	4.3%
Expected life of option	5 years
Dividend yield	2.5%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which likewise, may not necessarily be the actual outcome. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. No other features of options grant were incorporated into the measurement of the fair value of the options.

Total number of options exercisable under ESPP is as follows:

	2017
Balance at beginning of year	711,743
Exercised during the year	(711,743)
Balance at end of year	—

*ABS-CBN Stock Purchase Plan and Executive Stock Purchase Plan (ABSP).* From January 22, 2018 to February 9, 2018, the Parent Company offered to eligible participants its ABSP Program where employees may subscribe to the Parent Company's shares up to a maximum of 5% of total authorized shares.

Participants eligible in the ABSP are non-managers, managers and up, board members and selected artists with at least one year of tenure. Non-managers may subscribe up to a maximum of 2,000 shares per participant while managers and artists may subscribe up to a maximum of shares equivalent to 2.5 months of their monthly salary or income. Members of the BOD may subscribe up to 100,000 shares. The subscription price for the first 2,000 shares will be at a 15% discount on the closing price as at the offer date or 45-day weighted closing prices, whichever is lower. There will be no discount on the subscription price for the shares subscribed in excess of 2,000 shares. The subscription price will be paid in five years (see Note 17).

As at February 28, 2018, the Company accepted the total ABSP subscription from participants of 11,391,500 common shares.



The primary terms of the grant are as follows:

Grant date	February 28, 2018
Number of options granted	11,391,500
Offer price per share	₱29.50
Option value per share	₱2.22

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes Option Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the option grants:

Expected volatility	22.38%
Weighted average share price	₱29.50
Risk-free interest rate	4.71%
Expected life of option	5 years
Dividend yield	1.89%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which likewise, may not necessarily be the actual outcome. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. No other features of options grant were incorporated into the measurement of the fair value of the options.

As at December 31, 2018, there is no exercisable shares under ABSP.

The ABSP does not have a dilutive effect because the average market price of the common shares during the period is less than the exercise price under the option.

#### Retained Earnings

Unappropriated retained earnings available for dividend distribution is adjusted to exclude the Parent Company's accumulated equity in net earnings of subsidiaries and associates amounting to ₱2,505 million and ₱2,578 million as at December 31, 2018 and 2017, respectively.

Further, the Parent Company's loan agreement with its creditors limits the declaration of dividends up to 50% of the net income after tax for the immediately preceding financial year. This limitation has been in effect since 2004 resulting to an accumulation of unappropriated retained earnings (see Note 18).

On February 28, 2019, the BOD approved the declaration of cash dividend of ₱0.55 per common share to all common stockholders of record as at March 14, 2019, payable on or before March 26, 2019. On the same date, the BOD also approved the declaration and payment of ₱0.004 per share cash dividend on the Parent Company's preferred shares with a record date set for March 14, 2019 and payable on or before March 26, 2019.

On February 22, 2018, the BOD approved the declaration of cash dividend of ₱0.92 per common share or an aggregate amount of ₱791 million to all common stockholders of record as at March 8, 2018, payable on March 22, 2018. On the same date, the BOD also approved the declaration and payment of 2% per annum cash dividend on the Parent Company's preferred shares with a record date set for March 8, 2018 and payable on March 22, 2018.



On February 22, 2017, the BOD approved the declaration of cash dividend of ₱1.04 per common share or an aggregate amount of ₱881 million to all common stockholders of record as at March 8, 2017 payable on March 22, 2017. On the same date, the BOD also approved the declaration and payment of 2% per annum cash dividend on the Parent Company's preferred shares with a record date set for March 8, 2017 and payable on March 22, 2017.

On March 17, 2016, the BOD approved the declaration of cash dividend of ₱0.75 per common share or an aggregate amount of ₱643 million to all common stockholders of record as at April 11, 2016 payable on April 29, 2016.

On May 5, 2016, the BOD approved the declaration and payment of 2% per annum cash dividend on the Parent Company's preferred shares with a record date set for May 20, 2016 and payable on June 7, 2016.

On February 27, 2013, the Company's BOD approved the appropriation of retained earnings of ₱16,200 million, including the specific projects and timeline. The appropriated retained earnings is set aside for capital expenditures particularly for the purchase of Parent Company's property and equipment needed for business operations and expansion over a period of five years.

Treasury Shares and PDRs Convertible to Common Shares

Details of treasury shares and PDRs convertible to common shares held by the Parent Company as at December 31, 2018 and 2017 are as follows:

	Treasury Shares	PDRs Convertible to Common Shares	Total	Amount
Balance at beginning and end of year	21,322,561	27,828,645	49,151,206	₱1,638,719

PDRs convertible to common shares represents ABS-CBN Holdings PDRs held by the Parent Company, which are convertible into ABS-CBN shares. Each PDR grants the holders, upon payment of the exercise price and subject to certain other conditions, the delivery of one ABS-CBN share or the sale of and delivery of the proceeds of such sale of one ABS-CBN share. The ABS-CBN shares are still subject to ownership restrictions on shares of corporations engaged in mass media and ABS-CBN may reject the transfer of shares to persons other than Philippine nationals. The PDRs were listed in the PSE on October 7, 1999 and may be exercised at any time from said date. Any cash dividends or other cash distributions in respect of the underlying ABS-CBN shares shall be applied by ABS-CBN Holdings, issuer of PDRs, towards payment of operating expenses and any amounts remaining shall be distributed pro-rata among outstanding PDR holders.

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**23. Related Party Transactions**

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





Transactions with Related Parties

In addition to the related party transactions discussed in Note 4, significant transactions of the Company with its associates, joint ventures and related parties follow:

	Nature	Years Ended December 31		
		2018	2017	2016
<b>Associate and Joint Venture</b>				
Airtime revenue from A CJ O	Airtime fees	<b>₱32,400</b>	₱17,902	₱6,000
Blocktime fees paid to Amcara	Blocktime fees	<b>36,514</b>	27,641	34,964
Expenses and charges paid for by the Parent Company which are reimbursed by A CJ O and Amcara	Rent and utilities	<b>37,501</b>	17,707	18,239
<b>Entities under Common Control</b>				
Expenses paid by the Company to Goldlink Securities and Investigative Services, Inc. (Goldlink) and other related parties	Service fees and utilities expenses	<b>112,851</b>	92,391	164,182
Revenue of API and subsidiaries from other related parties	Print revenue and Other service Fees	<b>30,476</b>	–	29,091
Expenses and charges paid for by the Parent Company which are reimbursed by the concerned related parties	Rent and utilities	<b>24,526</b>	10,142	5,105

The related receivables from related parties, presented under “Trade and other receivables” account and payables to related parties, presented under “Trade and other payables” account in the consolidated statements of financial position, are as follows:

	Relationship*	Terms	Conditions	2018	2017
<b>Due from</b> (see Note 7)					
Amcara	Associate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>₱134,672</b>	₱146,794
ALA Sports	Joint Venture	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>59,473</b>	50,496
ABS-CBN Lingkod Kapamilya	Corporate social responsibility sector of ABS-CBN	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>51,640</b>	40,818
INAEC	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>44,894</b>	36,478
Skyworks, Inc.	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>30,003</b>	24,441
First Philippine Holdings Corporation (FPHC)	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>5,936</b>	2,510
Goldlink	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>3,532</b>	–
First Gas Power Corp.	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>1,540</b>	1,540
Rockwell Land Corporation (Rockwell Land)	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	–	1,952
Others	Affiliate	30 days upon receipt; noninterest-bearing	Unsecured, no impairment	<b>126,595</b>	17,198
<b>Total</b>				<b>₱458,285</b>	<b>₱322,227</b>



	Relationship*	Terms	Conditions	2018	2017
<b>Due to</b> (see Note 17)					
Beyond Cable Holdings, Inc.	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured	<b>₱16,690</b>	₱16,690
Lopez Holdings	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured	<b>6,021</b>	6,725
A C J O	Joint Venture	30 days upon receipt of billings; noninterest-bearing	Unsecured	–	28,274
ABS-CBN Bayan Foundation	Corporate social responsibility sector of ABS-CBN	30 days upon receipt of billings; noninterest-bearing	Unsecured	–	1,355
Lopez, Inc.	Ultimate parent	30 days upon receipt of billings; noninterest-bearing	Unsecured	–	415
Others	Affiliates	30 days upon receipt of billings; noninterest-bearing	Unsecured	<b>10,759</b>	117,844
<b>Total</b>				<b>₱33,470</b>	<b>₱171,303</b>

\*Affiliate pertains to various entities under common control of Lopez, Inc., ultimate parent company

- The Parent Company owns the program rights being aired in UHF Channel 23 of Amcara. The Parent Company has an existing blocktime agreement with Amcara for its provincial operations.
- Due from Amcara pertains substantially to the outstanding receivable for funds transferred by ABS-CBN to Amcara in 2012 to fund the purchase of an intangible asset.
- Advances to employees and talents amounted to ₱361 million and ₱638 million as at December 31, 2018 and 2017, respectively (see Note 7).
- The Parent Company has advances to ALA Sports amounting to ₱59 million and ₱51 million as at December 31, 2018 and 2017, respectively.
- Other transactions with related parties include cash advances for working capital requirements.

#### Terms and Conditions of Transactions with Related Parties

Except for transactions identified in the previous section as interest-bearing, outstanding balances as at financial reporting date are generally unsecured, interest-free and settlement occurs in cash, and are collectible or payable on demand. For the years ended December 31, 2018, 2017 and 2016, the Company has not made any provision for doubtful accounts relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

#### Compensation of Key Management Personnel of the Company

	<b>Years Ended December 31</b>		
	<b>2018</b>	2017	2016
Compensation (see Notes 25, 26 and 27)	<b>₱1,114,381</b>	₱1,087,614	₱1,431,126
Termination benefits	<b>104,773</b>	55,644	62,520
Pension benefits (see Note 30)	<b>50,479</b>	52,986	58,145
Vacation leaves and sick leaves	<b>47,437</b>	28,647	42,736
	<b>₱1,317,070</b>	₱1,224,891	₱1,594,527



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## 24. Revenues

Set out below is the disaggregation of the Company's revenues in 2018:

Advertising revenue	₱20,382,133
Subscription revenue	13,024,107
Sale of goods	3,182,476
Income from film exhibition	1,317,851
Sponsorship revenue	532,238
Royalty income	329,466
Installation service revenue	227,962
Telecommunications revenue	251,915
Service fee revenue	181,100
Admission revenue / ticket sales	179,783
Ancillary rights and other revenues	361,203
Total revenue from contracts with customers	39,970,234
Channel lease and other rental income	160,358
<b>Total revenues</b>	<b>₱40,130,592</b>

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## 25. Production Costs

	Years Ended December 31		
	2018	2017	2016
Personnel expenses and talent fees (see Notes 23 and 30)	<b>₱6,376,545</b>	₱6,219,856	₱6,410,846
Facilities-related expenses (see Notes 23 and 31)	<b>1,461,503</b>	1,682,196	1,939,806
Depreciation and amortization (see Note 10)	<b>1,066,067</b>	1,080,458	891,553
Amortization of program rights (see Note 12)	<b>1,039,053</b>	898,780	824,121
Travel and transportation	<b>1,028,568</b>	837,379	653,434
License and royalty	<b>558,762</b>	353,356	493,526
Set requirements	<b>280,193</b>	176,520	225,832
Catering and food expenses	<b>218,222</b>	185,117	229,383
Other program expenses (see Notes 12 and 23)	<b>316,364</b>	399,953	343,449
	<b>₱12,345,277</b>	₱11,833,615	₱12,011,950

Personnel expenses include talent fees, salaries and other employee benefits.

Other program expenses consist of production expenses including, but not limited to, prizes and other expenses related to the promotional activities of various projects during the year.



## 26. Cost of Sales and Services

Cost of services consists of the following:

	<b>Years Ended December 31</b>		
	<b>2018</b>	2017	2016
Facilities-related expenses (see Notes 23 and 31)	<b>₱3,111,145</b>	₱3,280,228	₱2,926,159
Programming costs	<b>1,956,509</b>	1,919,071	1,952,137
Depreciation and amortization (see Note 10)	<b>1,863,753</b>	1,738,750	1,816,164
Personnel expenses (see Notes 23 and 30)	<b>1,558,068</b>	1,560,519	1,609,428
Bandwidth costs	<b>740,114</b>	634,309	385,990
Transportation and travel	<b>275,120</b>	228,124	232,641
Amortization of program rights (see Note 12)	<b>219,863</b>	256,279	176,773
Interconnection costs	<b>125,478</b>	277,763	292,722
Stationery and office supplies	<b>113,104</b>	65,010	71,511
Inventory costs (see Note 8)	<b>112,698</b>	107,737	73,341
Taxes and licenses	<b>84,988</b>	65,079	18,883
Freight and delivery	<b>77,769</b>	81,295	66,897
License fees and royalties	<b>48,791</b>	44,888	140,486
Amortization of other intangible assets (see Note 12)	<b>38,178</b>	25,606	9,421
Catering and food expenses	<b>34,139</b>	36,304	35,595
Set requirements	<b>18,808</b>	28,423	30,557
Transaction costs	<b>12,566</b>	41,088	162,197
Amortization of deferred charges (see Note 15)	<b>292</b>	6,993	6,402
Installation costs	<b>249</b>	619	2,222
Others (see Note 23)	<b>393,598</b>	313,628	313,549
	<b>₱10,785,230</b>	₱10,711,713	₱10,323,075

Personnel expenses include salaries, bonuses, retirement and separation pay and other employee benefits.

Amortization of movie in-process and filmed entertainment are recorded as part of "Cost of services" under each applicable expense account.

Cost of sales consists of the following:

	<b>Years Ended December 31</b>		
	<b>2018</b>	2017	2016
Inventory costs (see Note 8)	<b>₱2,441,075</b>	₱2,016,341	₱1,587,460
Personnel expenses (see Notes 23 and 30)	<b>21,919</b>	38,020	38,753
Printing and reproduction	<b>9,088</b>	24,007	37,625
Handling and processing costs	<b>7,557</b>	13,204	11,070
Transportation and travel	<b>3,144</b>	2,723	2,724
Freight and delivery	-	2,716	4,991
Facilities related expenses (see Notes 23 and 31)	-	2,443	3,670
Others	<b>10,576</b>	10,488	7,315
	<b>₱2,493,359</b>	₱2,109,942	₱1,693,608



Personnel expenses include salaries, bonuses, retirement and separation pay and other employee benefits.

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**27. General and Administrative Expenses**

	<b>Years Ended December 31</b>		
	<b>2018</b>	2017	2016
Personnel expenses (see Notes 22, 23 and 30)	<b>₱6,098,636</b>	₱5,861,141	₱6,471,719
Facilities related expenses (see Notes 23 and 31)	<b>1,185,976</b>	1,025,094	887,099
Depreciation and amortization (see Notes 10 and 11)	<b>890,099</b>	846,932	693,893
Contracted services	<b>829,456</b>	878,372	1,008,749
Advertising and promotion (see Note 9)	<b>779,884</b>	1,035,597	1,287,759
Transportation and travel	<b>684,284</b>	651,276	319,471
Research and survey	<b>477,611</b>	264,752	352,546
Taxes and licenses	<b>458,315</b>	417,839	489,352
Provision for doubtful accounts (see Note 7)	<b>338,850</b>	497,624	571,927
Donations and contributions	<b>90,363</b>	53,346	61,442
Entertainment, amusement and recreation	<b>87,551</b>	94,646	101,709
Inventory losses (see Note 8)	<b>58,414</b>	27,391	22,661
Amortization of other intangible assets (see Note 12)	<b>49,585</b>	37,816	33,206
Others	<b>281,104</b>	224,933	359,946
	<b>₱12,310,128</b>	₱11,916,759	₱12,661,479

Personnel expenses include salaries, bonuses, retirement and separation pay and other employee benefits.

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**28. Other Income and Expenses**

Finance Costs

	<b>Years Ended December 31</b>		
	<b>2018</b>	2017	2016
Interest expense (see Notes 18 and 20)	<b>₱1,061,666</b>	₱931,459	₱968,768
Amortization of debt issue costs (see Note 18)	<b>32,927</b>	40,390	49,609
Bank service charges	<b>30,084</b>	36,067	18,009
	<b>₱1,124,677</b>	₱1,007,916	₱1,036,386



The following are the sources of the Company's interest expense:

	<b>Years Ended December 31</b>		
	<b>2018</b>	2017	2016
Long-term debt (see Note 18)	<b>₱925,674</b>	₱829,341	₱825,677
Bonds payable (see Note 18)	<b>117,615</b>	86,314	122,237
Convertible note (see Note 20)	<b>15,837</b>	15,531	15,832
Obligations under finance lease (see Note 18)	<b>2,540</b>	273	5,022
	<b>₱1,061,666</b>	₱931,459	₱968,768

Other Income

	<b>Years Ended December 31</b>		
	<b>2018</b>	2017	2016
Leasing operations (see Note 31)	<b>₱48,627</b>	₱35,346	₱37,319
Dividend income	<b>7,651</b>	10,364	14,230
Gain on sale of property and equipment	<b>849</b>	6,221	3,987
Management fees	-	16,737	-
Revenue from workshops	-	-	13,195
Others - net (see Notes 20 and 21)	<b>274,126</b>	546,138	399,049
	<b>₱331,253</b>	₱614,806	₱467,780

Others mainly consist of income from installation services, unclaimed deposits and service fees.

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**29. Income Tax and Registration with the Philippine Economic Zone Authority (PEZA)**

The components of consolidated net deferred tax assets and liabilities of the Company are as follows:

	<b>2018</b>	2017
Deferred tax assets - net:		
Accrued pension obligation and other employee benefits	<b>₱1,199,364</b>	₱1,097,117
NOLCO	<b>740,776</b>	468,901
Allowance for doubtful accounts	<b>572,636</b>	535,445
MCIT	<b>324,713</b>	235,853
Excess of the purchase price over the fair value of net assets acquired	<b>284,221</b>	249,751
Capitalized interest, duties, and taxes	<b>(222,240)</b>	(265,578)
Customers' deposits	<b>160,503</b>	99,997
License	<b>(149,828)</b>	(149,828)
Unearned revenue	<b>117,331</b>	126,681
Accrued expenses	<b>116,271</b>	74,076
Imputed discount	<b>(84,536)</b>	(84,536)
Net unrealized foreign exchange loss (gain)	<b>(48,930)</b>	21,210
Allowance for inventory obsolescence	<b>13,579</b>	4,625
Allowance for impairment loss on property and equipment	<b>1,531</b>	8,764
Others	<b>(4,588)</b>	40,464
	<b>₱3,020,803</b>	₱2,462,942



	2018	2017
Deferred tax liability - Excess of the fair value over the book value of net assets acquired	<b>₱138,271</b>	₱138,271

The details of the deductible temporary differences, NOLCO and MCIT of the Parent Company and certain subsidiaries for which no deferred tax assets were recognized are as follows:

	2018	2017
NOLCO	<b>₱1,482,952</b>	₱2,123,324
Allowance for doubtful accounts	<b>698,945</b>	939,159
Accrued pension obligation and others	<b>393,296</b>	348,722
Unearned revenue	<b>126,802</b>	203,130
Allowance for decline in value of inventories	<b>92,145</b>	63,420
Allowance for impairment loss on property and equipment	<b>83,846</b>	83,846
MCIT	<b>3,172</b>	6,504

Management believes that it is not probable that taxable income will be available against which these temporary differences, NOLCO and MCIT will be utilized.

NOLCO amounting to ₱897 million and ₱1,177 million have expired and were written off in 2018 and 2017, respectively. NOLCO amounting to ₱49 million and ₱109 million were claimed as deduction against taxable income in 2018 and 2017, respectively.

MCIT of certain subsidiaries amounting to ₱328 million can be claimed as tax credit against future RCIT as follows:

Year Paid	Expiry Dates	Amount
2016	December 31, 2019	₱45,296
2017	December 31, 2020	87,409
2018	December 31, 2021	195,180
		<b>₱327,885</b>

NOLCO of certain subsidiaries amounting to ₱3,952 million can be claimed as deductions from future taxable income as follows:

Year Incurred	Expiry Dates	Amount
2016	December 31, 2019	₱1,481,253
2017	December 31, 2020	905,166
2018	December 31, 2021	1,565,785
		<b>₱3,952,204</b>

As at December 31, 2018 and 2017, deferred tax liability on undistributed earnings of ABS-CBN Global, holding company of the Parent Company's foreign subsidiaries, amounting to ₱1,976 million and ₱1,860 million, respectively, has not been recognized because the Parent Company has control over such earnings, which have been earmarked for expansion in the Company's foreign operations and are not expected to reverse in the foreseeable future.



The reconciliation of statutory tax rate to effective tax rates applied to income before income tax is as follows:

	<b>Years Ended December 31</b>		
	<b>2018</b>	2017	2016
Statutory tax rate	<b>30%</b>	30%	30%
Additions to (reduction in) income taxes resulting from the tax effects of:			
Interest income subjected to final tax	<b>(10)</b>	(4)	(5)
Nondeductible interest expense	<b>3</b>	1	1
Change in unrecognized deferred tax assets and others	<b>(19)</b>	(7)	(1)
<b>Effective tax rates</b>	<b>4%</b>	20%	25%

The income tax on profits of overseas subsidiaries have been calculated at the rates of tax prevailing in the countries where such subsidiary operates, based on existing legislation, interpretations and practices in respect thereof.

Registration with the PEZA

On July 14, 2009, the PEZA approved the application of Big Dipper for registration as an Ecozone Information Technology (IT) Enterprise to provide digital film archiving, digital central library, content licensing and transmission at the 3rd Floor, Eugenio Lopez, Jr. Communications Center, Eugenio Lopez Drive, Quezon City.

Registration with the Board of Investments

On April 8, 2015, the Board of Investments approved PII's project as a New Operator of Tourism Entertainment Complex – Educational Theme Park and was granted income tax holiday for four years beginning April 2015. Total income tax holiday incentives availed by PII amounted to ₱6 million and ₱8 million for the years ended December 31, 2018 and 2017, respectively.

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**30. Pension and Other Employee Benefits**

Accrued pension obligation and other employee benefits consist of:

	<b>2018</b>	2017
Pension obligation	<b>₱3,925,615</b>	₱4,316,059
Other employee benefits	<b>1,674,467</b>	1,828,560
	<b>₱5,600,082</b>	₱6,144,619

These are presented in the consolidated statements of financial position as follows:

	<b>2018</b>	2017
Current (see Note 17)	<b>₱1,570,191</b>	₱386,675
Noncurrent	<b>4,029,891</b>	5,757,944
	<b>₱5,600,082</b>	₱6,144,619





a. Pension Plan

The Company's pension plans are composed of funded (Parent Company and Sky Cable) and unfunded (other subsidiaries), noncontributory and actuarially computed defined benefit pension plans, except for ABS-CBN International (contributory), covering substantially all of its employees. The benefits are based on years of service and compensation during the last year of employment. Actuarial valuation is performed every year-end.

The following tables summarize the components of consolidated net pension expense recognized in the consolidated statements of income and accrued pension obligation recognized in the consolidated statements of financial position:

Net Pension Expense

	<b>Years Ended December 31</b>		
	<b>2018</b>	2017	2016
Current service cost	<b>₱620,532</b>	₱642,280	₱561,607
Net interest cost	<b>244,497</b>	154,386	144,767
Past service cost (income)	<b>(13,975)</b>	22,124	-
Curtailement	<b>5,315</b>	-	(113,095)
Settlement loss	<b>12,458</b>	-	86,839
<b>Net pension expense</b>	<b>₱868,827</b>	₱818,790	₱680,118

Accrued Pension Obligation

	<b>2018</b>	2017
Present value of obligation	<b>₱5,841,573</b>	₱6,899,614
Fair value of plan assets	<b>(1,915,958)</b>	(2,583,555)
<b>Accrued pension obligation</b>	<b>₱3,925,615</b>	₱4,316,059

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

	<b>2018</b>	2017
Defined benefit obligation at beginning of year	<b>₱6,899,614</b>	₱6,453,912
Current service cost	<b>620,532</b>	642,280
Interest cost	<b>383,624</b>	305,969
Actuarial losses (gains) arising from:		
Change in financial assumptions	<b>(1,472,906)</b>	(157,732)
Change in demographic assumptions	<b>(85,703)</b>	(341,695)
Experience adjustments	<b>85,261</b>	871,346
Benefits paid	<b>(592,647)</b>	(896,590)
Past service cost (income)	<b>(13,975)</b>	22,124
Settlement loss	<b>12,458</b>	-
Curtailement	<b>5,315</b>	-
<b>Defined benefit obligation at end of year</b>	<b>₱5,841,573</b>	₱6,899,614



Changes in the fair value of plan assets of the Parent Company and Sky Cable are as follows:

	2018	2017
Fair value of plan assets at beginning of year	₱2,583,555	₱2,967,306
Return on plan assets excluding amount included in net interest cost	(995,309)	(533,641)
Actual contributions	196,000	-
Interest income included in net interest cost	139,127	151,583
Losses on return on plan assets	(7,415)	(1,871)
Benefits paid	-	178
Fair value of plan assets at end of year	₱1,915,958	₱2,583,555

Income tax effect of re-measurement gains and losses on defined benefit plan presented in OCI amounted to ₱139 million, ₱273 million and ₱170 million in 2018, 2017 and 2016 respectively.

The Parent Company and Sky Cable expect to contribute ₱934 million and ₱460 million, respectively, to the retirement fund in 2019.

The major categories of the fair value of total plan assets are as follows:

	2018	2017
Investment in fixed/floating rate treasury note	₱193,512	₱320,361
Investment in government securities and bonds	429,175	289,358
Investment in stocks	1,268,364	1,645,724
Others	24,907	328,112
	₱1,915,958	₱2,583,555

The ranges of principal assumptions used in determining pension benefit obligations for the Company's plans are shown below:

	December 31	January 1	
	2018	2018	2017
Discount rate	5.71%-7.47%	5.70%-5.81%	5.13%-5.66%
Future salary rate increases	3.0%-7.0%	3.0%-11.0%	4.0%-9.0%

#### ABS-CBN

The pension fund is actively managed by the retirement committee, composed of five members, four of whom are executive staff of the Parent Company and beneficiaries of the plan.

The retirement committee of the beneficial trust fund uses an investment approach with the objective of maximizing the long-term expected return of plan assets. The plan's investment portfolio seeks to achieve regular income, long-term capital growth and consistent performance over its own portfolio benchmark. In order to attain this objective, the Trustee's mandate is to invest in a diversified portfolio of fixed income and equities. The investment portfolio consists of investment in equity and fixed income securities of 71% and 29% as at December 31, 2018, respectively, and 80% and 20% as at December 31, 2017, respectively. The Parent Company contributed ₱196 million in 2018 and nil in 2017.

On July 27, 2010, the retirement committee of the retirement fund approved the following:

- a. Acquisition of ABS-CBN securities to fully fund the retirement fund deficiency;
- b. Allow the acquisition of Lopez Holdings shares and shares of other listed companies;



- c. Migrate to an investment management account arrangement in lieu of a “Trusteed” arrangement with BDO; and
- d. Appoint an investment officer of the retirement plan.

The fair value of ABS-CBN’s plan assets as at December 31, 2018 and 2017 are as follows:

	2018	2017
Fixed Income:		
Short-term	<b>₱102,203</b>	₱228,391
Medium and long-term:		
Government securities	<b>252,550</b>	174,619
Corporate bonds	<b>153,631</b>	83,193
Peso bond mutual funds	<b>11,654</b>	–
Preferred shares	<b>3,641</b>	9,586
Equities:		
Investment in shares of stock and other securities of related parties	<b>961,081</b>	1,631,645
Common shares and unit investment trust fund (UITF)	<b>293,998</b>	318,676
	<b>₱1,778,758</b>	₱2,446,110

*Short-term Fixed Income.* Short-term fixed income investment includes time deposit, special deposit account and special savings account with interest ranging from 5% to 7% in 2018 and from 2% to 5% in 2017.

*Medium and Long-term Fixed Income.* Investments in medium and long-term fixed income include Philippine peso-denominated bonds, such as government securities, corporate bonds, notes and debt securities and equity investment in preferred shares.

Government securities include treasury bills and fixed-term treasury notes bearing interest ranging from 4% to 9% and 3% to 9% in 2018 and 2017, respectively. These securities are fully guaranteed by the government of the Republic of the Philippines.

Investment in unsecured corporate bonds amounted to ₱154 million and ₱83 million as at December 31, 2018 and 2017, respectively, with terms ranging from 7 years to 15 years. Yield to maturity rate ranges from 4% to 8% in 2018 and 2017, respectively.

Investment in peso bond mutual fund has a total cost and fair value of ₱12 million as of December 31, 2018.

In 2018 and 2017, investment in preferred stock refers to 5,700 shares with a total cost of ₱4 million and ₱9 million and gain (loss) of (₱170) thousand and ₱949 thousand, respectively. The fair value of preferred stock is ₱4 million and ₱3 million as at December 31, 2018 and 2017, respectively.

*Equities.* These pertain to investments in shares of stock and other securities of related parties and other companies listed in the PSE.



*Investments in Shares of Stock and Other Securities of Related Parties.* These pertain to investments in ABS-CBN PDRs and common shares and Lopez Holdings and Rockwell Land common shares.

December 31, 2018				
	Number of Shares	Cost	Fair Value	Unrealized Gain (Loss)
ABS-CBN PDRs	34,903,218	₱1,515,864	₱652,690	(₱863,174)
ABS-CBN Common	501,320	24,052	10,026	(14,026)
Lopez Holdings	65,996,580	227,178	263,986	36,808
Rockwell Land	17,103,433	34,476	34,379	(97)
	<b>118,504,551</b>	<b>₱1,801,570</b>	<b>₱961,081</b>	<b>(₱840,489)</b>

December 31, 2017				
	Number of Shares	Cost	Fair Value	Unrealized Gain (Loss)
ABS-CBN PDRs	34,903,218	₱1,515,864	₱1,204,161	(₱311,703)
ABS-CBN Common	501,320	24,052	17,346	(6,706)
Lopez Holdings	66,248,580	227,955	370,992	143,037
Rockwell Land	17,103,433	34,476	36,259	1,783
First Gen Corporation (First Gen)	225	6	4	(2)
First Philippine Holdings (FPH)	46,500	3,503	2,883	(620)
	<b>118,803,276</b>	<b>₱1,805,856</b>	<b>₱1,631,645</b>	<b>(₱174,211)</b>

As at December 31, 2018 and 2017, the value of each ABS-CBN PDRs held by the retirement fund is at ₱18.70 and ₱34.50, respectively.

Total loss from investments in shares of stock and other securities of related parties amounted to ₱840 million and ₱174 million in 2018 and 2017, respectively.

*Investments in Common Shares and UITF.* Common shares pertain to 29,493,504 shares and 90,490,457 shares listed in the PSE in 2018 and 2017, respectively, with fair value of ₱294 million and ₱319 million as at December 31, 2018 and 2017, respectively. Total gain from these investments amounted to ₱53 million in 2018 and ₱5 million in 2017.

Sky Cable and PCC

Sky Cable's retirement benefit fund is being maintained by trustee banks, BDO and Rizal Commercial Banking Corporation.

The fair value of Sky Cable's plan assets as at December 31, 2018 and 2017 are as follows:

	2018	2017
Short-term fixed income	<b>₱12,436</b>	₱13,880
Investment in medium and long-term fixed income:		
Government securities	<b>97,175</b>	91,898
Corporate bonds and debt securities	<b>19,508</b>	22,079
Unit investment trust fund	<b>4,830</b>	-
Investment in shares of stock of First Gen Corporation (First Gen)	<b>1,030</b>	7,495
Preferred shares	<b>2,221</b>	2,093
	<b>₱137,200</b>	₱137,445



*Short-term Fixed Income.* Short-term fixed income investment includes time deposit, special deposit account and special savings account with average interests of 3.6% and 2.0% as at December 31, 2018 and 2017, respectively.

*Medium and Long-term Fixed Income.* Investment in medium and long-term fixed income include Philippine peso-denominated bonds, such as government securities, corporate bonds, notes and debt securities.

*Investment in Government Securities.* Investment in government securities include treasury bills and fixed-term treasury notes bearing interest ranging from 2.90% to 7.90% and 2.13% to 6.38% as at December 31, 2018 and 2017, respectively. These securities are fully guaranteed by the government of the Republic of the Philippines. Total loss and gain from investments in government securities amounted to ₱1 million and ₱769 thousand for the years ended December 31, 2018 and 2017, respectively.

*Investment in Corporate Bonds.* These pertain to ₱20 million unsecured bonds with terms ranging from 6 to 10 years as at December 31, 2018 and 2017. Yield to maturity rate ranges from 4.6% to 6.8% with a gain (loss) of (₱42) thousand and ₱229 thousand in 2018 and 2017, respectively.

*Investment in Debt Securities.* This refers to a ₱5 million unsecured subordinated note with a term of 5 years and yield to maturity of 6.7% as at December 31, 2018 and 2017, respectively. Accrued interest receivable amounted to ₱58 thousand as at December 31, 2018.

*Investments in Shares of Stock of First Gen.* These refer to investments in preferred shares of First Gen which is listed in the PSE.

Total cost and fair value of investments in shares of stock of First Gen amounted to ₱1 million and ₱7 million as at December 31, 2018 and 2017. Total gain from these investments amounted to ₱30 thousand and ₱1 million in 2018 and 2017, respectively.

*Investments in Shares.* These refer to investments in shares of stock other than those of the related parties.

b. Other Employee Benefits

Other employee benefits consists of accumulated employee sick and vacation leave entitlement.

Net Benefit Expense

	<b>Years Ended December 31</b>		
	<b>2018</b>	2017	2016
Current service cost	<b>₱188,441</b>	₱152,531	₱281,530
Interest cost	<b>88,525</b>	98,791	86,271
Net actuarial loss (gain)	<b>(83,264)</b>	(406,616)	19,554
Net benefit expense (income)	<b>₱193,702</b>	(₱155,294)	₱387,355



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

	2018	2017
Defined benefit obligation at beginning of year	<b>₱1,828,560</b>	₱2,190,341
Current service cost	<b>188,441</b>	152,531
Interest cost	<b>88,525</b>	98,791
Actuarial loss	<b>(83,264)</b>	(406,616)
Benefits paid	<b>(347,795)</b>	(206,487)
<b>Defined benefit obligation at end of year</b>	<b>₱1,674,467</b>	₱1,828,560

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

	2018	2017
	Increase (Decrease) in Defined Benefit Obligation	Increase (Decrease) in Defined Benefit Obligation
Discount rate:		
Increase by 1%	<b>(₱358,247)</b>	(₱585,465)
Decrease by 1%	<b>492,165</b>	675,883
Future salary increases:		
Increase by 1%	<b>₱533,976</b>	₱706,553
Decrease by 1%	<b>(401,945)</b>	(623,276)

Shown below is the maturity analysis of the undiscounted benefit payments:

Year	December 31, 2018	December 31, 2017
One year	<b>₱481,740</b>	₱331,965
More than one year but less than five years	<b>2,638,071</b>	2,279,489
More than five years but less than ten years	<b>3,848,768</b>	3,708,857
Beyond ten years	<b>16,991,187</b>	24,050,302

The average duration of the defined benefit obligation at the end of the period ranges from 13 to 20 years.

### 31. Commitments

#### Deal Memorandum with DirecTV

On June 1, 2005, the Parent Company and ABS-CBN International entered in to a 25-year Deal Memorandum (Memorandum) with DirecTV in which the Parent Company granted DirecTV the exclusive right via satellite, internet protocol technology and satellite master antenna television system or similar system, to display, exhibit, perform and distribute certain programs of the Parent Company that are listed in the Memorandum. ABS-CBN International may engage in any marketing plan mutually agreed by both parties. All costs under any mutually agreed marketing plans shall be shared equally between DirecTV and ABS-CBN International.



As provided in the Memorandum, all rights, title and interest in and to the content, discrete programs or channels not granted to DirecTV are expressly reserved by the Parent Company. All programming decisions with respect to the programs shall be in the Parent Company's commercially reasonable discretion, including the substitution or withdrawal of any scheduled programs, provided that the Parent Company agrees that the programs will consist substantially the same content and genre provided for in the Memorandum.

The Memorandum also provides that subscription revenues, computed as the current and stand alone retail price per month for a subscription to The Filipino Channel multiplied by the average number of subscribers, shall be divided equally between DirecTV and ABS-CBN International.

ABS-CBN International's subscription revenue earned from subscribers that have migrated to DirecTV amounted to ₱721 million, ₱733 million and ₱701 million in 2018, 2017 and 2016, respectively.

#### Operating Lease

*As Lessee.* The Parent Company and subsidiaries lease office facilities, space and satellite equipment. Future minimum rental payable under non-cancelable operating leases are as follows:

	2018	2017
Within one year	₱173,138	₱204,721
After one year but not more than five years	697,605	706,271
After five years but not more than ten years	220,860	401,763
	<b>₱1,091,603</b>	<b>₱1,312,755</b>

*As Lessor.* The Parent Company has entered into commercial property leases on its building, consisting of the Parent Company's surplus office buildings. These non-cancelable leases have remaining non-cancelable lease terms of 3 to 5 years. All leases include a clause to enable upward revision of the rental charge on a predetermined rate.

Future minimum rental receivable under non-cancelable operating leases are as follows:

	2018	2017
Within one year	₱65,763	₱81,863
After one year but not more than five years	72,923	73,430
	<b>₱138,686</b>	<b>₱155,293</b>

#### Obligations under Finance Lease

The Company has finance leases over various items of equipment and IRU granted by various telecommunication companies. Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	2018	2017
Within one year	₱9,777	₱7,963
After one year but not more than five years	24,307	30,245
Total minimum lease payments	34,084	38,208
Less amounts representing finance charges	5,669	14,441
Present value of minimum lease payments	28,415	23,767
Less current portion (see Note 18)	7,413	7,781
Noncurrent portion (see Note 18)	<b>₱21,002</b>	<b>₱15,986</b>



The carrying amount of property and equipment under finance lease amounted to ₱311 million and ₱348 million as at December 31, 2018 and 2017, respectively (see Notes 10 and 31).

#### Purchase Commitments

Sky Cable has commitments with various program suppliers for a period of 1 to 5 years. Channel license fees are based on fixed and variable rates. Estimated fees for the next four years are as follows:

<u>Year</u>	<u>Amount*</u>
Within one year	₱1,098,188
After one year but not more than five years	1,711,077

*\*Includes variable fees based on the number of active subscribers as at December 31, 2018.*

#### Network Sharing Agreement

On May 28, 2013, ABS-CBN announced its network sharing agreement with Globe Telecom, Inc. (Globe). This partnership enables ABS-CBN to deliver ABS-CBN content and offer 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-C on a nationwide basis. The parties may also share assets such as servers, towers, and switches. The Company recognized interconnection cost amounting to ₱119 million in 2018, ₱202 million in 2017 and ₱293 million in 2016 (see Note 26). The network sharing agreement with Globe expired on November 30, 2018 and was no longer renewed.

#### Construction Contracts

Play Innovations entered into various construction contracts for the development of an educational theme park under the franchise license of KidZania brand in the Philippines. The contract value committed for the significant construction contracts amounted to ₱1,165 million as at December 31, 2016. All outstanding construction projects have been significantly completed in 2017.

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### **32. Financial Risk Management Objectives and Policies**

The Company's principal financial instruments comprise cash and cash equivalents, short-term investments, investments in equity securities and club shares and interest-bearing loans and borrowings. The main purpose of these financial instruments is to raise funds for the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The BOD reviews and agrees on the policies for managing each of these risks and they are summarized below.

#### Cash Flow Interest Rate Risk

The Company's exposure to the risk for changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates.

To manage this mix in a cost-efficient manner, it is the Company's policy to enter into interest rate swaps whenever the need arises. Without the existence of any swaps, the Company's loan with fixed rate of interest is at about 96% of the total loans at the end of 2017. As at December 31, 2018 and 2017, there are no freestanding derivative contracts.





The following table sets out the carrying amount, by maturity, of the Company's consolidated financial instruments that are exposed to interest rate risk:

	Within One Year	One to Two Years	Two to Three Years	Three to Four Years	Four to Five Years	More than Five Years	Transaction Costs and Discount	Total
2017								
Interest-bearing loans and borrowings - Floating rate	₱10,441	₱756,580	₱2,732	₱2,894	₱24,902	₱-	(₱1,546)	₱796,003

Interest on financial instruments classified as floating rate is repriced at intervals of three months. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Company that are not included in the above tables are noninterest-bearing and are therefore not subject to interest rate risk.

Based on these experiences, the Company provides the following table to demonstrate the sensitivity of the Company's income before income tax (through the impact on floating rate borrowings) to a reasonably possible change in interest rates, with all other variables held constant. There is no impact on the Company's equity other than those already affecting the net income.

	Effect on Income Before Income Tax	
	2018	2017
PCC:		
Increase by 1%	₱-	(₱7,620)
Decrease by 1%	-	7,620

#### Foreign Currency Risk

It is the Company's policy to enter into cross currency swaps whenever the need arises to manage foreign currency risk and eliminate the variability of cash flows due to changes in the fair value of the foreign-currency denominated debt with maturity of more than one year.

As at December 31, 2018 and 2017, there are no freestanding derivative contracts and the Company's long-term loan obligations are generally in Philippine currency.

The Company, however has transactional currency exposures. Such exposure arises when the transaction is denominated in currencies other than the functional currency of the operating unit or the counterparty.



The following tables show the Company's significant foreign currency-denominated financial assets and liabilities and their Philippine peso equivalents as at December 31, 2018 and 2017:

	Original Currency														Pesos Equivalent
	USD	EUR	JPY	CAD	GBP	AUD	AED	Swiss Franc (CHF)	Norway Kroner (NOK)	Denmark Kroner (DKK)	Sweden Kroner (SEK)	Saudi Arabia Riyal (SAR)	Taiwan Dollar (TWD)	Israeli New Shekel (ILS)	
<b>December 31, 2018</b>															
Financial assets:															
Cash and cash equivalents	83,630	7,862	57,056	39,190	4,300	1,010	1,478	370	260	1,314	75	5	—	58	6,784,598
Trade and other receivables	432,785	10,950	44,821	36,670	7,560	1,151	6,358	314	51	230	111	897	568	819	25,529,377
	<b>516,415</b>	<b>18,812</b>	<b>101,877</b>	<b>75,860</b>	<b>11,860</b>	<b>2,161</b>	<b>7,836</b>	<b>684</b>	<b>311</b>	<b>1,544</b>	<b>186</b>	<b>902</b>	<b>568</b>	<b>877</b>	<b>32,313,975</b>
Financial liabilities:															
Trade and other payables	508,209	13,287	18,136	27,859	11,716	503	9,014	538	51	230	170	239	176	247	29,569,685
Obligations for program rights	2,120	—	—	—	—	—	—	—	—	—	—	—	—	—	111,470
	<b>510,329</b>	<b>13,287</b>	<b>18,136</b>	<b>27,859</b>	<b>11,716</b>	<b>503</b>	<b>9,014</b>	<b>538</b>	<b>51</b>	<b>230</b>	<b>170</b>	<b>239</b>	<b>176</b>	<b>247</b>	<b>29,681,155</b>
Net foreign currency-denominated financial assets (liabilities)	<b>6,086</b>	<b>5,525</b>	<b>83,741</b>	<b>48,001</b>	<b>144</b>	<b>1,658</b>	<b>(1,178)</b>	<b>146</b>	<b>260</b>	<b>1,314</b>	<b>16</b>	<b>663</b>	<b>392</b>	<b>630</b>	<b>2,632,820</b>
<b>December 31, 2017</b>															
Financial assets:															
Cash and cash equivalents	90,961	7,602	59,350	30,356	2,199	406	53,201	370	260	1,314	75	5	—	58	7,151,631
Trade and other receivables	401,940	10,095	70,759	36,250	10,464	1,556	4,399	315	51	230	110	768	—	819	23,015,421
	<b>492,901</b>	<b>17,697</b>	<b>130,109</b>	<b>66,606</b>	<b>12,663</b>	<b>1,962</b>	<b>57,600</b>	<b>685</b>	<b>311</b>	<b>1,544</b>	<b>185</b>	<b>773</b>	<b>—</b>	<b>877</b>	<b>30,167,052</b>
Financial liabilities:															
Trade and other payables	438,952	339	10,283	27,868	2,284	428	3,885	1	—	—	—	234	—	155	23,280,115
Obligations for program rights	1,367	—	—	—	—	—	—	—	—	—	—	—	—	—	68,260
	<b>440,319</b>	<b>339</b>	<b>10,283</b>	<b>27,868</b>	<b>2,284</b>	<b>428</b>	<b>3,885</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>234</b>	<b>—</b>	<b>155</b>	<b>23,348,375</b>
Net foreign currency-denominated financial assets	<b>52,582</b>	<b>17,358</b>	<b>119,826</b>	<b>38,738</b>	<b>10,379</b>	<b>1,534</b>	<b>53,715</b>	<b>684</b>	<b>311</b>	<b>1,544</b>	<b>185</b>	<b>539</b>	<b>—</b>	<b>722</b>	<b>6,818,677</b>



In translating the foreign currency-denominated monetary assets and liabilities into Philippine peso amounts, the Company used the following exchange rates:

Currency	2018	2017
USD	52.58	49.93
EUR	60.09	60.00
JPY	0.48	0.44
CAD	38.50	39.75
GBP	66.67	67.57
AUD	36.96	39.03
AED	14.29	13.61
CHF	55.05	51.30
NOK	6.03	6.09
DKK	8.05	8.05
SEK	5.85	6.11
SAR	14.00	13.33
TWD	1.72	1.68
ILS	13.94	14.38

The following tables demonstrate the sensitivity of the Company's income before income tax to a reasonably possible change in foreign exchange rates, with all other variables held constant. There is no impact on the Company's equity other than those already affecting the net income.

	2018		2017	
	Increase (Decrease) in ₱ to Foreign Currency Exchange Rate	Effect on Income Before Income Tax	Increase (Decrease) in ₱ to Foreign Currency Exchange Rate	Effect on Income Before Income Tax
USD	0.8%	2,477	0.5%	11,825
	-0.4%	(1,134)	-0.4%	(10,905)
EUR	1.0%	3,316	1.3%	13,923
	-1.0%	(3,271)	-0.3%	(2,627)
JPY	1.5%	593	0.9%	466
	-0.9%	(365)	-0.5%	(271)
CAD	0.8%	14,296	1.3%	19,527
	-1.0%	(19,312)	-0.7%	(10,334)
GBP	1.2%	113	1.1%	7,472
	-1.3%	(124)	-0.3%	(2,044)
AUD	1.0%	591	1.6%	942
	-1.4%	(876)	-0.9%	(517)
AED	0.8%	(142)	0.5%	3,482
	-0.4%	74	-0.4%	(3,026)
CHF	1.2%	99	0.9%	319
	-0.9%	(74)	-0.5%	(167)
NOK	1.4%	22	1.4%	27
	-1.5%	(23)	-0.9%	(18)
DKK	1.0%	104	1.3%	165
	-1.0%	(105)	-0.3%	(32)
SEK	1.3%	1	1.7%	19
	-1.6%	(2)	-0.7%	(8)
SAR	0.8%	78	0.5%	34
	-0.4%	(41)	-0.4%	(30)
TWD	0.8%	6	1.0%	-
	-0.7%	(5)	-0.3%	-
ILS	0.9%	76	1.2%	123
	-1.1%	(99)	-0.3%	(34)



The change in currency rate is based on the Company's best estimate of expected change considering historical trends and experiences. Positive change in currency rate reflects a weaker peso against foreign currency.

The Company computes for the percentages of changes in exchange rates for the foreign currency-denominated accounts by comparing the year-end closing rates or existing foreign currency exchange rates with the forward foreign currency exchange rates two months before and after financial reporting date. The Company assumes the trend for the six months period to be its exposure on foreign currency fluctuations.

#### Credit Risk

The Company is exposed to credit risk from its operational and financing activities. On the Company's credit risk arising from operating activities, the Company only extends credit with recognized and accredited third parties. The Company implements a pay before broadcast policy to new customers. In addition, receivable balances are monitored on an ongoing basis. Such determination takes into consideration the age of the receivable and the current solvency of the individual accounts.

The Company holds deposits in connection with its subscription contracts amounting to ₱371 million and ₱386 million as at December 31, 2018 and 2017, respectively (see Note 17). There is no requirement for collateral over the Company's other trade receivables since the Company trades only with recognized and accredited counterparties, thus, maximum exposure to credit risk is equal to the carrying value of the financial instruments.

With regard to the Company's financing activities, as a general rule, the Company transacts these activities with counterparties that have a long credit history in the market and outstanding relationship with the Company. The policy of the Company is to have the BOD accredit these banks and/or financial institutions before any of these financing activities take place.

With respect to credit risk arising from the financial assets of the Company, exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

*Credit Risk Exposures.* The table below shows the maximum exposure to on- and off-balance sheet credit risk exposures of the Company, without considering the effects of collateral, credit enhancements and other credit risk mitigation techniques as at December 31:

	2018	2017
Financial assets at amortized cost/ Loans and receivables:		
Cash and cash equivalents (excluding cash on hand)	<b>₱18,057,913</b>	₱12,197,706
Short-term investments	<b>1,804,041</b>	1,358,429
Trade and other receivables - net	<b>10,176,602</b>	10,630,014
Deposits	<b>297,525</b>	213,023
Financial asset at FVOCI	<b>268,304</b>	-
AFS investments	-	242,743
	<b>₱30,604,385</b>	₱24,641,915



*Credit Quality per Class of Financial Asset.* The credit quality of financial assets is being managed by the Company using internal credit ratings. The following tables show the credit quality by class of financial assets based on the Company's credit rating system as at December 31, 2018 and 2017:

	December 31, 2018					
	Neither Past Due nor Impaired			Past Due but		Total
	High	Moderate	Low	not Impaired	Impaired	
Financial assets at amortized cost:						
Cash and cash equivalents:						
Cash in banks	₱11,185,798	₱-	₱-	₱-	₱-	₱11,185,798
Cash equivalents	6,872,115	-	-	-	-	6,872,115
Short-term investments	1,804,041	-	-	-	-	1,804,041
Trade receivables:						
Airtime	3,520,307	1,120,953	33,148	1,265,836	192,721	6,132,965
Subscriptions	132,811	7,318	139,801	727,954	1,564,701	2,572,585
Others	879,248	76,646	5,179	924,963	432,863	2,318,899
Nontrade receivables	213,280	108,832	143,757	430,961	39,470	936,300
Due from related parties	458,285	-	-	-	-	458,285
Deposits	297,525	-	-	-	-	297,525
Financial assets at FVOCI	268,304	-	-	-	-	268,304
	<b>₱25,631,714</b>	<b>₱1,313,749</b>	<b>₱321,885</b>	<b>₱3,349,714</b>	<b>₱2,229,755</b>	<b>₱32,846,817</b>

	December 31, 2017					
	Neither Past Due nor Impaired			Past Due but		Total
	High	Moderate	Low	not Impaired	Impaired	
Loans and receivables:						
Cash and cash equivalents:						
Cash in banks	₱7,757,233	₱-	₱-	₱-	₱-	₱7,757,233
Cash equivalents	4,440,476	-	-	-	-	4,440,476
Short-term investments	1,358,429	-	-	-	-	1,358,429
Trade receivables:						
Airtime	3,981,895	1,200,345	157,465	1,123,116	164,710	6,627,531
Subscriptions	313,204	290,710	343,056	576,503	1,152,017	2,675,490
Others	646,434	33,726	35,437	773,325	335,791	1,824,713
Nontrade receivables	307,380	64,380	76,447	583,515	40,312	1,072,034
Due from related parties	322,227	-	-	-	-	322,227
Deposits	213,023	-	-	-	-	213,023
AFS investments	242,743	-	-	-	-	242,743
	<b>₱19,583,044</b>	<b>₱1,589,161</b>	<b>₱612,405</b>	<b>₱3,056,459</b>	<b>₱1,692,830</b>	<b>₱26,533,899</b>

The credit quality of the financial assets was determined as follows:

- High Credit Quality

This includes deposits or placements to counterparties with good credit rating or bank standing. For receivables, this covers, as at financial reporting date, accounts of good paying customers, with good credit standing and with no history of account treatment for a defined period. This also includes claims from Elite subscribers, advance payers, airtime and channel lease with advance payment arrangements, related parties with offsetting arrangement and existing employees.

- Moderate Credit Quality

For receivables, this covers accounts of standard paying customers, those whose payments are within the credit term, and new customers for which sufficient credit history has not been established. This also includes claims from Superior subscribers, airtime and channel lease and related parties without offsetting arrangement.



▪ Low Credit Quality

For receivables, this covers accounts of slow paying customers and those whose payments are received upon demand at financial reporting date. This also includes claims from Special subscribers.

Trade Receivables

These represent amounts collectible from advertising agencies, advertisers or trade customers arising from the sale of airtime, subscription, services and/or goods in the ordinary course of business.

*Airtime.* This account refers to revenue generated from the sale of time or time block within the on-air broadcast hours on television and radio.

*Subscriptions.* This account refers to revenue generated from regular subscriber's fees for either: (1) access to programs aired through DTH and cable television systems, or (2) direct sale of publications to subscribers.

*Others.* This account refers to other revenue generated from the sale of goods and services.

Nontrade Receivables

These represent claims, arising from sources other than the sale of airtime, subscriptions, services and goods in the ordinary course of business, that are reasonably expected to be realized in cash.

The following tables show the aging analysis of past due but not impaired receivables per class that the Company held as at December 31, 2018 and 2017. A financial asset is past due when a counterparty has failed to make a payment when contractually due.

	December 31, 2018						
	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Allowance	Total
		Less than 30	30 Days and Over				
Trade receivables:							
Airtime	₱4,674,408	₱570,997	₱694,838	₱192,722	(₱317,485)	₱5,815,480	
Subscriptions	279,930	73,782	654,172	1,564,701	(1,534,698)	1,037,887	
Others	961,073	187,913	737,050	432,863	(320,749)	1,998,150	
Nontrade receivables	465,869	128,024	302,937	39,470	(69,500)	866,800	
Due from related parties	-	-	458,285	-	-	458,285	
	<b>₱6,381,280</b>	<b>₱960,716</b>	<b>₱2,847,282</b>	<b>₱2,229,756</b>	<b>(₱2,242,432)</b>	<b>₱10,176,602</b>	

	December 31, 2017						
	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Allowance	Total
		Less than 30	30 Days and Over				
Trade receivables:							
Airtime	₱5,339,705	₱360,059	₱763,057	₱164,710	(₱333,473)	₱6,294,058	
Subscriptions	946,970	164,561	411,942	1,152,017	(1,176,738)	1,498,752	
Others	715,597	154,045	619,279	335,792	(311,805)	1,512,908	
Nontrade receivables	448,207	33,018	550,592	40,217	(69,965)	1,002,069	
Due from related parties	-	-	322,227	-	-	322,227	
	<b>₱7,450,479</b>	<b>₱711,683</b>	<b>₱2,667,097</b>	<b>₱1,692,736</b>	<b>(₱1,891,981)</b>	<b>₱10,630,014</b>	

Liquidity Risk

The Company seeks to manage its funds through cash planning on a weekly basis. This undertaking specifically considers the maturity of both the financial investments and financial assets and projected operational disbursements. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. As a general rule, cash balance should be equal to ₱3.5 billion at any given time to compensate for 2 months of operational exigencies amidst occasional fluctuation of cash inflows.



It is the Company's objective to maintain a balance between continuity of funding and flexibility through the use of bank credit and investment facilities. As such, the Company continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities such as the ₱6 billion bond issuance in 2014 and refinancing of loans in 2016. Currently, the debt maturity profile of the Company ranges from 0.20 to 10 years. Also, the Company places funds in the money market only when there are surpluses from the Company's requirements. Placements are strictly made based on cash planning assumptions and as much as possible, covers only a short period of time.

The tables below summarize the maturity profile of the Company's financial assets and liabilities based on contractual undiscounted payments.

	December 31, 2018					Total
	Within One Year	One to Two Years	Two to Three Years	Three to Four Years	More than Four Years	
Cash and cash equivalents	₱18,104,686	₱-	₱-	₱-	₱-	₱18,104,686
Short-term investment	1,804,041	-	-	-	-	1,804,041
Trade receivables:						
Airtime	5,815,480	-	-	-	-	5,815,480
Subscription	1,037,887	-	-	-	-	1,037,887
Others	1,998,150	-	-	-	-	1,998,150
Nontrade receivables	866,800	-	-	-	-	866,800
Due from related parties	458,285	-	-	-	-	458,285
	30,085,329	-	-	-	-	30,085,329
Trade and other payables*	11,071,207	-	-	-	-	11,071,207
Obligations for program rights	792,570	62,222	62,222	62,222	62,222	1,041,458
Interest-bearing loans and borrowings	1,527,993	1,389,349	8,055,109	1,019,686	22,522,168	34,514,305
Customers' deposits	-	2,189	61,154	91,116	108,841	263,300
	13,391,770	1,453,760	8,178,485	1,173,024	22,693,231	46,890,270
Net	₱16,693,559	(₱1,453,760)	(₱8,178,485)	(₱1,173,024)	(₱22,693,231)	(₱16,804,941)

\*Excluding customers' deposits, accrued taxes and other payables to government agencies.

	December 31, 2017					Total
	Within One Year	One to Two Years	Two to Three Years	Three to Four Years	More than Four Years	
Cash and cash equivalents	₱12,346,556	₱-	₱-	₱-	₱-	₱12,346,556
Short-term investment	1,358,429	-	-	-	-	1,358,429
Trade receivables:						
Airtime	6,294,058	-	-	-	-	6,294,058
Subscription	1,498,752	-	-	-	-	1,498,752
Others	1,512,908	-	-	-	-	1,512,908
Nontrade receivables	1,002,069	-	-	-	-	1,002,069
Due from related parties	322,227	-	-	-	-	322,227
	24,334,999	-	-	-	-	24,334,999
Trade and other payables*	10,650,801	-	-	-	-	10,650,801
Obligations for program rights	748,070	62,222	62,222	62,222	62,222	996,958
Interest-bearing loans and borrowings	1,007,524	1,127,725	8,789,023	2,988,994	11,165,529	25,078,795
Customers' deposits	-	2,189	61,154	91,116	232,346	386,805
	12,406,395	1,192,136	8,912,399	3,142,332	11,460,097	37,113,359
Net	₱11,928,604	(₱1,192,136)	(₱8,912,399)	(₱3,142,332)	(₱11,460,097)	(₱12,778,360)

\*Excluding customers' deposits, accrued taxes and other payables to government agencies.

### Capital Management

The Company's capital structure pertains to the mix of long-term sources of funds. When the Company expands, it needs capital, and that capital can come from debt or equity.

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios and strong credit ratings while viably supporting its business to maximize shareholder value.



The Company's approach focuses on efficiently allocating internally generated cash for operational requirements and investments to grow the existing business as well as to deliver on its commitment of a regular dividend payout at a maximum of 50% of the previous year's net income. Shortages if any and acquisitions or investments in new business are funded by the incurrence of additional debt largely capped by existing loan covenants on financial ratios.

As evidenced by the quarterly financial certificates that the Company issued to its lenders, all financial ratios are within the required limits all throughout 2018 and 2017 as follows:

<b>2018 Financial Ratios</b>	Required	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
<b>Loan Agreement</b>					
Debt to equity	Less than or equal to 2.50	1.47	1.45	1.44	1.37
Debt service coverage ratio	Greater than or equal to 1.10	11.30	11.48	12.97	10.54
<b>2017 Financial Ratios</b>					
	Required	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
<b>Loan Agreement</b>					
Debt to equity	Less than or equal to 2.50	1.31	1.26	1.21	1.23
Debt service coverage ratio	Greater than or equal to 1.10	7.38	7.75	7.56	8.94

The following table shows the financial ratios that Sky Cable is required to maintain in accordance with the Fixed Rate Corporate Notes Facility Agreement for the loans:

Financial ratios	Required	2018	2017
Total liabilities to equity	Maintain at all times not exceeding 2:1	1.05	1.05
Debt service coverage ratio	Maintain at least 1.5 times	4.93	4.93

### 33. Financial Assets and Financial Liabilities

The following tables set forth the carrying amounts and estimated fair values of consolidated financial assets and liabilities recognized as at December 31, 2018 and 2017. There are no material unrecognized financial assets and liabilities as at December 31, 2018 and 2017.

	December 31, 2018				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
<b>Financial Assets</b>					
Financial assets at amortized cost:					
Deposits (included under "Other noncurrent assets" account in the consolidated statements of financial position)	₱297,525	₱278,087	₱-	₱-	₱278,087
Financial assets at FVOCI	268,304	268,304	194,324	-	73,940
	<b>₱565,829</b>	<b>₱546,391</b>	<b>₱194,324</b>	<b>₱-</b>	<b>₱352,027</b>
<b>Financial Liabilities</b>					
Other financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	₱28,225,496	₱28,347,441	₱-	₱-	₱28,347,441
Obligations for program rights	983,423	871,681	-	871,681	-
Convertible note	221,217	265,823	-	-	265,823
Customers' deposits (included as part of "Other noncurrent liabilities")	353,758	324,889	-	-	324,889
	<b>₱29,783,894</b>	<b>₱29,809,834</b>	<b>₱-</b>	<b>₱871,681</b>	<b>₱28,938,153</b>





December 31, 2017					
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
<b>Financial Assets</b>					
Loans and receivables:					
Deposits (included under "Other noncurrent assets" account in the consolidated statements of financial position)	P213,023	P187,666	P-	P-	P187,666
AFS investments - quoted	168,039	168,039	168,039	-	-
	<b>P381,062</b>	<b>P355,705</b>	<b>P168,039</b>	<b>P-</b>	<b>P187,666</b>
<b>Financial Liabilities</b>					
Other financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	P20,386,705	P20,479,688	P-	P-	P20,479,688
Obligations for program rights	904,393	1,030,318	-	1,030,318	-
Convertible note	205,380	242,839	-	-	242,839
Customers' deposits (included as part of "Other noncurrent liabilities")	386,805	175,096	-	-	175,096
	<b>P21,883,283</b>	<b>P21,927,941</b>	<b>P-</b>	<b>P1,030,318</b>	<b>P20,897,623</b>

#### Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

*Cash and Cash Equivalents, Short-term Investments, Trade and Other Receivables and Trade and Other Payables.* Due to the short-term nature of transactions, the fair values of these instruments approximate the carrying amounts as at financial reporting date.

*Deposits.* Fair value of these instruments is computed by discounting future cash flows using the risk-free interest rates for similar type of instruments adjusted for credit risk.

*AFS Investments/Financial assets at FVOCI.* The fair values of publicly-traded instruments were determined by reference to market bid quotes as at financial reporting date. The fair values of the non-listed equity investments have been estimated using a discounted cashflow model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these non-listed equity investments.

*Interest-bearing Loans and Borrowings.* Fair value was computed based on the following:

	<u>Fair Value Assumptions</u>
Term loans	Estimated fair value is based on the discounted value of future cash flows using the applicable risk-free rates for similar types of loans adjusted for credit risk. The interest rates used to discount the future cash flows have ranged from 0.4% to 3.7%.
Other variable rate loans	The face value approximates fair value because of recent and frequent repricing (i.e., 3 months) based on market conditions.

*Obligations for Program Rights.* Estimated fair value is based on the discounted value of future cash flows using the applicable risk-free rates for similar types of loans adjusted for credit risk.

*Convertible Note.* In 2018 and 2017, fair value was computed based on the discounted value of future cash flows using the applicable BVAL rate and the PDST-R2 rate plus 1% credit spread, respectively.



*Customers' Deposits.* The fair values were calculated by discounting the expected future cash flows using the applicable BVAL rates ranging from 2.7% to 4.7% in 2018 and prevailing PDST-R2 rate plus applicable credit spread ranging 2.8% to 4.7%.

There were no transfers between levels in the fair value hierarchy as at December 31, 2018 and 2017.

Offsetting of Financial Assets and Financial Liabilities

There is no offsetting of financial assets and financial liabilities as at December 31, 2018 and 2017.

**34. EPS Computations**

Basic EPS amounts are calculated by dividing the net income for the period attributable to common shareholders by the weighted average number of common shares outstanding (net of PDRs) during the period.

The following table presents information necessary to calculate EPS:

	<b>Years Ended December 31</b>		
	<b>2018</b>	2017	2016
Net income attributable to equity holders of the Parent Company	₱2,110,251	₱3,333,889	₱3,885,278
Dividends on preferred shares	(4,000)	(4,000)	(4,000)
(a) Net income attributable to common equity holders of the Parent Company	<u>₱2,106,251</u>	<u>₱3,329,889</u>	<u>₱3,881,278</u>
(b) Weighted average number of shares outstanding:			
At beginning and end of year	<u><b>822,972,436</b></u>	822,972,436	822,972,436
Basic/diluted EPS (a/b)	<u><b>₱2.560</b></u>	₱4.046	₱4.716

The Company has no dilutive potential common shares outstanding, therefore basic EPS is the same as diluted EPS.

**35. Note to Consolidated Statements of Cash Flows**

	<b>Years Ended December 31</b>		
	<b>2018</b>	2017	2016
Noncash investing activities:			
Acquisitions of program rights on account	<b>₱734,724</b>	₱435,700	₱856,073
Acquisition of transportation equipment through finance lease	-	-	21,844



Changes in liabilities arising from financing activities:

	January 1, 2018	Cash flows	Noncash changes	December 31, 2018
Term loans	₱20,362,938	₱7,817,849	₱16,293	₱28,197,080
Obligations under finance leases	23,767	(11,986)	16,634	28,415
Interest payable (Note 17)	225,697	(962,001)	1,045,829	309,525
Dividends payable (Note 17)	257,961	(766,831)	794,894	286,024
Deposits for future subscription (Note 17)	1,220,000	-	67,014	1,287,014
<b>Total liabilities from financing activities</b>	<b>₱22,090,363</b>	<b>₱6,077,031</b>	<b>₱1,940,664</b>	<b>₱30,108,058</b>

	January 1, 2017	Cash flows	Noncash changes	December 31, 2017
Term loans	₱20,446,492	(₱111,765)	₱28,211	₱20,362,938
Obligations under finance leases	25,731	(14,105)	12,141	23,767
Interest payable (Note 17)	232,867	(938,629)	931,459	225,697
Dividends payable (Note 17)	229,570	(856,938)	885,329	257,961
Deposits for future subscription (Note 17)	-	1,220,000	-	1,220,000
<b>Total liabilities from financing activities</b>	<b>₱20,934,660</b>	<b>(₱477,907)</b>	<b>₱1,857,140</b>	<b>₱22,090,363</b>

Noncash changes include effect of accrual of dividends and interests, amortization of debt issue costs and the accretion of interest on finance leases.

### 36. Contingent Liabilities and Other Matters

- a. The Parent Company has contingent liabilities with respect to claims and lawsuits filed by third parties. The events that transpired last February 4, 2006, which resulted in the death of 71 people and injury to about 200 others led the Parent Company to shoulder the burial expenses of the dead and medical expenses of the injured, which did not result in any direct or contingent financial obligation that is material to the Parent Company. The Parent Company has settled all of the funeral and medical expenses of the victims of the tragedy. Given the income flows and net asset base of the Parent Company, said expenses do not constitute a material financial obligation of the Parent Company, as the Parent Company remains in sound financial position to meet its obligations.

As at February 28, 2019, the claims, including those in connection with the events of February 4, 2006, are still pending and remain contingent liabilities. While the funeral and medical expenses have all been shouldered by the Parent Company, there still exist claims for compensation for the deaths and injuries, the amount of which have not been declared and cannot be determined with certainty at this time. Management is nevertheless of the opinion that should there be any adverse judgment based on these claims, this will not materially affect the Parent Company's financial position and performance.

- b. In relation to the consolidation of Sky Cable and Home Cable in 2004, a competitor television broadcasting company (complainant) filed a case before the NTC for unlawful merger and unlawful cross-ownership and common control and operations of telecommunications companies and cable companies with a prayer for cease and desist order. As at February 28, 2019, the case is still pending before the NTC. Management believes that the case filed by the complainant is without legal basis and would not have a material impact on the consolidated financial statements.



- c. The Company is also subject to periodic examinations by tax authorities and has other legal cases in the ordinary course of business, which are pending in courts or under protest. In consultation with its legal counsel, management believes that the outcome of these examinations and cases are not material to affect the Company's financial position and financial performance.

Disclosure of additional details beyond the present disclosures may seriously prejudice the Company's position. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only general descriptions were provided.

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**37. Events after reporting period**

- a. On January 24, 2019, the Company sold its 49% ownership in AMCARA.
- b. The Philippine SEC has approved Daum Kakao's decrease in its capital stock from ₱900 million to ₱86 million on January 31, 2019.





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

## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of ABS-CBN Corporation and Subsidiaries (collectively referred to as "the Company") as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 and have issued our report thereon dated February 28, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

  
Catherine E. Lopez

Partner

CPA Certificate No. 86447

SEC Accreditation No. 0468-AR-4 (Group A),

February 19, 2019, valid until February 18, 2022

Tax Identification No. 102-085-895

BIR Accreditation No. 08-001998-65-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 7332564, January 3, 2019, Makati City

February 28, 2019



ABS-CBN CORPORATION AND SUBSIDIARIES  
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY SCHEDULES  
December 31, 2018

- I. Supplementary Schedules required by Annex 68-E
- Schedule A. Financial Assets  
Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders  
(Other than Related Parties)  
Schedule C. Amounts Receivable/Payable from/to Related Parties which are Eliminated during the Consolidation of  
Financial Statements  
Schedule D. Intangible Assets - Other Assets  
Schedule E. Long-Term Debt  
Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)  
Schedule G. Guarantees of Securities of Other Issuers  
Schedule H. Capital Stock
- II. Reconciliation of Retained Earnings Available for Dividend Declaration
- III. Schedule of Effective Standards and Interpretations
- IV. Map of the Relationships of the Companies within the Group
- V. Financial Ratios

ABS-CBN CORPORATION and SUBSIDIARIES  
Schedule A. Financial Assets  
December 31, 2018

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at end of reporting period	Income received & accrued
<i>Loans and Receivables :</i>				
<i>(Amounts in Thousands)</i>				
<i>Cash and Cash Equivalents</i>				
Cash on hand and in banks		₱ 11,232,571	₱ 11,232,571	₱ 127,812
Cash equivalents		6,872,115	6,872,115	67,111
Short-term investments		1,804,041	1,804,041	7,878
<b>Subtotal</b>		<b>19,908,728</b>	<b>19,908,728</b>	<b>202,801</b>
<i>Trade and other receivables (excluding advances to suppliers)</i>				
Airtime		6,132,965	6,132,965	-
Subscriptions		2,572,585	2,572,585	-
Others		2,318,899	2,318,899	-
Advances to employees and talents		361,328	361,328	-
Due from related parties (see Note 23)		458,285	458,285	-
Others		574,972	574,972	-
Allowance for doubtful accounts		(2,049,954)	(2,049,954)	-
<b>Subtotal</b>		<b>10,369,080</b>	<b>10,369,080</b>	<b>-</b>
Deposits		297,525	297,525	-
<b>AFS investments</b>		<b>268,304</b>	<b>268,304</b>	<b>-</b>
<b>Total</b>		<b>₱ 30,843,637</b>	<b>₱ 30,843,637</b>	<b>₱ 202,801</b>

ABS-CBN CORPORATION and SUBSIDIARIES  
 Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)  
 December 31, 2018

Name and Designation of debtor	Balance at beginning of period	Additions	Deductions		Current	Not current	Balance at end of period
			Amounts collected	Amounts written off			

**NONE**

*Note: Receivables from officers and employees are within the ordinary course of business.*



ABS-CBN CORPORATION and SUBSIDIARIES  
Schedule C.1 Amounts Receivable from Related Parties which are eliminated during Consolidation of Financial Statements  
December 31, 2018

Name and Designation of debtor	DEDUCTIONS						
	Balance at beginning of period	Additions	Amounts Collected	Amounts Written Off	Current	Non Current	Balance at end of Period
ABS-CBN CORPORATION	₱ 12,729,672,637.09	₱ 6,830,442,921.26	₱ (5,194,744,364.21)	₱ -	₱ 14,365,371,194.14	₱ -	₱ 14,365,371,194.14
ABS-CBN FILM PRODUCTIONS, INC.	119,771,506.57	1,112,519,837.98	(1,043,605,396.42)	-	188,685,948.13	-	188,685,948.13
ABS-CBN GLOBAL	472,923,869.49	2,020,155,801.73	(1,723,435,332.66)	-	769,644,338.56	-	769,644,338.56
ABS-CBN INTEGRATED AND STRATEGIC PROPERTY HOLDING	206,496.00	413,966.88	-	-	-	-	620,462.88
TV FOOD CHEFS, INC.	8,996,411.82	8,406,743.51	(3,030,000.00)	-	14,373,155.33	-	14,373,155.33
ABS-CBN GLOBAL CARGO CORPORATION	-	85,408.00	-	-	85,408.00	-	85,408.00
ABS-CBN SHARED SERVICE CENTER PTE., LTD. - ROHQ	300,818,799.57	235,931,985.97	(164,200,000.00)	-	372,550,785.53	-	372,550,785.53
SARIMANOK NEWS NETWORK, INC.	330,426,871.35	1,022,940,508.37	(1,036,011,269.71)	-	317,356,110.01	-	317,356,110.01
SKY CABLE CORPORATION	52,233,440.94	30,047,321.88	(80,776,744.11)	-	1,504,018.71	-	1,504,018.71
CREATIVE PROGRAMS, INC.	274,749,572.61	1,444,984,067.51	(1,378,242,941.60)	-	341,490,698.52	-	341,490,698.52
SAPIENTIS HOLDINGS CORPORATION	138,147,915.07	169,348,523.83	(97,665,382.35)	-	209,831,056.55	-	209,831,056.55
THE BIG DIPPER DIGITAL CONTENT & DESIGN, INC.	775,546,658.01	2,800,750,457.06	(3,373,944,724.15)	-	202,352,390.92	-	202,352,390.92
SKY VISION	97,084,278.64	885,342.50	(889,171.25)	-	97,080,449.89	-	97,080,449.89
CINESCREEN, INC.	-	2,017,073.48	-	-	2,017,073.48	-	2,017,073.48
ICONNECT CONVERGENCE	1,488,770.37	343,548,470.80	(146,893,400.00)	-	198,143,841.17	-	198,143,841.17
ABS-CBN THEMEPARKS	2,820,147.05	19,025,627.06	(6,141,490.20)	-	15,704,283.91	-	15,704,283.91
	₱ 15,304,887,374.58	₱ 16,041,504,057.81	₱ (14,249,580,216.66)	₱ -	₱ 17,096,190,752.86	₱ -	₱ 17,096,811,215.74

ABS-CBN CORPORATION and SUBSIDIARIES  
Schedule C.2 Amounts Payable from Related Parties which are eliminated during Consolidation of Financial Statements  
December 31, 2018

Name and Designation of creditor	DEDUCTIONS							Balance at end of Period
	Balance at beginning of period	Additions	Amounts Paid	Amounts Written Off	Current	Non-Current		
ABS-CBN CORPORATION	₱ (1,052,374,316.46)	₱ (51,602,505,789.75)	₱ 51,381,561,181.77	₱ -	₱ (1,273,318,924.44)	₱ -	(1,273,318,924.44)	
ABS-CBN FILM PRODUCTIONS, INC.	(59,067,697.68)	(2,315,182,233.62)	2,325,813,482.86	-	(48,436,448.44)	-	(48,436,448.44)	
ABS-CBN GLOBAL	(397,661,154.78)	(983,272,315.12)	1,231,208,641.51	-	(149,724,828.39)	-	(149,724,828.39)	
ABS-CBN GLOBAL CARGO CORPORATION	(1,820,273.28)	(83,839.00)	-	-	(1,904,112.28)	-	(1,904,112.28)	
ABS-CBN INTEGRATED AND STRATEGIC PROPERTY HOLDINGS, INC.	(11,648,796.21)	(13,455,680.66)	23,643,263.96	-	(1,461,212.91)	-	(1,461,212.91)	
SARIMANOK NEWS NETWORK, INC.	(15,928,669.46)	(1,545,753,212.16)	1,545,047,659.36	-	(16,634,222.26)	-	(16,634,222.26)	
ABS-CBN PUBLISHING, INC.								
ABS-CBN SHARED SERVICE CENTER PTE., (ROHQ)	(14,352.33)	(697,968,123.17)	697,893,333.01	-	(89,142.49)	-	(89,142.49)	
CAPTAIN SERVICES	(55,364,203.23)	(2,830,670.39)	-	-	(38,194,873.62)	-	(38,194,873.62)	
CENTER FOR COMMUNICATION ARTS, INC	(8,792,757.17)	-	-	-	(8,792,757.17)	-	(8,792,757.17)	
SKY CABLE CORPORATION	(991,776,798.21)	(134,133,101.71)	58,384,404.49	-	(1,067,525,495.43)	-	(1,067,525,495.43)	
CREATIVE PROGRAMS, INC.	(384,349,536.68)	(1,306,469,345.52)	1,590,712,725.22	-	(100,106,156.98)	-	(100,106,156.98)	
I CONNECT CONVERGENCE	(149,064,899.75)	16,905,317.85	-	-	(132,159,581.90)	-	(132,159,581.90)	
PANAY MARINE, LTD.	(537,440,008.28)	(82,205,186.51)	-	-	(619,645,194.79)	-	(619,645,194.79)	
PROSTAR, INC.	(5,015,861.59)	-	-	-	(5,015,861.59)	-	(5,015,861.59)	
ROSETTA HOLDINGS CORPORATION	(1,418,143,835.81)	(293,872,049.18)	-	-	(1,712,015,884.99)	-	(1,712,015,884.99)	
SAPIENTIS HOLDINGS CORPORATION	(8,240,366,241.36)	1,540,057,060.37	821,732,646.46	-	(5,878,576,534.53)	-	(5,878,576,534.53)	
SKY VISION	(62,884,185.41)	1,829.63	-	-	(62,882,355.78)	-	(62,882,355.78)	
CINESCREEN, INC.	(8,524,428.76)	(11,983,766.78)	-	-	(20,508,195.54)	-	(20,508,195.54)	
THE BIG DIPPER DIGITAL CONTENT & DESIGN, INC.	(169,855,238.46)	(3,585,687,351.29)	3,508,870,143.00	-	(246,672,446.75)	-	(246,672,446.75)	
ABS-CBN THEMEPARKS	(726,629,998.95)	(363,567,572.90)	347,324,156.12	-	(742,873,415.73)	-	(742,873,415.73)	
ABS-CBN STUDIOS, INC.	(447,899,489.00)	(371,872,439.72)	-	-	(819,771,928.72)	-	(819,771,928.72)	
TV FOOD CHEFS, INC.	(971,463.70)	(71,489,085.56)	69,863,323.47	-	(2,597,225.79)	-	(2,597,225.79)	
	₱ (14,725,594,206.56)	₱ (62,040,832,321.03)	₱ 63,602,054,961.23	₱ -	₱ (13,164,371,566.36)	₱ -	₱ (13,164,371,566.36)	

ABS-CBN CORPORATION and SUBSIDIARIES  
Schedule D. Intangible Assets - Other Assets  
December 31, 2018

Description	Beginning balance	Additions at cost	Deductions			Ending balance
			Charged to Cost and Expenses	Charged to other accounts (Disposal)	Other changes additions (deductions)	
<i>(Amounts in Thousands)</i>						
Program Rights	₱ 4,514,725	₱ 1,518,112	₱ (1,258,917)	₱ -	₱ -	₱ 4,773,920
Music Rights	3,356	-	(2,550)	-	-	806
Movie In- Process and Filmed Entertainment	1,003,400	412,087	(359,126)	-	-	1,056,361
Story, Video and Publication and Record Master	128,922	6,412	(10,735)	-	-	124,599
Trademarks	1,111,784	-	-	-	-	1,111,784
Licenses	993,973	-	(4,745)	-	1,009	990,237
IP Block	29,491	8,313	-	-	-	37,804
Customer Relationships	511,214	-	(45,988)	-	154,249	619,475
Cable Channels - CPI	459,968	-	-	-	-	459,968
Digital Platforms	30,614	15,829	(32,747)	-	-	13,696
BPR		101,384				101,384
Production and Distribution Business-ME	57,247	-	(6,712)	-	167	50,702
Total	₱ 8,844,694	₱ 2,062,137	₱ (1,721,520)	₱ -	₱ 155,425	₱ 9,340,736

Note: Charge to other accounts and other changes represent effect of business combination

ABS-CBN CORPORATION and SUBSIDIARIES  
Schedule E. Long-Term Debt  
December 31, 2018

Title of issue and type of obligation	Amount of authorized indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet
<i>(Amounts in Thousands)</i>			
Term Loans : Loan Agreement	22,222,387	407,498	21,814,889
Term Loans : Obligations under finance lease	28,415	7,413	21,002
Term Loans : Bonds Payable	5,974,693	-	5,974,693
Total	₱ 28,225,495	₱ 414,911	₱ 27,810,584

ABS-CBN CORPORATION and SUBSIDIARIES  
Schedule F. Indebtedness to Related Parties  
December 31, 2018

Name of Related Parties	Balance at beginning of period	Balance at end of period
-------------------------	--------------------------------	--------------------------

**NOT APPLICABLE**

ABS-CBN CORPORATION and SUBSIDIARIES  
 Schedule G. Guarantees of Securities of Other Issuers  
 December 31, 2018

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
--	---	---	---	---------------------

NONE

ABS-CBN CORPORATION and SUBSIDIARIES  
 Schedule H. Capital Stock  
 December 31, 2018

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common Shares - ₱1 Par value	1,300,000,000	862,192,581	-	801,606,842	13,140,565	47,445,174
Preferred Shares - ₱2 Par value	1,000,000,000	1,000,000,000	-	987,130,246	1,830,550	11,039,204

\* Net of Philippine depository receipts

**ABS-CBN CORPORATION**  
**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**December 31, 2018**

Amounts in Thousands

Unappropriated retained earnings, beginning	9,010,565
Adjustment:	
Remeasurement loss on defined benefit plan from previous years	2,382,553
Deferred tax assets, beginning	(1,682,553)
Treasury shares	(1,638,719)
<u>Retained earnings, beginning, as adjusted to amount available for dividend declaration, beginning</u>	<u>8,071,846</u>
Add: Net income actually realized during the year	
Net income during the year closed to retained earnings	1,906,425
Add (deduct):	
Unrealized foreign exchange gain – net of effects of cash and cash equivalents	(17,431)
Movement of recognized deferred tax assets for the year	(252,767)
<u>Net income actually realized during the year</u>	<u>1,636,227</u>
<u>Less: Dividends declared during the year</u>	<u>(794,894)</u>
<u>Retained earnings available for dividend declaration, end</u>	<u>8,913,179</u>



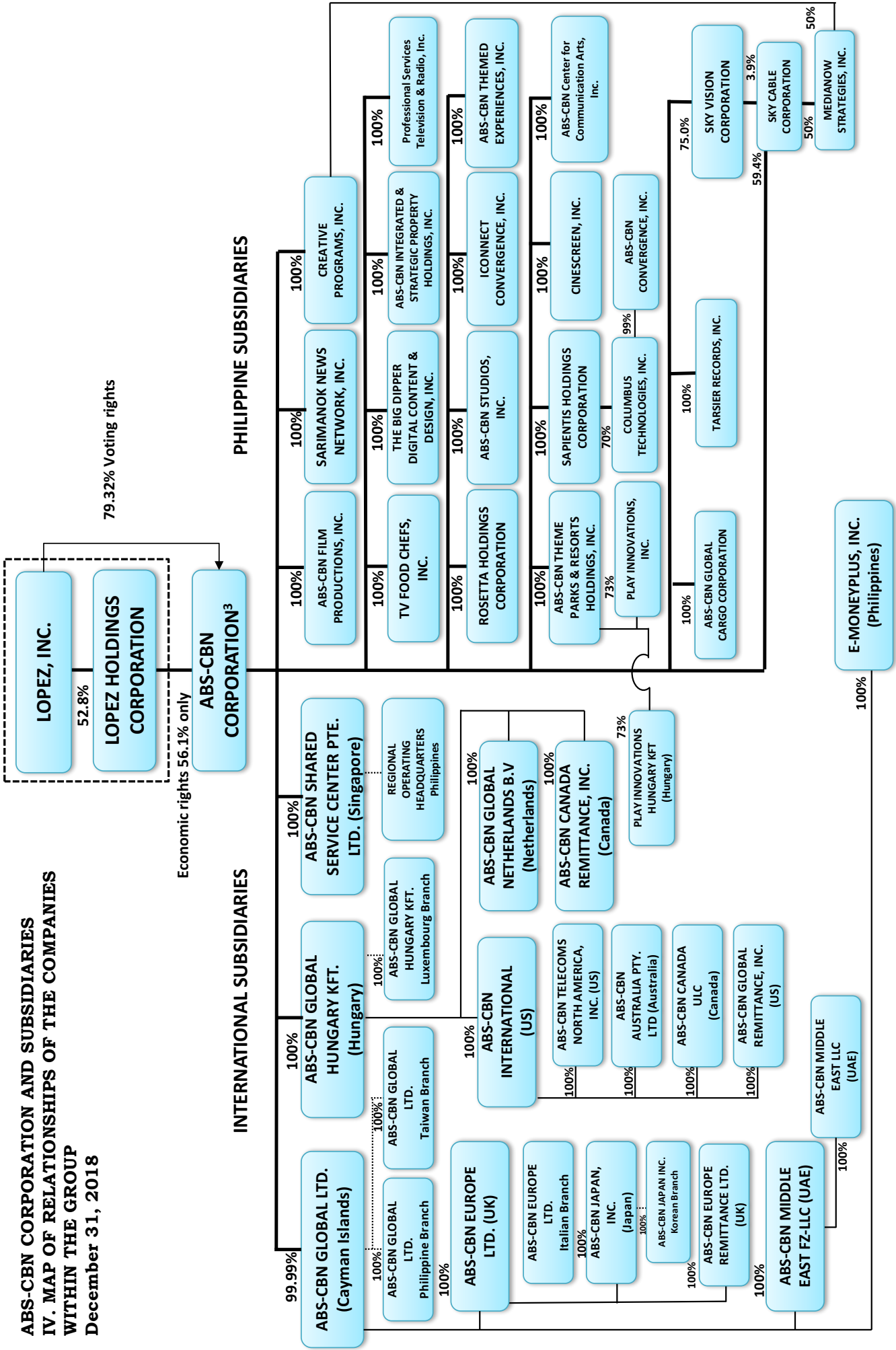
**ABS-CBN CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF ALL THE EFFECTIVE STANDARDS**  
**AND INTERPRETATIONS**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2018		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Philippine Financial Reporting Standards</b>				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions	✓		
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
<b>Philippine Accounting Standards</b>				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements	✓		
PAS 28	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property	✓		
	Amendments to PAS 40, Transfers of Investment Property	✓		
PAS 41	Agriculture			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Philippine Interpretations</b>				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment	✓		
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation	✓		
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners	✓		
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments	✓		
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓

**ABS-CBN CORPORATION AND SUBSIDIARIES**  
**IV. MAP OF RELATIONSHIPS OF THE COMPANIES**  
**WITHIN THE GROUP**  
**December 31, 2018**



ABS-CBN CORPORATION and SUBSIDIARIES  
Financial Ratios  
December 31, 2018

RATIOS	Formula	In Php ('000s)	2018	In Php	2017
<b>Current Ratio</b>	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$\frac{37,700,761}{15,592,912}$	2.42	$\frac{31,043,344}{14,236,564}$	2.18
<b>Net Debt-to-equity ratio</b>	$\frac{\text{Interest-bearing loans and borrowings less Cash and Cash equivalent}}{\text{Total Stockholders' Equity}}$	$\frac{10,120,809}{35,724,448}$	0.28	$\frac{8,040,149}{33,710,944}$	0.24
<b>Asset-to-equity ratio</b>	$\frac{\text{Total Assets}}{\text{Total Stockholders' Equity}}$	$\frac{84,559,217}{35,724,448}$	2.37	$\frac{75,125,329}{33,710,944}$	2.23
<b>Interest rate coverage ratio</b>	$\frac{\text{EBIT}}{\text{Interest Expense}}$	$\frac{2,872,092}{1,061,666}$	2.71	$\frac{4,741,096}{931,459}$	5.09
<b>Return on Equity</b>	$\frac{\text{Net Income}}{\text{Total Stockholders' Equity}}$	$\frac{1,908,241}{35,724,448}$	5.34%	$\frac{3,163,577}{33,710,944}$	9.4%
<b>Return on Asset</b>	$\frac{\text{Net Income}}{\text{Total Asset}}$	$\frac{1,908,241}{84,559,217}$	2.26%	$\frac{3,163,577}{75,125,329}$	4.2%
<b>Profitability ratios</b>					
Gross Profit Margin	$\frac{\text{Gross Profit}}{\text{Net Revenue}}$	$\frac{14,506,726}{40,130,592}$	36.15%	$\frac{16,042,974}{40,698,244}$	39.4%
<b>Net Income Margin</b>	$\frac{\text{Net Income}}{\text{Net Revenue}}$	$\frac{1,908,241}{40,130,592}$	4.76%	$\frac{3,163,577}{40,698,244}$	7.8%