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## SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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## **ABS-CBN CORPORATION QUARTERLY REPORT**

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### 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 six-month period ended June 30, 2018 and 2017.

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

The table below summarizes the results of operations for the six-month period ended June 30, 2018.

	1H 2018	1H 2017	Variance	
			Amount	%
<b>Consolidated Revenues</b>	<b>₱18,936</b>	<b>₱19,344</b>	<b>(₱408)</b>	<b>(2.1)</b>
Advertising Revenues	9,577	9,879	(302)	(3.1)
Consumer Sales	9,359	9,465	(106)	(1.1)
<i>Sale of Services</i>	7,900	8,093	(193)	(2.4)
<i>Sale of Goods</i>	1,365	1,230	135	10.0
<i>Others</i>	94	142	(48)	(33.8)
<b>Costs and Expenses</b>	<b>18,494</b>	<b>17,783</b>	<b>711</b>	<b>4.0</b>
Production Costs	6,456	5,930	526	8.9
Cost of Sales and Services	6,271	6,403	(132)	(2.1)
General and Administrative Expenses (GAEX)	5,767	5,450	317	5.8
<b>Financial Costs (Earnings) – net</b>	<b>(153)</b>	<b>332</b>	<b>(485)</b>	<b>146.1</b>
<b>Equity in Net Loss (Earnings) of Associates and Joint Ventures</b>	<b>12</b>	<b>(3)</b>	<b>15</b>	<b>(500.0)</b>
<b>Other Income – net</b>	<b>(261)</b>	<b>(344)</b>	<b>83</b>	<b>(24.3)</b>
<b>Net Income</b>	<b>₱741</b>	<b>₱1,256</b>	<b>(₱515)</b>	<b>(41.0)</b>
<b>EBITDA</b>	<b>₱3,788</b>	<b>₱4,367</b>	<b>(₱579)</b>	<b>(13.3)</b>

#### Consolidated Revenues

For the six-month period ended June 30, 2018, ABS-CBN generated consolidated revenues of ₱18.9 billion from advertising and consumer sales, ₱408 million or 2.1% lower year-on-year.

Advertising revenues decreased by ₱302 million or 3.1% lower, attributable to fewer advertising placements from first half of 2018. Consumer sales decreased by ₱106 million mainly resulting from lower theatrical receipts from Global and ABS-CBN Films and lower revenue from Sky Cable's cable business.

Comparative revenue mix is as follows:

	1H 2018	1H 2017
Advertising revenues	51%	51%
Consumer sales	49%	49%

### **Consolidated Costs and Expenses**

Direct costs and expenses amounted to ₱18.5 billion, or a 4.0% increase year-on-year.

Production cost increased by ₱526 million or 8.9%. The increase was due the growth in depreciation and amortization expenses by ₱10 million and ₱90 million, respectively, year-on year. The Company's facilities-related expenses and employee related costs grew also by ₱271 million or 15% increase year-on-year.

Cost of sales and services decreased by ₱132 million or 2.1% decrease year-on-year. The Company was able to reduce facilities and programming related expenses amounting to ₱312 million or 11.7% year-on year. Transaction costs also declined by ₱21 million or 64.3% mostly coming from the slowdown of Global's remittance business. The decrease in cost of services were offset by growth in costs of sales, a majority of which, being attributable to the sale of ABS-CBN TVPlus. Boxes sold for the first half reached 1.1 million, or a 20.2% increase in comparison to same period last year.





GAEX increased by ₱317 million or 5.8%. 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 ₱741 million net income for the six-month period ended June 30, 2018. EBITDA decreased to ₱3.788 billion, a 13.3% decrease year-on-year.

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

The following analysis presents results of operations of the Company’s business segments for the six-month period ended June 30, 2018:

Segment	Operating Revenue		Net Income	
	1H 2018	1H 2017	1H 2018	1H 2017
Media & Studio Entertainment	₱13,450	₱13,904	₱1,010	₱1,518
Cable, Satellite & Broadband	4,400	4,586	(81)	65
Digital & Interactive Media	580	507	(209)	(262)
Consumer Product & Experience	506	347	21	(65)

#### A. Media Networks & Studio Entertainment

ABS-CBN channels (Channel 2, Sports & Action, Cinemo, Yey, Knowledge Channel and Teleradyo) led in national audience share and ratings. Overall audience share was at 53.86% for the first half of 2018. ABS-CBN programs continuously filled out the Top 10 highest rating programs in June 2018, which was led by the top rating program and long running telenovela “Ang Probinsyano” with an average national TV rating of 41.1%. “Pilipinas Got Talent”, “Your Face Sounds Familiar”, “Bagani”, “La Luna Sangre”, “Maalala Mo Kaya”, and “Wansapanataym” 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 28.9 and 3.8, respectively.

Revenue from international business increased by ₱97 million or 3.4% year-on-year. The increase in international business was attributable to Global’s subscription services, which increased by ₱147 million or 5.8% year-on-year. This was partially offset by a decrease in Global’s advertising revenues by ₱67 million or 26.3% year-on-year. Program syndication increased by 21.7% coming from Latin America.

Film & Music’s revenues declined by 30.1% in 2018. During the year, 2 locally produced quality movies added up to Star Cinema’s movie library build-up namely: Da One That Ghost Away and Kasal. Total gross receipts generated from these movies, including receipts from The Revenger Squad and Ang Panday reached almost ₱700 million.

ABS-CBN TVPlus contributed significant increase in revenues during the first half with 1.1 million boxes sold, or a 20.2% increase in comparison to same period last year.

#### B. Cable, Satellite & Broadband

Sky’s revenue decreased by ₱160 million or 3.6% year-on-year. The decrease in Sky’s performance was triggered by the decrease in cable subscriber count by 80 thousand. In total, subscriber count of Sky increased by 168 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 2018. Total revenues generated from digital platforms amounted to ₱390 million in 2018, higher by 51% compared to the same period last year.

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

Kidzania generated ₱231 million in revenues with 155 thousand visitors in the first half of 2018.

ABS-CBN's live events, which brings the ABS-CBN experience closer to its audiences, generated ₱531 million in revenues in the first half of 2018.

### **Capital Expenditures**

Cash capital expenditures and program rights acquisitions amounted to ₱3.7 billion as of June 30, 2018.

### **Statement of Financial Position Accounts**

As at June 30, 2018, total consolidated assets stood at ₱83.7 billion, 11.4% higher than total assets of ₱75.1 billion as of December 31, 2017.

Shareholders' equity increased to ₱34.2 billion or 1.5% in June 30, 2018 compared to the previous year.

The company's net debt-to-equity ratio was at 0.21x and 0.24x as of June 30, 2018 and December 31, 2017, respectively.

## ABS–CBN Corporation and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements  
June 30, 2018

and for the Six Months Ended June 30, 2018 and 2017

*(With Comparative Audited Consolidated Statements of Financial Position  
as at December 31, 2017)*



**ABS-CBN CORPORATION AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF**  
**FINANCIAL POSITION**

(Unaudited)

(Amounts in Thousands)

	<b>June 30, 2018</b>	December 31, 2017
	(Unaudited)	(Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 6)	<b>₱21,046,356</b>	₱12,346,556
Short-term investments (Note 6)	<b>8,352</b>	1,358,429
Trade and other receivables (Notes 7 and 23)	<b>9,645,018</b>	10,630,014
Inventories (Note 8)	<b>651,201</b>	508,721
Program rights and other intangible assets (Note 12)	<b>1,244,421</b>	1,137,234
Other current assets (Note 9)	<b>5,926,308</b>	5,062,390
Total Current Assets	<b>38,521,656</b>	31,043,344
<b>Noncurrent Assets</b>		
Property and equipment (Notes 10, 18 and 31)	<b>26,349,965</b>	25,700,997
Program rights and other intangible assets - net of current portion (Note 12)	<b>7,845,713</b>	7,707,460
Goodwill (Note 16)	<b>5,480,105</b>	5,473,725
Available-for-sale (AFS) investments (Note 13)	<b>255,718</b>	242,743
Investment properties (Notes 11 and 18)	<b>204,731</b>	200,740
Investments in associates and joint ventures (Note 14)	<b>512,768</b>	524,953
Deferred tax assets (Note 29)	<b>3,079,619</b>	2,462,942
Other noncurrent assets (Note 15)	<b>1,449,145</b>	1,768,425
Total Noncurrent Assets	<b>45,177,764</b>	44,081,985
<b>TOTAL ASSETS</b>	<b>₱83,699,420</b>	₱75,125,329
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Notes 4, 17, 23 and 30)	<b>₱13,517,311</b>	₱13,272,821
Income tax payable	<b>180,464</b>	263,329
Obligations for program rights (Note 19)	<b>57,293</b>	349,736
Interest-bearing loans and borrowings (Notes 10, 11 and 18)	<b>420,118</b>	350,678
Total Current Liabilities	<b>14,175,186</b>	14,236,564
<b>Noncurrent Liabilities</b>		
Interest-bearing loans and borrowings - net of current portion (Notes 10, 11 and 18)	<b>27,833,694</b>	20,036,027
Obligations for program rights - net of current portion (Note 19)	<b>633,176</b>	554,657
Accrued pension obligation and other employee benefits (Note 30)	<b>5,941,144</b>	5,757,944
Deferred tax liability (Note 29)	<b>138,271</b>	138,271
Convertible note (Note 20)	<b>213,087</b>	205,380
Other noncurrent liabilities (Note 21)	<b>552,830</b>	485,542
Total Noncurrent Liabilities	<b>35,312,202</b>	27,177,821
Total Liabilities	<b>49,487,388</b>	41,414,385

(Forward)

	<b>June 30, 2018</b>	December 31, 2017
	(Unaudited)	(Audited)
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital stock (Note 22):		
Common	<b>₱883,515</b>	₱872,124
Preferred	<b>200,000</b>	200,000
Additional paid-in capital	<b>5,098,735</b>	4,745,399
Subscription Receivable (Note 22)	<b>(343,248)</b>	-
Exchange differences on translation of foreign operations	<b>880,219</b>	359,816
Unrealized gain on AFS investments (Note 13)	<b>193,383</b>	180,408
Retained earnings (Note 22)	<b>28,615,094</b>	28,560,106
Treasury shares and Philippine depository receipts (PDR) convertible to common shares (Note 22)	<b>(1,638,719)</b>	(1,638,719)
Equity attributable to Equity Holders of the Parent	<b>33,888,979</b>	33,279,134
<b>Noncontrolling Interests</b> (Note 24)	<b>323,053</b>	431,810
Total Equity	<b>34,212,032</b>	33,710,944
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱83,699,420</b>	₱75,125,329

*See accompanying Notes to Interim Condensed Consolidated Financial Statements.*

**ABS-CBN CORPORATION AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(Unaudited)

(Amounts in Thousands, Except Per Share Amounts)

	For the Quarter Ended June 30		For the Period Ended June 30	
	2018	2017	2018	2017
<b>REVENUE</b>				
Advertising revenue (Note 23)	<b>₱5,231,801</b>	₱5,039,419	<b>₱9,576,572</b>	<b>₱9,878,928</b>
Sale of services (Note 31)	<b>4,004,910</b>	3,981,392	<b>7,900,087</b>	<b>8,093,446</b>
Sale of goods (Note 23)	<b>657,392</b>	634,259	<b>1,365,544</b>	<b>1,229,566</b>
Others	<b>31,731</b>	112,331	<b>93,998</b>	<b>141,611</b>
	<b>9,925,834</b>	9,767,401	<b>18,936,201</b>	<b>19,343,551</b>
<b>PRODUCTION COSTS</b>				
(Notes 10, 12, 23, 25, 30 and 31)	<b>(3,372,525)</b>	(2,818,021)	<b>(6,455,517)</b>	<b>(5,929,852)</b>
<b>COST OF SERVICES</b>				
(Notes 8, 10, 12, 15, 23, 26, 30 and 31)	<b>(2,577,607)</b>	(2,728,077)	<b>(5,142,712)</b>	<b>(5,398,091)</b>
<b>COST OF SALES</b> (Notes 8, 10, 23, 26, 30 and 31)	<b>(526,261)</b>	(496,514)	<b>(1,128,874)</b>	<b>(1,005,144)</b>
<b>GROSS PROFIT</b>	<b>3,449,441</b>	3,724,789	<b>6,209,098</b>	<b>7,010,464</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
(Notes 7, 8, 10, 11, 12, 22, 23, 27, 30 and 31)	<b>(3,244,488)</b>	(2,567,793)	<b>(5,767,182)</b>	<b>(5,449,582)</b>
<b>FINANCE COSTS</b> (Notes 18, 20 and 28)	<b>(277,799)</b>	(246,669)	<b>(534,330)</b>	<b>(507,210)</b>
<b>INTEREST INCOME</b> (Notes 6 and 23)	<b>45,501</b>	40,242	<b>101,400</b>	<b>85,837</b>
<b>FOREIGN EXCHANGE GAINS - Net</b>	<b>187,792</b>	37,504	<b>585,558</b>	<b>89,672</b>
<b>EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES</b>				
(Note 14)	<b>(10,024)</b>	720	<b>(12,185)</b>	<b>2,501</b>
<b>OTHER INCOME - net</b> (Notes 15, 21, 28 and 31)	<b>164,640</b>	217,471	<b>260,875</b>	<b>344,393</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>315,063</b>	1,206,264	<b>843,234</b>	<b>1,576,075</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>				
(Note 29)	<b>(15,443)</b>	264,774	<b>102,109</b>	<b>320,187</b>
<b>NET INCOME</b>	<b>₱330,506</b>	₱941,490	<b>₱741,125</b>	<b>₱1,255,888</b>
<b>Attributable to</b>				
Equity holders of the Parent Company (Note 34)	<b>₱397,356</b>	₱1,032,719	<b>₱849,882</b>	<b>₱1,454,660</b>
Noncontrolling interests	<b>(66,850)</b>	(91,229)	<b>(108,757)</b>	<b>(198,772)</b>
	<b>₱330,506</b>	₱941,490	<b>₱741,125</b>	<b>₱1,255,888</b>
<b>Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent Company</b>				
(Note 34)	<b>₱0.473</b>	₱1.254	<b>₱1.018</b>	<b>₱1.763</b>

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

**ABS-CBN CORPORATION AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF**  
**COMPREHENSIVE INCOME**

(Unaudited)

(Amounts in Thousands)

	For the Quarter Ended June 30		For the Period Ended June 30	
	2018	2017	2018	2017
<b>NET INCOME</b>	<b>₱330,506</b>	₱941,490	<b>₱741,125</b>	₱1,255,888
Other comprehensive income (loss) to be reclassified to profit and loss in subsequent periods:				
Exchange differences on translation of foreign operations	<b>356,869</b>	26,458	<b>520,403</b>	(146,499)
Unrealized fair value gain (loss) on AFS investments - net (Note 13)	<b>19,227</b>	(6,750)	<b>12,975</b>	(2,147)
	<b>376,096</b>	19,708	<b>533,378</b>	(148,646)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>376,096</b>	19,708	<b>533,378</b>	(148,646)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱706,602</b>	₱961,198	<b>₱1,274,503</b>	₱1,107,242
<b>Attributable to:</b>				
Equity holders of the Parent Company	<b>₱773,452</b>	₱1,052,427	<b>₱1,383,260</b>	₱1,306,014
Noncontrolling interests	<b>(66,850)</b>	(91,229)	<b>(108,757)</b>	(198,772)
	<b>₱706,602</b>	₱961,198	<b>₱1,274,503</b>	₱1,107,242

*See accompanying Notes to Interim Condensed Consolidated Financial Statements.*

**ABS-CBN CORPORATION AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE SIX MONTH ENDED JUNE 30, 2018 AND 2017**

**(Unaudited)**

**(Amounts in Thousands)**

	Capital Stock (Note 22)		Additional Paid-in Capital	Subscription Receivable (Note 22)	Exchange Differences in Translation of Receivable Operations	Unrealized Gain (Loss) on Available- for-Sale Investments (Note 13)	Share-based Payment Plan (Note 22)	Retained Earnings (Note 22)		Treasury Shares and PDRs Convertible to Common Shares (Note 22)	Total	Noncontrolling Interests (Note 24)	Total Equity
	Common	Preferred						Appropriated	Unappropriated				
At December 31, 2017	<b>₱872,124</b>	<b>₱200,000</b>	<b>₱4,745,399</b>	<b>₱-</b>	<b>₱359,816</b>	<b>₱180,408</b>	<b>₱-</b>	<b>₱16,200,000</b>	<b>₱12,360,106</b>	<b>(₱1,638,719)</b>	<b>₱33,279,134</b>	<b>₱431,810</b>	<b>₱33,710,944</b>
Net income (loss)	-	-	-	-	-	-	-	-	849,882	-	849,882	(108,757)	741,125
Other comprehensive income	-	-	-	-	520,403	12,975	-	-	-	-	533,378	-	533,378
Total comprehensive income (loss)	-	-	-	-	520,403	12,975	-	-	849,882	-	1,383,260	(108,757)	1,274,503
Cash dividends declared	-	-	-	-	-	-	-	-	(794,894)	-	(794,894)	-	(794,894)
Employee stock subscriptions	11,391	-	353,336	(343,248)	-	-	-	-	-	-	21,479	-	21,479
At June 30, 2018	<b>₱883,515</b>	<b>₱200,000</b>	<b>₱5,098,735</b>	<b>(₱343,248)</b>	<b>₱880,219</b>	<b>₱193,383</b>	<b>₱-</b>	<b>₱16,200,000</b>	<b>₱12,415,094</b>	<b>(₱1,638,719)</b>	<b>₱33,888,979</b>	<b>₱323,053</b>	<b>₱34,212,032</b>
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)	-	-	-	-	-	-	-	-	1,454,660	-	1,454,660	(198,772)	1,255,888
Other comprehensive loss	-	-	-	-	(146,499)	(2,147)	-	-	-	-	(148,646)	-	(148,646)
Total comprehensive income (loss)	-	-	-	-	(146,499)	(2,147)	-	-	1,454,660	-	1,306,014	(198,772)	1,107,242
Cash dividends declared	-	-	-	-	-	-	-	-	(834,816)	-	(834,816)	-	(834,816)
At June 30, 2017	₱872,124	₱200,000	₱4,740,811	₱-	(₱128,150)	₱145,737	₱4,588	₱16,200,000	₱11,129,825	(₱1,638,719)	₱31,526,216	₱437,913	₱31,964,129

See accompanying Notes to Interim Condensed Consolidated Financial Statements.



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

	<b>Six Months Ended June 30</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱843,234</b>	₱1,576,075
Adjustments for:		
Depreciation and amortization (Notes 10 and 11)	<b>1,855,089</b>	1,780,039
Amortization of:		
Program rights and other intangibles (Note 12)	<b>779,674</b>	843,732
Debt issue costs (Note 28)	<b>18,773</b>	14,231
Deferred charges (Note 26)	<b>6,993</b>	6,796
Movement in accrued pension obligation and other employee benefits (Note 30)	<b>518,651</b>	385,667
Interest expense (Note 28)	<b>506,951</b>	475,037
Net unrealized foreign exchange loss (gain)	<b>373,311</b>	(19,850)
Interest income (Notes 6 and 23)	<b>(101,400)</b>	(85,837)
Equity in net losses (earnings) of associates and joint ventures (Note 14)	<b>12,185</b>	(2,501)
Gain on sale of property and equipment (Notes 10 and 28)	<b>(945)</b>	(4,608)
Income before working capital changes	<b>4,812,516</b>	4,968,781
Decrease (increase) in:		
Other current assets	<b>(867,205)</b>	(684,284)
Trade and other receivables	<b>787,277</b>	711,537
Inventories	<b>(137,825)</b>	(508,025)
Decrease in:		
Trade and other payables	<b>(611,723)</b>	(610,110)
Obligations for program rights	<b>(219,772)</b>	(233,664)
Other noncurrent liabilities	<b>(151,960)</b>	(505,853)
Cash generated from operations	<b>3,611,308</b>	3,138,382
Income taxes paid	<b>(601,234)</b>	(296,407)
Net cash provided by operating activities	<b>3,010,074</b>	2,841,975
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to:		
Property and equipment (Notes 5 and 10)	<b>(₱2,460,083)</b>	(₱2,969,218)
Program rights and other intangible assets (Notes 12 and 35)	<b>(875,680)</b>	(404,308)
Decrease in short-term investments	<b>1,350,077</b>	393,661
Increase in other noncurrent assets	<b>441,398</b>	189,865
Interest received	<b>95,115</b>	84,112
Proceeds from sale of property and equipment	<b>29,993</b>	50,760
Net cash used in investing activities	<b>(1,419,180)</b>	(2,655,128)

(Forward)

	<b>Six Months Ended June 30</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	<b>₱8,762,000</b>	₱-
Payments of:		
Long-term debt (Notes 18 and 28)	<b>(874,500)</b>	(99,798)
Dividends	<b>(550,966)</b>	(789,739)
Interest	<b>(422,799)</b>	(461,046)
Obligations under finance lease	<b>(4,603)</b>	(13,069)
Issuance of common shares (Note 22)	<b>21,479</b>	-
Net cash provided by (used in) financing activities	<b>6,930,611</b>	(1,363,652)
<b>EFFECTS OF EXCHANGE RATE CHANGES AND TRANSLATION</b>		
<b>ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>	<b>178,295</b>	(5,901)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>8,699,800</b>	(1,182,706)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>12,346,556</b>	10,964,524
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)</b>	<b>₱21,046,356</b>	₱9,781,818

*See accompanying Notes to Interim Condensed Consolidated Financial Statements.*

**ABS-CBN CORPORATION AND SUBSIDIARIES**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS**

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(Unaudited)

(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 television distribution and telecommunications services overseas, movie production, audio recording and distribution, video/audio post-production and film distribution. Other activities of the subsidiaries include merchandising, internet and mobile services, publishing, money remittance and theme parks.

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

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

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

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

Basis of Preparation

The interim condensed 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 AFS investments measured at fair value. The interim condensed 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 interim condensed consolidated financial statements of the Company were prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

The interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual consolidated financial statement and should be read in conjunction with the 2017 audited annual consolidated financial statements, comprising the consolidated statements of financial position as at December 31, 2017, 2016 and January 2016, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2017, 2016 and 2015, issued

and approved on February 22, 2018 (referred to as the “2017 audited annual consolidated financial statements”).

**Changes in Accounting Policies and Disclosures**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company’s 2017 audited annual 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 June 30, 2018 and December 31, 2017:

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest	
				June 30, 2018	December 31, 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
<b>Narrowcast and Sports:</b>					
ABS-CBN Publishing, Inc. (ABS-CBN Publishing)	Philippines	Print publishing	Philippine peso	100.0	100.0
Creative Programs, Inc. (CPI)	Philippines	Content development and programming services	Philippine peso	100.0	100.0
<b>Others:</b>					
ABS-CBN Europe Remittance Inc. <sup>(d) (i)</sup>	United Kingdom	Services - money remittance	GBP	100.0	100.0
E-Money Plus, Inc. <sup>(b)</sup>	Philippines	Services - money remittance	Philippine peso	100.0	100.0
ABS-CBN Global Remittance Inc. <sup>(i) (k)</sup>	California, USA	Services - money remittance	USD	100.0	100.0
ABS-CBN Canada Remittance Inc. <sup>(i) (n)</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

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest	
				June 30, 2018	December 31, 2017
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>(j) (m)</sup>	Singapore	Services - support	Singapore dollar (SGD)	100.0	100.0
Professional Services for Television & Radio, Inc.	Philippines	Services - production	Philippine peso	100.0	100.0
Rosetta Holdings Corporation (RHC)	Philippines	Holding company	Philippine peso	100.0	100.0
Sarimanok News Network, Inc.	Philippines	Content development and programming services	Philippine peso	100.0	100.0
The Big Dipper Digital Content & Design, Inc. (Big Dipper)	Philippines	Digital film archiving and central library, content licensing and transmission	Philippine peso	100.0	100.0
TV Food Chefs, Inc.	Philippines	Services - restaurant and food	Philippine peso	100.0	100.0
iConnect Convergence, Inc.	Philippines	Service - call center	Philippine peso	100.0	100.0
ABS-CBN Studios, Inc. <sup>(v)</sup>	Philippines	Production facility	Philippine peso	100.0	100.0
Medianow Strategies, Inc. (Medianow)	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-CBNs 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) (see Note 4)	Philippines	Holding Company	Philippine peso	75.0	75.0
Sky Cable Corporation (Sky Cable) (see Note 4)	Philippines	Cable television services	Philippine peso	59.4	59.4
Bisaya Cable Television Network, Inc. <sup>(h) (i)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Bright Moon Cable Networks, Inc. <sup>(h)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Cavite Cable Corporation <sup>(h)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Cepsil Consultancy and Management Corporation <sup>(h)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Davao Cableworld Network, Inc. <sup>(h) (o)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
HM Cable Networks, Inc. <sup>(h)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
HM CATV, Inc. <sup>(h)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Hotel Interactive Systems, Inc. <sup>(h)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Isla Cable TV, Inc. <sup>(h)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Moonsat Cable Television, Inc. <sup>(h) (o)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Pilipino Cable Corporation (PCC) <sup>(h)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Satellite Cable TV, Inc. <sup>(h)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Sun Cable Holdings, Incorporated (SCHI) <sup>(h)</sup>	Philippines	Holding company	Philippine peso	59.4	59.4
Sun Cable Systems Davao, Inc. <sup>(h) (i)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Sunvision Cable, Inc. <sup>(h)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Tarlac Cable Television Network, Inc. <sup>(h)</sup>	Philippines	Cable television services	Philippine peso	59.4	59.4
Telemondial Holdings, Inc. <sup>(h) (i)</sup>	Philippines	Holding company	Philippine peso	59.4	59.4
JMY Advantage Corporation <sup>(h)</sup>	Philippines	Cable television services	Philippine peso	56.4	56.4
Cebu Cable Television, Inc. <sup>(h) (o) (p)</sup>	Philippines	Cable television services	Philippine peso	57.4	57.4
Suburban Cable Network, Inc. <sup>(h)</sup>	Philippines	Cable television services	Philippine peso	54.9	54.9
Pacific CATV, Inc. (Pacific) <sup>(h) (o)</sup>	Philippines	Cable television services	Philippine peso	58.0	58.0
First Ilocandia CATV, Inc. <sup>(h) (o)</sup>	Philippines	Cable television services	Philippine peso	54.9	54.9
Mactan CATV Network, Inc. <sup>(h) (o) (p)</sup>	Philippines	Cable television services	Philippine peso	56.6	56.6
Discovery Mactan Cable, Inc. <sup>(h) (s)</sup>	Philippines	Cable television services	Philippine peso	41.6	41.6
Home-Lipa Cable, Inc. <sup>(h) (s)</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	100.0

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest	
				June 30, 2018	December 31, 2017
Play Innovations, Inc. <sup>(e)</sup>	Philippines	Theme park	Philippine peso	73.0	73.0
Play Innovations Hungary Kft. (Play Innovations) <sup>(i)</sup> <sup>(g)</sup>	Budapest, Hungary	Theme park	USD	73.0	73.0

<sup>(a)</sup> With branches in the Philippines and Taiwan

<sup>(b)</sup> Through ABS-CBN Global

<sup>(c)</sup> With branches in Italy and Spain

<sup>(d)</sup> Subsidiary of ABS-CBN Europe

<sup>(e)</sup> Nonstock ownership interest

<sup>(f)</sup> 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.

<sup>(g)</sup> Through ABS-CBN Theme Parks

<sup>(h)</sup> Through Sky Cable

<sup>(i)</sup> Subsidiary of SCHI

<sup>(j)</sup> Considered as foreign subsidiary

<sup>(k)</sup> Subsidiary of ABS-CBN International

<sup>(l)</sup> With a branch in Luxembourg

<sup>(m)</sup> With a regional operating headquarters in the Philippines

<sup>(n)</sup> Through ABS-CBN Hungary

<sup>(o)</sup> Subsidiary of PCC

<sup>(p)</sup> Through Pacific

<sup>(q)</sup> Through Sapientis

<sup>(r)</sup> With branch in Korea

<sup>(s)</sup> A subsidiary of Sky Cable where Sky Cable effectively owns more than 50% interest

<sup>(t)</sup> In liquidation

<sup>(u)</sup> 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.

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

The Company's interim condensed consolidated financial statements prepared under PFRS require management to make judgments and estimates that affect amounts reported in the interim condensed 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 interim condensed 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.

#### 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 interim condensed consolidated financial statements.

*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.

*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.

*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.

#### 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.* 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.

The Company evaluates specific balances where management has information that certain amounts may not be collectible. In these cases, the Company uses judgment, based on available facts and circumstances, and a review of the factors that affect the collectability of the accounts including, but not limited to, the age and status of the receivables, collection experience and past loss experience. The review is made by management on a continuing basis to identify accounts to be provided with allowance. These specific reserves are re-evaluated and adjusted as additional information received affects the amount estimated. In addition to specific allowance against individually significant receivables, the Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on historical default experience, current economic trends, changes in customer payment terms and other factors that may affect the Company's ability to collect payments. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies. An increase in allowance for doubtful accounts would increase the recorded operating expenses and decrease current assets.

*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.

*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.

*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.



*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.

*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.

*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 judgement 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.

*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).

#### Seasonality of Operations

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

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#### 4. **Significant Business Combinations, Acquisitions, Re-organization and Disposals**

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

On March 6, 2017, Sky Cable entered into an Asset Purchase Agreement (APA) with Tri-Isys to acquire the internet and value-added services business of Tri-Isys with the acquisition of the its assets, equipment, material contracts and subscription contracts. The consideration as provided for in the APA is ₱350 million, including the assumption of certain liabilities of the Tri-Isys as provided for in the APA.

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

	Amount
Trade receivables	₱4,730
Property and equipment (see Note 10)	24,539
Intangible assets (see Note 12)	163,406
Deferred input VAT	8,415
Other current assets	2,133
Customer deposits	(10,726)
Deferred output VAT	(507)
Net assets acquired	191,990
Goodwill arising on acquisition (see Note 16)	158,010
Total consideration	₱350,000

The purchase price allocation has been determined provisionally pending completion of an independent valuation and as such, is still subject to change. The Company recognized the entire excess of the consideration paid over the provisional values of Tri-Isys' identifiable assets and liabilities as goodwill.

Goodwill arising from the acquisition comprise the expectation of future growth in earnings and taking advantage of business synergies that cannot be recognized separately as identifiable intangible assets at the date of acquisition.

None of the goodwill recognized is expected to be deductible for income tax purposes.

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 have been ₱9,166 million and ₱133 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 (see Note 17). On January 24, 2018, the increase in capital stock of Sky Cable was approved by the SEC. As at June 30, 2018, the PDR instruments remain unissued.

On January 25, 2018, the Board of Directors (BOD) of the Company approved the merger of ABS-CBN Publishing and CPI with the latter as the surviving corporation. As at June 30, 2018, the application for merger with the SEC is still in ongoing.

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## 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 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>Six Months Ended June 30</b>	
	(Unaudited)	
	<b>2018</b>	2017
Consolidated EBITDA	<b>₱3,787,786</b>	₱4,366,773
Depreciation and amortization	<b>(1,855,089)</b>	(1,780,039)
Amortization of intangible assets**	<b>(665,139)</b>	(607,228)
Finance costs*	<b>(525,724)</b>	(489,268)
Provision for income tax	<b>(102,109)</b>	(320,187)
Interest income	<b>101,400</b>	85,837
<b>Consolidated net income</b>	<b>₱741,125</b>	<b>₱1,255,888</b>

\*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 for the six months ended June 30, 2018 and 2017 and certain asset and liability information regarding business segments as of June 30, 2018 and December 31, 2017:

	Media, Network and Studio Entertainment		Cable, Satellite and Broadband		Digital and Interactive Media		Consumer Products and Live Experience		Eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<b>Revenue</b>												
External sales	<b>₱13,453,990</b>	₱13,855,413	<b>₱4,339,220</b>	₱4,586,076	<b>₱658,769</b>	₱500,865	<b>₱907,310</b>	₱803,594	<b>₱-</b>	₱-	<b>₱19,359,289</b>	₱19,745,948
Inter-segment sales	<b>2,102,978</b>	2,395,657	-	-	-	3,871	<b>458</b>	26,288	<b>(2,103,436)</b>	(2,425,816)	-	-
Revenue deductions	<b>(357,744)</b>	(331,787)	-	-	<b>(71,582)</b>	(51,899)	<b>(14,237)</b>	(23,056)	<b>20,475</b>	4,345	<b>(423,088)</b>	(402,397)
<b>Total revenue</b>	<b>₱15,199,224</b>	₱15,919,283	<b>₱4,339,220</b>	₱4,586,076	<b>₱587,187</b>	₱452,837	<b>₱893,531</b>	₱806,826	<b>(₱2,082,961)</b>	(₱2,421,471)	<b>₱18,936,201</b>	₱19,343,551
<b>Results</b>												
Operating results	<b>₱730,556</b>	₱1,448,231	<b>(₱235,555)</b>	₱152,871	<b>(₱145,861)</b>	(₱269,660)	<b>(₱66,392)</b>	(₱39,810)	<b>₱159,168</b>	₱269,250	<b>₱441,916</b>	₱1,560,882
Finance costs	<b>(493,555)</b>	(469,547)	<b>(119,130)</b>	(135,375)	<b>(1,226)</b>	(138)	<b>(23,122)</b>	(23,010)	<b>102,703</b>	120,860	<b>(534,330)</b>	(507,210)
Foreign exchange gains (losses) - net	<b>421,327</b>	112,324	<b>136,808</b>	(10,305)	<b>(1,687)</b>	1,004	<b>(3,284)</b>	(69)	<b>32,394</b>	(13,282)	<b>585,558</b>	89,672
Interest income	<b>80,726</b>	128,127	<b>27,669</b>	2,514	<b>103</b>	222	<b>1,139</b>	1,061	<b>(8,237)</b>	(46,087)	<b>101,400</b>	85,837
Equity in net earnings (losses) of associates and joint ventures	<b>(12,185)</b>	2,501	-	-	-	-	-	-	-	-	<b>(12,185)</b>	2,501
Other income - net	<b>491,878</b>	606,542	<b>62,018</b>	76,322	<b>472</b>	6,350	<b>140</b>	2,007	<b>(293,633)</b>	(346,828)	<b>260,875</b>	344,393
Income tax	<b>(147,193)</b>	(297,865)	<b>44,487</b>	(17,392)	<b>410</b>	405	<b>187</b>	(5,335)	-	-	<b>(102,109)</b>	(320,187)
<b>Net income</b>	<b>₱1,071,554</b>	₱1,530,313	<b>(₱83,703)</b>	₱68,635	<b>(₱147,789)</b>	(₱261,817)	<b>(₱91,332)</b>	(₱65,156)	<b>(₱7,605)</b>	(₱16,087)	<b>₱741,125</b>	₱1,255,888
<b>EBITDA</b>											<b>₱3,787,786</b>	₱4,366,773
<b>EBITDA Margin</b>											<b>20%</b>	22%
<b>Assets and Liabilities</b>												
Operating assets	<b>₱69,144,540</b>	₱62,875,687	<b>₱24,024,067</b>	₱21,604,378	<b>₱3,408,479</b>	₱3,589,758	<b>₱1,003,664</b>	₱908,307	<b>(₱17,473,717)</b>	(₱16,840,696)	<b>₱80,107,033</b>	₱72,137,434
Investments in associates and joint ventures	<b>19,685,365</b>	20,488,396	<b>1,562</b>	1,562	-	-	-	-	<b>(19,174,159)</b>	(19,965,005)	<b>512,768</b>	524,953
Deferred tax assets - net	<b>2,003,933</b>	1,761,641	<b>954,611</b>	786,797	<b>130,630</b>	128,718	<b>35,994</b>	21,235	<b>(45,549)</b>	(235,449)	<b>3,079,619</b>	2,462,942
<b>Total assets</b>	<b>₱90,833,838</b>	₱85,125,724	<b>₱24,980,240</b>	₱22,392,737	<b>₱3,539,109</b>	₱3,718,476	<b>₱1,039,658</b>	₱929,542	<b>(₱36,693,425)</b>	(₱37,041,150)	<b>₱83,699,420</b>	₱75,125,329
Operating liabilities	<b>13,205,271</b>	13,460,154	<b>6,937,558</b>	6,203,801	<b>3,377,431</b>	758,764	<b>938,546</b>	769,726	<b>(3,363,501)</b>	(303,036)	<b>21,095,305</b>	20,889,409
Interest-bearing loans and borrowings	<b>22,605,289</b>	16,698,267	<b>6,162,832</b>	4,209,671	-	-	-	-	<b>(533,472)</b>	(545,000)	<b>28,234,649</b>	20,362,938
Deferred tax liabilities - net	-	-	-	-	<b>138,271</b>	138,271	-	-	-	-	<b>138,271</b>	138,271
Obligations under finance lease	-	-	<b>2,567</b>	3,049	<b>16,596</b>	20,718	-	-	-	-	<b>19,163</b>	23,767
<b>Total liabilities</b>	<b>₱35,810,560</b>	₱30,158,421	<b>₱13,102,957</b>	₱10,416,521	<b>₱3,532,298</b>	₱917,753	<b>₱938,546</b>	₱769,726	<b>(₱3,896,973)</b>	(₱848,036)	<b>₱49,487,388</b>	₱41,414,385
<b>Other Segment Information</b>												
Capital expenditures:												
Property and equipment	<b>₱1,441,382</b>	₱3,213,161	<b>₱1,000,659</b>	₱1,802,798	<b>₱12,915</b>	₱5,045	<b>₱5,127</b>	₱12,842	<b>₱-</b>	₱-	<b>₱2,460,083</b>	₱5,033,846
Intangible assets	<b>1,122,302</b>	2,021,524	<b>(48,587)</b>	165,827	<b>3,221</b>	29,365	-	-	-	-	<b>1,076,936</b>	2,216,716
Depreciation and amortization	<b>2,293,633</b>	4,703,841	<b>830,027</b>	1,597,389	<b>45,103</b>	91,496	<b>39,257</b>	78,884	<b>(573,257)</b>	(986,664)	<b>2,634,763</b>	5,484,946
Noncash expenses other than depreciation and amortization	<b>22,717</b>	47,754	<b>156,154</b>	456,128	<b>5,823</b>	34,131	-	-	-	(72,059)	<b>184,694</b>	465,954

Geographical Segment Data

The following tables present revenue and expenditure for the six months ended June 30, 2018 and 2017 and certain asset information regarding geographical segments as of June 30, 2018 and December 31, 2017:

	Philippines		United States		Others		Eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<b>Revenue</b>										
External sales	<b>P16,535,246</b>	P16,987,155	<b>P2,171,545</b>	P2,079,702	<b>P652,498</b>	P679,091	<b>P-</b>	P-	<b>P19,359,289</b>	P19,745,948
Inter-segment sales	<b>2,103,436</b>	2,425,816	-	-	-	-	<b>(2,103,436)</b>	(2,425,816)	-	-
Revenue deductions	<b>(443,563)</b>	(406,742)	-	-	-	-	<b>20,475</b>	4,345	<b>(423,088)</b>	(402,397)
Total revenue	<b>P18,195,119</b>	P19,006,229	<b>P2,171,545</b>	P2,079,702	<b>P652,498</b>	P679,091	<b>(P2,082,961)</b>	(P2,421,471)	<b>P18,936,201</b>	P19,343,551
<b>Assets</b>										
Operating assets	<b>P87,407,997</b>	P79,663,191	<b>P1,912,362</b>	P2,058,526	<b>P8,260,391</b>	P7,256,413	<b>(P17,473,717)</b>	(P16,840,696)	<b>P80,107,033</b>	P72,137,434
Investments in associates and joint ventures	<b>19,686,927</b>	20,489,958	-	-	-	-	<b>(19,174,159)</b>	(19,965,005)	<b>512,768</b>	524,953
Deferred tax assets – net	<b>3,005,709</b>	2,604,233	<b>85,083</b>	218,043	<b>34,376</b>	(123,885)	<b>(45,549)</b>	(235,449)	<b>3,079,619</b>	2,462,942
Total assets	<b>P110,100,633</b>	P102,757,382	<b>P1,997,445</b>	P2,276,569	<b>P8,294,767</b>	P7,132,528	<b>(P36,693,425)</b>	(P37,041,150)	<b>P83,699,420</b>	P75,125,329
<b>Liabilities</b>										
Operating liabilities	<b>P21,116,638</b>	P20,551,111	<b>P595,114</b>	P603,709	<b>P2,747,054</b>	P37,625	<b>(P3,363,501)</b>	(P303,036)	<b>P21,095,305</b>	P20,889,409
Interest-bearing loans and borrowings	<b>28,731,426</b>	20,872,388	<b>34,017</b>	2,436	<b>2,678</b>	33,114	<b>(533,472)</b>	(545,000)	<b>28,234,649</b>	20,362,938
Deferred tax liabilities - net	<b>138,271</b>	138,271	<b>(3,690)</b>	1,752,564	<b>3,690</b>	(1,752,564)	-	-	<b>138,271</b>	138,271
Obligations under finance lease	<b>19,163</b>	23,767	-	-	-	-	-	-	<b>19,163</b>	23,767
Total liabilities	<b>P50,005,498</b>	P41,585,537	<b>P625,441</b>	P2,358,709	<b>P2,753,422</b>	(P1,681,825)	<b>(P3,896,973)</b>	(P848,036)	<b>P49,487,388</b>	P41,414,385
<b>Other Segment Information</b>										
Capital expenditures:										
Property and equipment	<b>P2,435,290</b>	P4,883,146	<b>P24,727</b>	P147,524	<b>P66</b>	P3,176	<b>P-</b>	P-	<b>P2,460,083</b>	P5,033,846
Intangible assets	<b>1,076,936</b>	2,216,716	-	-	-	-	-	-	<b>1,076,936</b>	2,216,716

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6. **Cash and Cash Equivalents and Short-term Investments**

	<b>June 30, 2018</b>	December 31, 2017
	(Unaudited)	(Audited)
Cash on hand and in banks	<b>₱12,914,067</b>	₱7,906,083
Cash equivalents	<b>8,132,289</b>	4,440,473
	<b>₱21,046,356</b>	₱12,346,556

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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 ₱8 million and ₱1,358 million as at June 30, 2018 and December 31, 2017, respectively, and with maturities of more than three months but less than one year are classified as “Short-term investments” in the interim condensed consolidated statements of financial position.

Interest earned from cash and cash equivalents and short-term investments amounted to ₱101 million and ₱86 million for the six months ended June 30, 2018 and 2017, respectively.

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7. **Trade and Other Receivables**

	<b>June 30, 2018</b>	December 31, 2017
	(Unaudited)	(Audited)
Trade:		
Airtime	<b>₱5,486,137</b>	₱6,627,531
Subscriptions	<b>2,963,611</b>	2,675,490
Others	<b>1,755,528</b>	1,824,713
Due from related parties (see Note 23)	<b>402,581</b>	322,227
Advances to employees and talents (see Note 23)	<b>418,246</b>	638,035
Others	<b>673,604</b>	433,999
	<b>11,699,707</b>	12,521,995
Less allowance for doubtful accounts	<b>2,054,689</b>	1,891,981
	<b>₱9,645,018</b>	₱10,630,014

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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 but billing or acceptance by the customer has been delayed due to time lag in completing all required documents. 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 estimated 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:

	<b>June 30, 2018</b>	December 31, 2017
	(Unaudited)	(Audited)
Less than 30 days	<b>₱701,434</b>	₱756,404
31 to 60 days	<b>4,657</b>	134,922
	<b>₱706,091</b>	₱891,326

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)	<b>6,797</b>	<b>155,832</b>	<b>3,292</b>	-	<b>165,921</b>
Write-offs and others	<b>(3,063)</b>	-	-	<b>(150)</b>	<b>(3,213)</b>
<b>Balance at June 30, 2018</b>	<b>₱337,207</b>	<b>₱1,332,570</b>	<b>₱315,097</b>	<b>₱69,815</b>	<b>₱2,054,689</b>

Allowance for doubtful accounts are based on specific and collective assessment by the Company.

## 8. Inventories

	<b>June 30, 2018</b>	December 31, 2017
	(Unaudited)	(Audited)
At cost:		
Merchandise inventories	<b>₱504,664</b>	₱379,247
Office supplies	<b>1,407</b>	1,396
At net realizable value:		
Merchandise inventories	<b>41,957</b>	37,937
Materials, supplies and spare parts	<b>103,173</b>	90,141
	<b>₱651,201</b>	₱508,721

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 ₱1,071 million and ₱933 million for the six months ended June 30, 2018 and 2017, respectively, is recorded as part of “Inventory costs” under the “Cost of sales” account in the interim condensed consolidated statements of income (see Note 26). Total inventory costs, recognized under “Cost of sales and services” amounted to ₱1,137 million and ₱989 million for the six months ended June 30, 2018 and 2017, respectively (see Note 26).

The cost of inventories carried at net realizable value amounted to ₱278 million and ₱277 million as at June 30, 2018 and December 31, 2017, respectively. Inventory losses amounted to ₱1 million and ₱11 million for the six months ended June 30, 2018 and 2017, respectively (see Note 27).

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9. **Other Current Assets**

	<b>June 30, 2018</b>	December 31, 2017
	(Unaudited)	(Audited)
Creditable withholding and prepaid taxes	<b>₱2,658,560</b>	₱2,397,592
Advances to suppliers	<b>1,499,991</b>	1,406,488
Preproduction expenses	<b>558,424</b>	425,308
Prepayments:		
Licenses	<b>532,446</b>	491,968
Rent	<b>166,949</b>	91,239
Subscription	<b>114,019</b>	6,346
Insurance	<b>25,642</b>	23,207
Transponder services	<b>6,428</b>	23,244
Others	<b>363,849</b>	196,998
	<b>₱5,926,308</b>	₱5,062,390

Advances to suppliers are generally applied against future billings within next year.

Other prepayments mainly pertain to sponsorship and royalties.

## 10. Property and Equipment

June 30, 2018 - (Unaudited – Six Months)						
	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	P2,221,854	P12,802,354	P22,897,683	P13,547,798	P4,026,682	P55,496,371
Additions	1,019	2,461	680,498	357,003	1,419,102	2,460,083
Disposals/retirements	–	(180,048)	(205,339)	(736,229)	–	(1,121,616)
Reclassifications	166	55,973	(53,016)	13,056	(16,179)	–
Translation adjustments	6,109	40,098	30,496	66,647	407	143,757
Balance at end of year	2,229,148	12,720,838	23,350,322	13,248,275	5,430,012	56,978,595
<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)	717	248,088	1,080,849	524,563	–	1,854,217
Disposals/retirements	–	(177,126)	(192,781)	(722,661)	–	(1,092,568)
Translation adjustments	72	11,240	19,096	41,199	–	71,607
Balance at end of year	41,778	7,504,449	15,292,721	7,789,682	–	30,628,630
<b>Net Book Value</b>	<b>P2,187,370</b>	<b>P5,216,389</b>	<b>P8,057,601</b>	<b>P5,458,593</b>	<b>P5,430,012</b>	<b>P26,349,965</b>

December 31, 2017 (Audited - One Year)						
	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	P2,161,114	P12,244,968	P20,195,726	P12,594,599	P3,734,488	P50,930,895
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
Balance at end of year	2,221,854	12,802,354	22,897,683	13,547,798	4,026,682	55,496,371
<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
Balance at end of year	40,989	7,422,247	14,385,557	7,946,581	–	29,795,374
<b>Net Book Value</b>	<b>P2,180,865</b>	<b>P5,380,107</b>	<b>P8,512,126</b>	<b>P5,601,217</b>	<b>P4,026,682</b>	<b>P25,700,997</b>

Certain property and equipment of Sky Cable and PCC with a carrying value of P492 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 June 30, 2018, 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 ₱20,405 million and ₱19,572 million as at June 30, 2018 and December 31, 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 ₱1,385 million and ₱1,299 million as at June 30, 2018 and December 31, 2017, respectively. Borrowing costs capitalized in 2018 and 2017 amounted to ₱100 million and ₱200 million, respectively. 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):

	<b>June 30, 2018</b>	December 31, 2017
	(Unaudited)	(Audited)
Cost capitalized under finance lease	<b>₱857,867</b>	₱786,867
Accumulated depreciation	<b>(513,417)</b>	(438,705)
Net book value	<b>₱344,450</b>	₱348,162

The amount of property and equipment under finance lease includes the net book value of the Indefeasible Right of Use (IRU) covered by the lease agreement between Sky Cable and Bayan Telecommunications, Inc.

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## 11. Investment Properties

	<b>June 30, 2018 (Unaudited – Six Months)</b>		
	<b>Land</b>	<b>Building</b>	<b>Total</b>
<b>Cost:</b>			
Balance at beginning of year	<b>₱170,878</b>	<b>₱43,072</b>	<b>₱213,950</b>
Translation adjustments	<b>2,674</b>	<b>3,230</b>	<b>5,904</b>
Balance at end of year	<b>173,552</b>	<b>46,302</b>	<b>219,854</b>
<b>Accumulated depreciation:</b>			
Balance at beginning of year	–	<b>13,210</b>	<b>13,210</b>
Depreciation (see Note 27)	–	<b>872</b>	<b>872</b>
Translation adjustments	–	<b>1,041</b>	<b>1,041</b>
Balance at end of year	–	<b>15,123</b>	<b>15,123</b>
<b>Net book value</b>	<b>₱173,552</b>	<b>₱31,179</b>	<b>₱204,731</b>

December 31, 2017 (Audited – One Year)			
	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 June 30, 2018 and December 31, 2017. The Parent Company did not obtain updated appraisal reports as at June 30, 2018 since management believes that the change in the fair values is not material. The market value of the land, based on the latest appraisal report dated August 4, 2017, amounted to ₱436 million 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 ₱62 million and ₱58 million as at June 30, 2018 and December 31, 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).

As at June 30, 2018 and December 31, 2017, the fair market value of the land and building of ABS-CBN International, which is based on market price of similar properties within the area, amounted to ₱83 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 ₱1 million for the six months ended June 30, 2018 and 2017. Direct operating expenses, which consist mainly of depreciation, amounted to ₱872 thousand and ₱838 thousand for the six months ended June 30, 2018 and 2017, respectively.

## 12. Program Rights and Other Intangible Assets

June 30, 2018 (Unaudited – Six Months)											
	Program Rights	Music Rights	Movie In-Process and Filmed Entertainment	Story, Video and Publication and Record Master	Trademarks	Licenses	Customer Relationships	Cable Channels - CPI	Production and Distribution Business - Middle East	Digital Platforms and IP Block	Total
Balance at beginning of year	₱4,514,725	₱3,356	₱1,003,400	₱128,922	₱1,111,784	₱993,973	₱511,214	₱459,968	₱57,247	₱60,105	₱8,844,694
Additions	921,272	–	142,503	1,628	–	–	–	–	–	11,534	1,076,937
Reclassifications	–	–	–	–	–	–	(56,900)	–	–	–	(56,900)
Amortization (see Notes 25, 26 and 27)	(637,002)	(132)	(110,402)	(4,001)	–	(2,344)	(12,330)	–	(3,308)	(10,155)	(779,674)
Translation adjustments	–	–	–	–	–	1,257	–	–	3,820	–	5,077
Balance at end of year	4,798,995	3,224	1,035,501	126,549	1,111,784	992,886	441,984	459,968	57,759	61,484	9,090,134
Less current portion	1,055,300	1,623	77,613	109,885	–	–	–	–	–	–	1,244,421
Noncurrent portion	₱3,743,695	₱1,601	₱957,888	₱16,664	₱1,111,784	₱992,886	₱441,984	₱459,968	₱57,759	₱61,484	₱7,845,713

December 31, 2017 (Audited – One Year)											
	Program Rights	Music Rights	Movie In-Process and Filmed Entertainment	Story, Video and Publication and Record Master	Trademarks	Licenses	Customer Relationships	Cable Channels - CPI	Production and Distribution Business - Middle East	Digital Platforms and IP Block	Total
Balance at beginning of year	₱4,233,293	₱128,618	₱850,462	₱14,713	₱1,111,784	₱998,490	₱400,108	₱459,968	₱63,192	₱22,160	₱8,282,788
Additions	1,436,491	2,713	742,196	3,530	–	–	2,419	–	–	29,367	2,216,716
Effect of business combination (see Note 4)	–	–	–	–	–	–	133,915	–	–	29,491	163,406
Reclassification	–	(121,746)	–	121,746	–	–	–	–	–	–	–
Amortization (see Notes 25, 26 and 27)	(1,155,059)	(6,229)	(589,258)	(11,067)	–	(4,631)	(25,228)	–	(6,421)	(20,913)	(1,818,806)
Translation adjustments	–	–	–	–	–	114	–	–	476	–	590
Balance at end of year	4,514,725	3,356	1,003,400	128,922	1,111,784	993,973	511,214	459,968	57,247	60,105	8,844,694
Less current portion	1,072,248	1,653	54,838	8,495	–	–	–	–	–	–	1,137,234
Noncurrent portion	₱3,442,477	₱1,703	₱948,562	₱120,427	₱1,111,784	₱993,973	₱511,214	₱459,968	₱57,247	₱60,105	₱7,707,460

Costs and related accumulated amortization of other intangible assets with finite life (except cable channels) are as follows:

	June 30, 2018 (Unaudited – Six Months)						December 31, 2017 (Audited – One Year)					
	Licenses	Customer Relationships	Cable Channels - CPI	Production and Distribution Business - Middle East	Digital Platforms	Total	Licenses	Customer Relationships	Cable Channels - CPI	Production and Distribution Business - Middle East	Digital Platforms	Total
Cost	<b>₱42,777</b>	<b>₱692,374</b>	<b>₱574,960</b>	<b>₱212,358</b>	<b>₱59,476</b>	<b>₱1,581,945</b>	₱42,777	₱749,274	₱574,960	₱212,358	₱56,255	₱1,635,624
Accumulated amortization	<b>(14,940)</b>	<b>(250,390)</b>	<b>(114,992)</b>	<b>(154,599)</b>	<b>(35,796)</b>	<b>(570,717)</b>	(13,853)	(238,060)	(114,992)	(155,111)	(25,641)	(547,657)
Net book value	<b>₱27,837</b>	<b>₱441,984</b>	<b>₱459,968</b>	<b>₱57,759</b>	<b>₱23,680</b>	<b>₱1,011,228</b>	₱28,924	₱511,214	₱459,968	₱57,247	₱30,614	₱1,087,967

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 June 30, 2018, the remaining useful life of program rights range from one to 15 years. Licenses with finite life include franchise of KidZania brand in the Philippines, acquired in 2012, by Play Innovations, Inc. As at June 30, 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. The Company was operating in the Kingdom of Saudi Arabia through ADD until the transfer of its content rights to Orbit Showtime Network, a new sponsor, under an agreement effective from November 2013. As at June 30, 2018, the remaining useful life of this intangible asset is approximately five years.

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.

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### 13. Available-for-Sale Investments

	<b>June 30, 2018</b>	December 31, 2017
	(Unaudited)	(Audited)
Quoted equity securities	<b>₱181,014</b>	₱168,039
Unquoted ordinary common and club shares	<b>74,704</b>	74,704
	<b>₱255,718</b>	₱242,743

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Movements in this account follow:

	<b>June 30, 2018</b>	December 31, 2017
	(Unaudited)	(Audited)
Balance at beginning of year	<b>₱242,743</b>	₱210,219
Unrealized fair value gain on AFS investments	<b>12,975</b>	32,524
Balance at end of year	<b>₱255,718</b>	₱242,743

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#### 14. Investments in Associates and Joint Ventures

Entity	Principal Activities	Percentage of Ownership	
		<b>June 30, 2018</b>	December 31, 2017
		(Unaudited)	(Audited)
Associates:			
Amcara Broadcasting Network Incorporated (Amcara)	Services	<b>49.0</b>	49.0
Star Cinema Productions, Inc.	Services	<b>45.0</b>	45.0
The Flagship, Inc. (Flagship)	Services	<b>40.0</b>	40.0
Transmission Specialists, Inc. (TSI)	Services	<b>35.0</b>	35.0
Joint ventures:			
A CJ O Shopping Corporation (A CJ O)	Home shopping	<b>50.0</b>	50.0
Daum Kakao Philippines Corporation (Daum Kakao)	Services	<b>50.0</b>	50.0
ALA Sports Promotions International, Inc. (ALA Sports)	Boxing promotions	<b>44.0</b>	44.0



Details and movement in the account are as follows:

	<b>June 30, 2018</b>	December 31, 2017
	(Unaudited)	(Audited)
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>(12,185)</b>	(5,052)
Balance at end of year	<b>(549,049)</b>	(536,864)
Accumulated impairment loss:		
Balance at beginning and end of year	<b>(2,735)</b>	(2,735)
	<b>₱512,768</b>	₱524,953
Investments in:		
Joint ventures	<b>₱358,764</b>	₱370,938
Associates	<b>154,004</b>	154,015
	<b>₱512,768</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 June 30, 2018 and December 31, 2017.

a. Investments in Joint Ventures

i.A CJ 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

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 its 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 its corporation, and thereafter approved the continuance of its business operations in 2017.

Combined financial information of the joint ventures follows:

	<b>June 30, 2018</b> (Unaudited)	December 31, 2017 (Audited)
Current assets	<b>₱954,253</b>	₱865,792
Noncurrent assets	<b>148,702</b>	147,498
Current liabilities	<b>(368,178)</b>	(253,962)
Noncurrent liabilities	<b>(795)</b>	(695)
Net equity	<b>₱733,982</b>	₱758,633

	<b>Six Months Ended June 30</b> (Unaudited)	
	<b>2018</b>	2017
Revenue	<b>₱427,321</b>	₱440,238
Costs and expenses	<b>(451,972)</b>	(435,696)
Net income (loss)	<b>(24,651)</b>	4,542
Equity in net earnings (losses) of joint ventures	<b>(₱12,174)</b>	₱2,515

Below is the reconciliation of the summarized financial information of the joint ventures to the carrying amount of the Parent Company's investments therein:

	<b>June 30, 2018 (Unaudited – Six Months)</b>			
	<b>A C J O</b>	<b>ALA Sports</b>	<b>Daum Kakao</b>	<b>Total</b>
Net assets of joint ventures	<b>₱246,360</b>	<b>₱91,528</b>	<b>₱396,094</b>	<b>₱733,982</b>
Interest of the Parent Company in the net assets of the joint ventures	<b>50%</b>	<b>44%</b>	<b>50%</b>	
	<b>123,180</b>	<b>40,272</b>	<b>198,047</b>	<b>361,499</b>
Accumulated impairment loss	–	–	<b>(2,735)</b>	<b>(2,735)</b>
Carrying amount of investments in joint ventures	<b>₱123,180</b>	<b>₱40,272</b>	<b>₱195,312</b>	<b>₱358,764</b>

December 31, 2017 (Audited – One Year)				
	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 six months ended June 30, 2018 and 2017 because it is immaterial.

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 June 30, 2018 and December 31, 2017.

Combined financial information of associates follows:

	<b>June 30, 2018</b> (Unaudited)	December 31, 2017 (Audited)
Current assets	<b>₱69,323</b>	₱48,917
Noncurrent assets	<b>254,557</b>	255,082
Current liabilities	<b>(232,748)</b>	(212,844)
Net equity	<b>₱91,132</b>	₱91,155

	<b>Six Months Ended June 30</b> (Unaudited)	
	<b>2018</b>	2017
Revenue	<b>₱14,918</b>	₱17,015
Costs and expenses	<b>(14,941)</b>	(17,044)
Net loss	<b>(₱23)</b>	(₱29)
Equity in net losses of associates	<b>(₱11)</b>	(₱14)

Below is the reconciliation of the summarized financial information of the associates to the carrying amount of the Parent Company's investment therein:

	<b>June 30, 2018</b> (Unaudited)	December 31, 2017 (Audited)
Net assets of associate – Amcara	<b>₱83,192</b>	₱83,215
Interest of the Parent Company in the net assets of the associate	<b>49%</b>	49%
Carrying amount of investment in Amcara	<b>40,764</b>	40,775
Carrying amount of investment in Flagship	<b>103,178</b>	103,178
Investment in TSI	<b>10,062</b>	10,062
<b>Carrying amount of investments in associates</b>	<b>₱154,004</b>	₱154,015

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**15. Other Noncurrent Assets**

	<b>June 30, 2018</b> (Unaudited)	December 31, 2017 (Audited)
Tax credits with TCCs – net of allowance for impairment	<b>₱964,850</b>	₱1,149,321
Deposits and bonds	<b>414,229</b>	361,321
Deferred charges	<b>60,532</b>	75,722
Others (see Note 23)	<b>9,534</b>	182,061
	<b>₱1,449,145</b>	₱1,768,425

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**16. Goodwill**

Goodwill arose from the following acquisitions and business combination:

	<b>June 30, 2018</b> (Unaudited)	December 31, 2017 (Audited)
Sky Cable	<b>₱4,649,827</b>	₱4,649,827
CTI and ABS-C	<b>567,836</b>	567,836
ABS-CBN International	<b>253,241</b>	246,861
Sapientis	<b>9,201</b>	9,201
	<b>₱5,480,105</b>	₱5,473,725

Movements in the account follows:

	<b>June 30, 2018</b>	December 31, 2017
	(Unaudited)	(Audited)
Balance at beginning of year	<b>₱5,473,725</b>	₱5,314,677
Effect of business acquisition (see Note 4)	–	158,010
Translation adjustment	<b>6,380</b>	1,038
Balance at end of year	<b>₱5,480,105</b>	₱5,473,725

### 17. Trade and Other Payables

	<b>June 30, 2018</b>	December 31, 2017
	(Unaudited)	(Audited)
Trade	<b>₱1,418,753</b>	₱1,247,188
Accrued expenses:		
Production costs and other expenses	<b>4,662,319</b>	5,912,409
Salaries and other employee benefits (see Note 30)	<b>2,588,598</b>	1,339,504
Taxes	<b>924,765</b>	1,203,142
Interest	<b>302,143</b>	225,697
Deferred revenue	<b>1,695,073</b>	1,510,413
Deposit for future subscription (see Note 4)	<b>1,220,000</b>	1,220,000
Dividend payable	<b>292,069</b>	257,961
Due to related parties (see Note 23)	<b>81,540</b>	171,303
Others	<b>332,051</b>	185,204
	<b>₱13,517,311</b>	₱13,272,821

### 18. Interest-bearing Loans and Borrowings

Borrower	June 30, 2018 (Unaudited – Six Months)			December 31, 2017 (Audited – one Year)		
	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion	Total
Parent Company	<b>₱91,620</b>	<b>₱22,236,976</b>	<b>₱22,328,596</b>	₱70,934	₱16,351,784	₱16,422,718
Sky Cable	<b>82,130</b>	<b>5,549,796</b>	<b>5,631,926</b>	23,737	2,883,530	2,907,267
PCC	–	–	–	6,808	753,646	760,454
Play Innovations, Inc.	<b>240,000</b>	–	<b>240,000</b>	240,000	–	240,000
ABS-CBN International	<b>2,684</b>	<b>34,011</b>	<b>36,695</b>	2,441	33,108	35,549
ABS-C (see Note 31)	<b>3,684</b>	<b>12,911</b>	<b>16,595</b>	6,758	13,959	20,717
	<b>₱420,118</b>	<b>₱27,833,694</b>	<b>₱28,253,812</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:

	June 30, 2018 (Unaudited – Six Months)			December 31, 2017 (Audited – One Year)		
	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion	Total
Term loans:						
Loan agreements	<b>₱91,620</b>	<b>₱16,265,743</b>	<b>₱16,357,363</b>	₱70,934	₱10,388,056	₱10,458,990
Bonds payable	–	<b>5,971,233</b>	<b>5,971,233</b>	–	5,963,728	5,963,728
	<b>₱91,620</b>	<b>₱22,236,976</b>	<b>₱22,328,596</b>	₱70,934	₱16,351,784	₱16,422,718

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 March 11, 2011, the Parent Company availed the remaining amount of ₱3,094 million from the syndicated loan for working capital purposes.

The syndicated loan contains 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.

On June 29, 2012, the Parent Company signed a Supplemental Agreement between and among the lenders of the ₱10 billion syndicated loan agreement to amend the financial ratios as follows:

- Deletion of Maximum Total Debt-to-Annualized EBITDA;
- Increase in threshold of the Debt Service Coverage Ratio (DSCR) from 1.1:1 to 1.2:1 in the years 2012, 2013 and 2014 and to 1.5:1 from 2015 until its final maturity in 2017; and
- Utilization of the amount of projected capital expenditure and program rights based on approved capital expenditure and program rights acquisition budget in calculating the cash

available for debt service instead of using the actual amount of capital expenditure and program rights actually paid in cash during the period.

On December 5, 2012, the Parent Company signed a Second Supplemental Agreement between and among the lenders of the ₱10 billion syndicated loan to amend the definition of “Business.” The amendment expanded the definition to include “entertainment and amusement center development and management services and product sales and distribution services.” The expansion of the definition allowed the Company to invest in ABS-CBN Theme Parks, Play Innovations and/or Play Innovations, Inc.

Under the same agreement, the majority lenders, likewise, permitted to extend a guarantee in favor of Play Innovations and/or Play Innovations, Inc.

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.

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 2.00% payable quarterly with a term of seven years. Transaction cost incurred in availing the loan amounted to ₱45 million.

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.

- (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.

As at June 30, 2018 and December 31, 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 ₱82 million and ₱44 million as at June 30, 2018 and December 31, 2017, respectively.

Amortization of debt issue costs amounted to ₱9 million and ₱4 million for the six month ended June 30, 2018 and 2017, 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 overallotment 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 June 30, 2018 and December 31, 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 ₱29 million and ₱36 million as at June 30, 2018 and December 31, 2017, respectively.

Amortization of debt issue costs amounted to ₱5 million for the six month ended June 30, 2018 and 2017 (see Note 28).



Breakdown of the Parent Company's term loans as at June 30, 2018 and December 31, 2017 follows:

	June 30, 2018 (Unaudited – Six Months)			December 31, 2017 (Audited)		
	Loan Agreements	Bonds Payable	Total	Loan Agreements	Bonds Payable	Total
Principal	<b>₱16,439,002</b>	<b>₱6,000,000</b>	<b>₱22,439,002</b>	₱10,502,500	₱6,000,000	₱16,502,500
Less unamortized transaction costs	<b>81,639</b>	<b>28,767</b>	<b>110,406</b>	43,510	36,272	79,782
	<b>16,357,363</b>	<b>5,971,233</b>	<b>22,328,596</b>	10,458,990	5,963,728	16,422,718
Less current portion	<b>91,620</b>	–	<b>91,620</b>	70,934	–	70,934
Noncurrent portion	<b>₱16,265,743</b>	<b>₱5,971,233</b>	<b>₱22,236,976</b>	₱10,388,056	₱5,963,728	₱16,351,784

Debt issue costs as at June 30, 2018 are amortized over the term of the loans using the effective interest method as follows:

Year	Loan Agreements	Bonds Payable	Total
2018	₱10,532	₱8,403	₱18,935
2019	5,914	20,364	26,278
2020 and onwards	65,193	–	65,193
	<b>₱81,639</b>	<b>₱28,767</b>	<b>₱110,406</b>

Amortization of debt issue costs for the six months ended June 30, 2018 and June 30, 2017 amounted to ₱14 million and ₱9 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
2018	₱63,500	₱–	₱63,500
2019	95,500	–	95,500
2020-2027	16,280,002	6,000,000	22,280,002
	<b>₱16,439,002</b>	<b>₱6,000,000</b>	<b>₱22,439,002</b>

#### Sky Cable

The details of interest-bearing loans and borrowings of the Sky Cable are as follows:

	June 30, 2018 (Unaudited – Six Months)			December 31, 2017 (Audited – One Year)		
	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion	Total
Term Loans:						
Unsubordinated loan	<b>₱74,620</b>	<b>₱4,568,885</b>	<b>₱4,643,505</b>	₱13,710	₱1,911,185	₱1,924,895
Loan agreement	<b>6,540</b>	<b>979,313</b>	<b>985,853</b>	9,004	970,318	979,322
Obligations under finance lease (see Note 31)	<b>970</b>	<b>1,598</b>	<b>2,568</b>	1,023	2,027	3,050
	<b>₱82,130</b>	<b>₱5,549,796</b>	<b>₱5,631,926</b>	₱23,737	₱2,883,530	₱2,907,267

a. *Unsubordinated Loan*

On December 27, 2012, Sky Cable availed of a short-term ₱1 billion loan from BPI with interest of 3.25% per annum. Proceeds were used to pay a ₱1 billion loan from Australia and New Zealand Banking Group Limited, Manila Branch (ANZ).

On February 4, 2013, Sky Cable availed of an additional short-term ₱850 million loan from BPI, at 3.75% interest per annum. The proceeds were used to fully pay the remaining bridge loan from ANZ.

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 will be used 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. *Restructured Loan*

On October 26, 2010, a new loan was obtained with a principal amount of ₱1 billion to refinance Sky Cable's existing restructured long-term debt and the Post Moratorium Interest (which is the unpaid accrued interest on the principal) amounting to ₱863 million and ₱79 million, respectively.

The loan was obtained from various local banks and bears a fixed interest rate based on the previous banking day's 5-year PDST-F rate at the time of agreement plus 1%. The loan is unsecured and is payable in annual installment commencing on October 26, 2011 with a final maturity on October 26, 2017. It has an interest rate step-up feature in case the loan is extended for another two years. The loan was fully paid in January 2016.

c. *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 June 30, 2018 and December 31, 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 and restructured loans, amounted to ₱35 million and ₱16 million as at June 30, 2018 and December 31, 2017, respectively. Using the effective interest method, unamortized debt issue costs as at June 30, 2018 will be amortized as follows:

<u>Year</u>	<u>Amount</u>
2018	₱7,193
2019	4,729
2020	4,896
2021 and onwards	18,109
	<u>₱34,927</u>

Amortization of debt issue costs amounted to ₱4 million and ₱5 million for the six months ended June 30, 2018 and 2017, 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>
2018	₱564,015
2019	39,730
2020	5,060,540
	<u>₱5,664,285</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.

Debt issue costs on the loan amounting to nil and ₱2 million as at June 30, 2018 and December 31, 2017, respectively are deferred and amortized using the effective interest method. Amortization of debt issue costs amounted to about ₱773 thousand and ₱522 thousand for the six months ended June 30, 2018 and 2017, respectively (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 ₱3 million as at June 30, 2018 and December 31, 2017.

#### 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 equal to 125 basis points in excess of Citibank's 15-year Cost of Funds in effect three business days prior to the funding of the loan, 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:

<u>Year</u>	<u>Amount</u>
2018	₱2,684
2019	2,836
2020	3,004
2021	3,181
2022 and onwards	24,990
	<u>₱36,695</u>

As at June 30, 2018 and December 31, 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 ongoing construction of Kidzania theme park. The principal amount of the loans totaled ₱240 million as at June 30, 2018 and December 31, 2017, bearing an annual fixed interest rate of 4.21%. The loans are free from liens and mortgages. In 2017, the loans were renewed and will be settled within the next financial year.

ABS-C

In 2016, ABS-C entered into a finance lease covering transportation equipment. The carrying value of the lease obligation amounted to ₱17 million and ₱21 million as at June 30, 2018 and December 31, 2017, respectively.

**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 June 30, 2018 and December 31, 2017 is as follows:

	June 30, 2018 (Unaudited – Six Months)			December 31, 2017 (Audited – One Year)		
	Gross Value	Unamortized Discount	Carrying Value	Gross Value	Unamortized Discount	Carrying Value
Within one year	<b>₱91,027</b>	<b>₱33,734</b>	<b>₱57,293</b>	₱382,841	₱33,105	₱349,736
More than one year to five years	<b>688,625</b>	<b>55,449</b>	<b>633,176</b>	614,117	59,460	554,657
	<b>₱779,652</b>	<b>₱89,183</b>	<b>₱690,469</b>	₱996,958	₱92,565	₱904,393

**20. Convertible Note**

On February 14, 2011, ABS-CBN, Lopez, Inc, Lopez Holdings, Sky Vision, Sky Cable, STT Communications Ltd. 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.

The carrying value of the convertible note amounted to ₱213 million and ₱205 million as at June 30, 2018 and December 31, 2017, respectively.

Accretion of the convertible note recognized as part of interest expense in the consolidated statements of income amounted to ₱8 million and ₱4 million for the six months ended June 30, 2018 and 2017, respectively (see Note 28).

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## 21. Other Noncurrent Liabilities

	<b>June 30, 2018</b>	December 31, 2017
	(Unaudited)	(Audited)
Customers’ deposits	<b>₱347,083</b>	₱386,805
Deferred credits	<b>21,853</b>	17,525
Others	<b>183,894</b>	81,212
	<b>₱552,830</b>	₱485,542

Customers’ deposits related to Sky Cable’s subscription agreements with customers are initially recognized at fair value. The discount is recognized as deferred credits and amortized over the estimated remaining term of the deposit as other income. Customers’ deposits 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 June 30, 2018 and December 31, 2017 are as follows:

	June 30, 2018 (Unaudited)		December 31, 2017 (Audited)	
	Number of Shares	Amount	Number of Shares	Amount
<i>(Amounts in Thousands, Except Number of Shares)</i>				
<b>Common Shares - ₱1.0 par value</b>				
Authorized:				
Balance at beginning and end of year	1,300,000,000	₱1,300,000	1,300,000,000	₱1,300,000
Issued:				
Balance at beginning of year	872,123,642	₱872,124	872,123,642	₱872,124
Issuances for the year	11,391,500	11,391	-	-
Balance at beginning of year	883,515,142	₱883,515	872,123,642	₱872,124
<b>Preferred Shares - ₱0.2 par value</b>				
Authorized:				
Balance at beginning and end of year	1,000,000,000	₱200,000	1,000,000,000	₱200,000
Issued:				
Balance at beginning and end of year	1,000,000,000	₱200,000	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 8,387 and 5,317 as at June 30, 2018 and December 31, 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 June 30, 2018 and December 31, 2017.

Share-based Payment Plan

Lopez Holdings, a commonly controlled entity, has an Employee Stock Purchase Plan (ESPP) that was approved by the BOD and stockholders on February 28, 2011. The terms of 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:

	<b>June 30, 2018</b>	December 31, 2017
	(Unaudited)	(Audited)
Balance at beginning of year	–	711,743
Exercised during the year	–	(711,743)
Balance at end of year	–	–

Employee Stock Purchase Plan

From January 22, 2018 to February 9, 2018, the Parent Company offered to qualified employees its ESPP 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 ESPP 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.

The Company accepted the total ESPP subscription from participants of 11,391,500 common shares.

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 ₱1,237 million and ₱1,003 million for the six months ended June 30, 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 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 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.

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 June 30, 2018 and December 31, 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	Six Months Ended June 30	
		(Unaudited)	
		2018	2017
<b>Associate and Joint Venture</b>			
Blocktime fees paid to Amcara	Blocktime fees	<b>₱20,588</b>	₱13,624
Expenses and charges paid for by the Parent Company which are reimbursed by A C J O and Amcara	Rent and utilities	<b>21,630</b>	6,963
<b>Entities under Common Control</b>			
Expenses paid by the Parent Company and subsidiaries to Goldlink Securities and Investigative Services, Inc. (Goldlink), and other related parties	Service fees and utilities expenses	<b>63,723</b>	67,761
Expenses and charges paid for by the Parent Company which are reimbursed by the concerned related parties	Rent and utilities	<b>24,546</b>	3,484
Revenue of API and subsidiaries from other related parties	Print revenue and Other service Fees	–	18,682

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	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
<b>Due from</b> (see Note 7)					
Amcara	Associate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>₱137,931</b>	₱146,794
ALA Sports	Joint Venture	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>56,009</b>	50,496
INAEC	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>40,062</b>	36,478
ABS-CBN Lingkod Kapamilya	Corporate social responsibility sector of ABS-CBN	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>34,429</b>	40,818
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>3,535</b>	2,510
Goldlink	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>3,448</b>	–
First Gas Power Corp.	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>1,541</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>95,623</b>	17,198
<b>Total</b>				<b>₱402,581</b>	<b>₱322,227</b>

	Relationship*	Terms	Conditions	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
<b>Due to</b> (see Note 17)					
A C J O	Joint Venture	30 days upon receipt of billings; noninterest-bearing	Unsecured	<b>₱53,174</b>	₱28,274
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>6,275</b>	6,725
Lopez, Inc.	Ultimate parent	30 days upon receipt of billings; noninterest-bearing	Unsecured	<b>122</b>	415
ABS-CBN Bayan Foundation	Corporate social responsibility sector of ABS-CBN	30 days upon receipt of billings; noninterest-bearing	Unsecured	-	1,355
Others	Affiliates	30 days upon receipt of billings; noninterest-bearing	Unsecured	<b>5,279</b>	117,844
<b>Total</b>				<b>₱81,540</b>	₱171,303

\*Affiliate pertains to various entities under common control of Lopez, Inc., ultimate parent company

- a. 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.
- b. 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.
- c. Advances to employees and talents amounted to ₱418 million and ₱638 million as at June 30, 2018 and December 31, 2017, respectively (see Note 7).
- d. In 2015, the Parent Company purchased certain properties from Lopez Holdings amounting to ₱96 million. As at June 30, 2018 and December 31, 2017, the carrying values of these properties amounted to ₱56 million.
- e. The Parent Company has advances to ALA Sports amounting to ₱51 million as at June 30, 2018 and December 31, 2017.
- f. 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 six months ended June 30, 2018 and 2017, 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>Six Months Ended June 30</b>	
	(Unaudited)	
	<b>2018</b>	2017
Compensation (see Notes 25, 26 and 27)	<b>₱586,564</b>	₱565,472
Termination benefits	<b>52,478</b>	34,363
Pension benefits (see Note 30)	<b>25,210</b>	22,559
Vacation leaves and sick leaves	<b>26,093</b>	17,477
	<b>₱690,345</b>	₱639,871

**24. Material Noncontrolling Interests**

Financial information of subsidiaries that have material noncontrolling interests is provided below.

Proportion of Equity Interest Held by Noncontrolling Interests

Company	Place of Incorporation	Percentage	
		<b>June 30, 2018</b> (Unaudited)	December 31, 2017 (Audited)
Sky Cable Corporation and Subsidiaries (see Note 4)	Philippines	<b>40.6%</b>	40.6%
Sapientis Holdings Corporation and Subsidiaries	Philippines	<b>30.7%</b>	30.7%

Accumulated Earnings (Losses) of Material Noncontrolling Interests

Company	<b>June 30, 2018</b> (Unaudited)	December 31, 2017 (Audited)
Sky Cable Corporation and Subsidiaries	<b>₱2,022,872</b>	₱2,059,786
Sapientis Holdings Corporation and Subsidiaries	<b>(1,681,625)</b>	(1,560,423)

Net Income (Loss) Attributable to Material Noncontrolling Interests

Company	<b>Six Months Ended June 30</b>	
	(Unaudited)	
	<b>2018</b>	2017
Sky Cable Corporation and Subsidiaries	<b>(₱37,022)</b>	₱29,668
Sapientis Holdings Corporation and Subsidiaries	<b>(60,550)</b>	(214,250)

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

	<b>June 30, 2018</b>	December 31, 2017
	(Unaudited)	(Audited)
Cash and cash equivalents	<b>₱4,827,889</b>	₱2,717,523
Other current assets	<b>2,893,359</b>	3,061,885
Goodwill	<b>4,639,347</b>	4,649,827
Trademarks	<b>1,111,784</b>	1,111,784
Customer relationships	<b>441,984</b>	511,215
Other noncurrent assets	<b>12,820,799</b>	11,237,995
Current liabilities	<b>(7,460,337)</b>	(7,002,500)
Noncurrent liabilities	<b>(7,561,956)</b>	(4,801,663)

Summarized Consolidated Statements of Comprehensive Income

	<b>Six Months Ended June 30</b>	
	(Unaudited)	
	<b>2018</b>	2017
Revenue	<b>₱4,339,220</b>	₱4,586,076
Cost of services	<b>(3,306,349)</b>	(3,255,936)
General and administrative expenses	<b>(1,273,444)</b>	(1,177,269)
Finance costs	<b>(119,130)</b>	(135,375)
Other income – net	<b>226,495</b>	68,531
Income before income tax	<b>(133,208)</b>	86,027
Provision for income tax	<b>(44,487)</b>	17,392
Net income (loss)	<b>(88,721)</b>	₱68,635
Total comprehensive income (loss)	<b>(₱88,721)</b>	₱68,635

Summarized Consolidated Statements of Cash Flows

	<b>Six Months Ended June 30</b>	
	(Unaudited)	
	<b>2018</b>	2017
Operating	<b>₱1,171,498</b>	₱1,912,423
Investing	<b>(1,050,623)</b>	(1,329,122)
Financing	<b>1,984,019</b>	(138,161)
	<b>₱2,104,894</b>	445,140

b. *Sapientis*

Summarized Consolidated Statements of Financial Position

	<b>June 30, 2018</b>	December 31, 2017
	(Unaudited)	(Audited)
Cash and cash equivalents	<b>₱20,106</b>	₱92,636
Other current assets	<b>1,245,819</b>	1,287,770
Goodwill	<b>567,836</b>	567,836
Other noncurrent assets	<b>1,711,687</b>	1,770,025
Current liabilities	<b>(662,893)</b>	(731,267)
Noncurrent liabilities	<b>(9,992,965)</b>	(9,757,659)

Summarized Consolidated Statements of Comprehensive Income

	<b>Six Months Ended June 30</b>	
	(Unaudited)	
	<b>2018</b>	2017
Revenue	<b>₱214,845</b>	₱275,952
Cost of services	<b>(134,110)</b>	(248,465)
General and administrative expenses	<b>(243,995)</b>	(710,974)
Finance costs	<b>(1,226)</b>	(138)
Other income – net	<b>(1,112)</b>	7,576
Loss before income tax	<b>(165,598)</b>	(676,049)
Provision for income tax	<b>(410)</b>	(405)
Net loss	<b>(165,188)</b>	(₱675,644)
Total comprehensive loss	<b>(₱165,188)</b>	(₱675,644)

Summarized Consolidated Statements of Cash Flows

	<b>Six Months Ended June 30</b>	
	(Unaudited)	
	<b>2018</b>	2017
Operating	<b>(₱2,852,333)</b>	(₱5,136)
Investing	<b>(1,680,642)</b>	(31,500)
Financing	<b>4,460,445</b>	–
	<b>(₱15,651)</b>	(₱36,636)

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25. **Production Costs**

	<b>Six Months Ended June 30</b>	
	(Unaudited)	
	<b>2018</b>	2017
Personnel expenses and talent fees (see Notes 23 and 30)	<b>₱3,264,930</b>	₱3,169,412
Facilities-related expenses (see Notes 23 and 31)	<b>939,567</b>	785,060
Depreciation and amortization (see Note 10)	<b>528,574</b>	518,716
Amortization of program rights (see Note 12)	<b>526,628</b>	436,191
Travel and transportation	<b>374,763</b>	420,487
License and royalty	<b>248,891</b>	238,945
Set requirements	<b>156,534</b>	120,895
Catering and food expenses	<b>115,190</b>	112,280
Other program expenses (see Notes 12 and 23)	<b>300,440</b>	127,866
	<b>₱6,455,517</b>	₱5,929,852

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.

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26. **Cost of Sales and Services**

Cost of services consists of the following:

	<b>Six Months Ended June 30</b>	
	(Unaudited)	
	<b>2018</b>	2017
Facilities-related expenses (see Notes 23 and 31)	<b>₱1,378,813</b>	₱1,670,352
Programming costs	<b>976,800</b>	997,660
Depreciation and amortization (see Note 10)	<b>886,701</b>	881,410
Personnel expenses (see Notes 23 and 30)	<b>734,933</b>	672,014
Bandwidth costs	<b>352,717</b>	300,522
Transportation and travel	<b>129,338</b>	74,353
Amortization of program rights (see Note 12)	<b>110,374</b>	141,351
Interconnection costs (see Note 23)	<b>81,560</b>	155,720
Freight and delivery	<b>49,635</b>	37,910
Taxes and licenses	<b>48,080</b>	6,908
Inventory costs (see Note 8)	<b>35,507</b>	27,968
Stationery and office supplies	<b>27,907</b>	37,465
License fees and royalties	<b>25,803</b>	24,251
Catering and food expenses	<b>16,968</b>	9,484
Transaction costs	<b>11,766</b>	32,980
Amortization of other intangible assets (see Note 12)	<b>9,383</b>	11,123
Amortization of deferred charges (see Note 15)	<b>6,993</b>	6,796
(Forward)		



	<b>Six Months Ended June 30</b>	
	(Unaudited)	
	<b>2018</b>	2017
Set requirements	<b>₱7,286</b>	₱7,128
Installation costs	<b>200</b>	393
Others (see Note 23)	<b>251,948</b>	302,303
	<b>₱5,142,712</b>	₱5,398,091

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>Six Months Ended June 30</b>	
	(Unaudited)	
	<b>2018</b>	2017
Inventory costs (see Note 8)	<b>₱1,101,368</b>	₱961,221
Personnel expenses (see Notes 23 and 30)	<b>13,168</b>	17,317
Printing and reproduction	<b>4,169</b>	11,075
Handling and processing costs	<b>4,031</b>	6,029
Facilities related expenses (see Notes 23 and 31)	<b>200</b>	1,832
Others	<b>5,938</b>	7,670
	<b>₱1,128,874</b>	₱1,005,144

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## 27. General and Administrative Expenses

	<b>Six Months Ended June 30</b>	
	(Unaudited)	
	<b>2018</b>	2017
Personnel expenses (see Notes 22, 23 and 30)	<b>₱2,785,285</b>	₱2,838,209
Facilities related expenses (see Notes 23 and 31)	<b>535,498</b>	518,577
Contracted services	<b>492,227</b>	356,802
Depreciation and amortization (see Notes 10 and 11)	<b>439,814</b>	379,913
Advertising and promotion	<b>302,604</b>	234,218
Transportation and travel	<b>297,813</b>	321,777
Taxes and licenses	<b>224,191</b>	239,441
Provision for doubtful accounts (see Note 7)	<b>165,921</b>	161,880
Research and survey	<b>163,961</b>	138,752
Entertainment, amusement and recreation	<b>47,244</b>	55,846
Donations and contributions	<b>38,137</b>	24,330
Amortization of other intangible assets (see Note 12)	<b>18,754</b>	18,563
Inventory losses (see Note 8)	<b>1,113</b>	10,567
Others	<b>254,620</b>	150,707
	<b>₱5,767,182</b>	₱5,449,582

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28. **Other Income and Expenses**

Finance Costs

	<b>Six Months Ended June 30</b>	
	<b>(Unaudited)</b>	
	<b>2018</b>	<b>2017</b>
Interest expense (see Notes 18 and 20)	<b>₱506,951</b>	₱475,037
Amortization of debt issue costs (see Note 18)	<b>18,773</b>	14,231
Bank service charges	<b>8,606</b>	17,942
	<b>₱534,330</b>	₱507,210

The following are the sources of the Company's interest expense:

	<b>Six Months Ended June 30</b>	
	<b>(Unaudited)</b>	
	<b>2018</b>	<b>2017</b>
Long-term debt (see Note 18)	<b>₱442,786</b>	₱431,521
Bonds payable (see Note 18)	<b>56,458</b>	39,190
Convertible note (see Note 20)	<b>7,707</b>	4,063
Obligations under finance lease (see Note 18)	<b>–</b>	263
	<b>₱506,951</b>	₱475,037

Other Income

	<b>Six Months Ended June 30</b>	
	<b>(Unaudited)</b>	
	<b>2018</b>	<b>2017</b>
Leasing operations (see Note 31)	<b>₱16,724</b>	₱15,731
Dividend income	<b>4,555</b>	5,250
Gain on sale of property and equipment	<b>945</b>	4,608
Management fees	<b>850</b>	372
Others - net (see Notes 15, 20 and 21)	<b>237,801</b>	318,682
	<b>₱260,875</b>	₱344,393

Others mainly consist of income from installation services, unclaimed deposits and service fees.

**29. Income Tax and Registration with the Philippine Economic Zone Authority (PEZA)**

The provision for (benefit from) income tax follows:

	<b>Six Months Ended June 30</b>	
	(Unaudited)	
	<b>2018</b>	2017
Current	<b>₱518,369</b>	₱313,569
Deferred	<b>(416,260)</b>	6,618
	<b>₱102,109</b>	₱320,187

The components of consolidated net deferred tax assets and liabilities of the Company are as follows:

	<b>June 30,</b>	December 31,
	<b>2018</b>	2017
	(Unaudited)	(Audited)
Deferred tax assets - net :		
Accrued pension obligation and other employee benefits	<b>₱1,372,276</b>	₱1,097,117
NOLCO	<b>738,550</b>	468,901
Allowance for doubtful accounts	<b>620,052</b>	535,445
MCIT	<b>303,168</b>	235,853
Excess of the purchase price over the fair value of net assets acquired	<b>297,647</b>	249,751
Capitalized interest, duties, and taxes	<b>(261,302)</b>	(265,578)
Net unrealized foreign exchange loss (gain)	<b>(159,192)</b>	21,210
License	<b>(149,205)</b>	(149,828)
Unearned revenue	<b>144,191</b>	126,681
Customers' deposits	<b>123,377</b>	99,997
Accrued expenses	<b>122,393</b>	74,076
Imputed discount	<b>(84,536)</b>	(84,536)
Allowance for impairment loss on property and equipment	<b>5,920</b>	8,764
Allowance for inventory obsolescence	<b>1,457</b>	4,625
Others	<b>4,823</b>	40,464
	<b>₱3,079,619</b>	₱2,462,942
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 certain subsidiaries for which no deferred tax assets were recognized are as follows:

	<b>June 30, 2018</b>	December 31, 2017
	(Unaudited)	(Audited)
NOLCO	<b>₱2,453,131</b>	₱2,123,324
Allowance for doubtful accounts	<b>944,582</b>	939,159
Accrued pension obligation and others	<b>350,183</b>	348,722
Unearned revenue	<b>240,664</b>	203,130
Allowance for impairment loss on property and equipment	<b>83,846</b>	83,846
Allowance for decline in value of inventories	<b>70,250</b>	63,420
MCIT	<b>7,980</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.

In 2018, NOLCO amounting to ₱28 million, were claimed as deduction against RCIT due and taxable income.

In 2017, NOLCO amounting to ₱1,711 million, expired and were written off. NOLCO amounting to ₱109 million, were claimed as deduction against RCIT due and taxable income.

MCIT of certain subsidiaries amounting to ₱271 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	87,801
2018	December 31, 2021	137,701
		<b>₱270,798</b>

NOLCO of certain subsidiaries amounting to ₱3,683 million can be claimed as deductions from future taxable income as follows:

Year Incurred	Expiry Dates	Amount
2016	December 31, 2019	₱1,484,140
2017	December 31, 2020	949,371
2018	December 31, 2021	1,249,459
		<b>₱3,682,970</b>

As at June 30, 2018 and December 31, 2017, deferred tax liability on undistributed earnings of ABS-CBN Global, holding company of the Parent Company's foreign subsidiaries, amounting to ₱2,390 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>Six Months Ended June 30</b>	
	(Unaudited)	
	<b>2018</b>	2017
Statutory tax rate	<b>30%</b>	30%
Additions to (reduction in) income taxes resulting from the tax effects of:		
Interest income subjected to final tax	<b>(16)</b>	(3)
Nondeductible interest expense	<b>5</b>	1
Others (mainly income subject to different tax rates)	<b>(7)</b>	(8)
<b>Effective tax rates</b>	<b>12%</b>	20%

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 Board of Investments

On April 8, 2015, the Board of Investments approved Play Innovation Inc.'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 Play Innovations, Inc. amounted to ₱3 million for the six months ended June 30, 2018 and 2017.

Republic Act (RA) No. 10963

RA No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as at the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the consolidated financial statements as at the reporting date.

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**30. Pension and Other Employee Benefits**

Accrued pension obligation and other employee benefits consist of:

	<b>June 30,</b> <b>2018</b> (Unaudited)	December 31, 2017 (Audited)
Pension obligation	<b>₱4,440,924</b>	₱4,316,059
Other employee benefits	<b>1,751,131</b>	1,828,560
	<b>₱6,192,055</b>	₱6,144,619

These are presented in the consolidated statements of financial position as follows:

	<b>June 30, 2018</b>	December 31, 2017
	(Unaudited)	(Audited)
Current (see Note 17)	<b>₱250,911</b>	₱386,675
Noncurrent	<b>5,941,144</b>	5,757,944
	<b>₱6,192,055</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>Six Months Ended June 30</b>	
	(Unaudited)	
	<b>2018</b>	2017
Current service cost	<b>₱320,157</b>	₱237,053
Net interest cost	<b>82,306</b>	72,175
Net pension expense	<b>₱402,463</b>	₱309,228

Accrued Pension Obligation

	<b>June 30, 2018</b>	December 31, 2017
	(Unaudited)	(Audited)
Present value of obligation	<b>₱6,504,246</b>	₱6,899,614
Fair value of plan assets	<b>(2,063,322)</b>	(2,583,555)
Accrued pension obligation	<b>₱4,440,924</b>	₱4,316,059

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	<b>June 30, 2018</b> (Unaudited)	December 31, 2017 (Audited)
<i>(Percentage)</i>		
Investment in fixed/floating rate treasury note	<b>18.3</b>	12.4
Investment in government securities and bonds	<b>13.7</b>	11.2
Investment in stocks	<b>55.1</b>	63.7
Others	<b>12.9</b>	12.7
	<b>100.0</b>	100.0

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 79% and 21% as at June 30, 2018, respectively, and 80% and 20% as at December 31, 2017, respectively

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 market value of ABS-CBN asset allocation as at June 30, 2018 and December 31, 2017 are as follows:

	<b>June 30, 2018</b> (Unaudited)	December 31, 2017 (Audited)
Fixed Income:		
Short-term	<b>₱140,653</b>	₱228,391
Medium and long-term:		
Government securities	<b>174,848</b>	174,619
Corporate bonds	<b>83,836</b>	83,193
Preferred shares	<b>3,724</b>	9,586

*(Forward)*

	<b>June 30, 2018</b> (Unaudited)	December 31, 2017 (Audited)
Equities:		
Investment in shares of stock and other securities of related parties	<b>₱1,128,223</b>	₱1,631,645
Common shares and unit investment trust fund (UITF)	<b>396,361</b>	318,676
	<b>₱1,927,645</b>	<b>₱2,446,110</b>

*Short-term Fixed Income.* Short-term fixed income investment includes time deposit, special deposit account and special savings account with interest ranging from 3% to 4% 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 has a total cost of ₱74 million and ₱83 million with terms ranging from 7 years to 15 years as at June 30, 2018 and December 31, 2017, respectively. Yield to maturity rate ranges from 4% to 7% with a total gain of ₱643 thousand and 4% to 7% with a total loss of ₱747 thousand in 2018 and 2017, respectively.

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 of ₱24 thousand and ₱949 thousand, respectively. The market value of preferred stock is ₱4 million as at June 30, 2018.

*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.

	<b>June 30, 2018 (Unaudited – Six Months)</b>			
	<b>Number of Shares</b>	<b>Cost</b>	<b>Market Value</b>	<b>Unrealized Gain (Loss)</b>
ABS-CBN PDRs	<b>34,903,218</b>	<b>₱1,515,864</b>	<b>₱844,656</b>	<b>(₱671,202)</b>
ABS-CBN Common	<b>501,320</b>	<b>24,052</b>	<b>12,683</b>	<b>(11,369)</b>
Lopez Holdings	<b>66,248,580</b>	<b>227,955</b>	<b>236,507</b>	<b>8,552</b>
Rockwell Land	<b>17,103,433</b>	<b>34,476</b>	<b>34,377</b>	<b>(99)</b>
	<b>118,756,551</b>	<b>₱1,802,347</b>	<b>₱1,128,223</b>	<b>(₱674,122)</b>



December 31, 2017 (Audited – One Year)				
	Number of Shares	Cost	Market 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)
FPHC	46,500	3,503	2,883	(620)
	118,803,276	₱1,805,856	₱1,631,645	(₱174,211)

In 2016, the retirement fund purchased additional ABS-CBN PDRs and common shares from ABS-CBN, Rockwell Land, Lopez Holdings, EDC, First Gen and FPH. As at June 30, 2018 and December 31, 2017, the value of each ABS-CBN PDRs held by the retirement fund is at ₱24.20 and ₱34.50, respectively.

Total loss from investments in shares of stock and other securities of related parties amounted to ₱674 million and ₱174 million in 2018 and 2017, respectively.

*Investments in Common Shares and UITF.* Common shares pertain to 37,255,030 shares and 90,490,457 shares listed in the PSE in 2018 and 2017, respectively, with market value of ₱250 million and ₱319 million as at June 30, 2018 and December 31, 2017, respectively. Total loss and gain from these investments amounted to ₱74 million in 2018 and ₱5 million in 2017, respectively.

#### Sky Cable and PCC

Sky Cable's retirement benefit fund is being maintained by trustee banks, BDO and Rizal Commercial Banking Corporation.

The market value of Sky Cable asset allocation as at June 30, 2018 and December 31, 2017 are as follows:

	<b>June 30, 2018</b> (Unaudited)	December 31, 2017 (Audited)
Short-term fixed income	<b>₱15,467</b>	₱13,880
Investment in medium and long-term fixed income:		
Government securities	<b>92,198</b>	91,898
Corporate bonds and debt securities	<b>19,508</b>	22,079
Investment in shares of stock of First Gen	<b>5,450</b>	7,495
Preferred shares	<b>3,054</b>	2,093
	<b>₱135,677</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 June 30, 2018 and December 31, 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 2.9% to 7.9% and 2.13% to 6.38% as at June 30, 2018 and December 31, 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 ₱3 million and ₱769 thousand as of June 30, 2018 and December 31, 2017, respectively.

*Investment in Corporate Bonds.* These pertain to ₱20 million unsecured bonds with terms ranging from 6 to 10 years as at June 30, 2018 and December 31, 2017, respectively. Yield to maturity rate ranges from 4.6% to 6.8% with a loss of ₱42 thousand and gain of ₱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 June 30, 2018. Accrued interest receivable amounted to ₱58 thousand as at June 30, 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 of investments in shares of stock of First Gen amounted to ₱7 million as at June 30, 2018 and December 31, 2017 with market value of ₱5 million and ₱7 million as at June 30, 2018 and December 31, 2017, respectively. Total loss and gain from these investments amounted to ₱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>Six Months Ended June 30</b>	
	<b>(Unaudited)</b>	
	<b>2018</b>	<b>2017</b>
Current service cost	<b>₱66,793</b>	₱53,471
Interest cost	<b>49,395</b>	22,967
Net benefit expense	<b>₱116,188</b>	₱76,438

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

	<b>June 30, 2018</b>	December 31, 2017
	(Unaudited)	(Audited)
Defined benefit obligation at beginning of year	<b>₱1,828,560</b>	₱2,190,341
Current service cost	<b>66,793</b>	152,531
Interest cost	<b>49,395</b>	98,791
Actuarial gain	-	(406,616)
Benefits paid	<b>(193,617)</b>	(206,487)
<b>Defined benefit obligation at end of year</b>	<b>₱1,751,131</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:

	<b>2017</b>
	<b>Increase (Decrease) in Defined Benefit Obligation</b>
Discount rate:	
Increase by 1%	<b>(₱2,303,979)</b>
Decrease by 1%	<b>1,021,955</b>
Future salary increases:	
Increase by 1%	<b>(₱990,779)</b>
Decrease by 1%	<b>2,342,165</b>

Shown below is the maturity analysis of the undiscounted benefit payments:

Year	December 31, 2017
One year	<b>₱331,965</b>
More than one year but less than five years	<b>2,279,489</b>
More than five years but less than ten years	<b>3,708,857</b>
Beyond ten years	<b>24,050,302</b>

The average duration of the defined benefit obligation at the end of the period is 21 years.

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### 31. Commitments

#### Deal Memorandum with DirecTV

ABS-CBN International's share in the subscription revenue earned from subscribers that have migrated to DirecTV amounted to ₱357 million and ₱325 million for the six months ended June 30, 2018 and 2017, 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:

	<b>June 30, 2018</b>	December 31, 2017
	(Unaudited)	(Audited)
Within one year	<b>₱323,907</b>	₱204,721
After one year but not more than five years	<b>734,248</b>	706,271
After five years but not more than ten years	<b>332,124</b>	401,763
	<b>₱1,390,279</b>	₱1,312,755

*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:

	<b>June 30, 2018</b>	December 31, 2017
	(Unaudited)	(Audited)
Within one year	<b>₱166,923</b>	₱36,379
After one year but not more than five years	<b>73,767</b>	15,443
	<b>₱240,690</b>	₱51,822

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:

	<b>June 30, 2018</b>	December 31, 2017
	(Unaudited)	(Audited)
Within one year	<b>₱6,641</b>	₱7,963
After one year but not more than five years	<b>17,929</b>	30,245
Total minimum lease payments	<b>24,570</b>	38,208
Less amounts representing finance charges	<b>5,407</b>	14,441
Present value of minimum lease payments	<b>19,163</b>	23,767
Less current portion (see Note 18)	<b>4,654</b>	7,781
Noncurrent portion (see Note 18)	<b>₱14,509</b>	₱15,986

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	₱680,190
After one year but not more than five years	964,698

*\*Includes variable fees based on the number of active subscribers as at June 30, 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 ₱81 million for the six months ended June 30, 2018 and 2017 (see Note 26).

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. All outstanding construction projects have been significantly completed in 2017.

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**32. Financial Risk Management Objectives and Policies**

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.

### 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 June 30, 2018 and December 31, 2017. There are no material unrecognized financial assets and liabilities as at June 30, 2018 and December 31, 2017.

June 30, 2018 (Unaudited – Six Months)					
	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)	P243,984	P224,546	P–	P–	P224,546
AFS investments – quoted	181,014	181,014	181,014	–	–
	<b>P424,998</b>	<b>P405,560</b>	<b>P181,014</b>	<b>P–</b>	<b>P224,546</b>

<b>Financial Liabilities</b>					
Other financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	P28,253,812	P26,771,560	P–	P–	P26,771,560
Obligations for program rights	690,469	779,652	–	779,652	–
Convertible note	213,087	257,693	–	–	257,693
Customers’ deposits (included as part of “Other noncurrent liabilities”)	347,083	318,214	–	–	318,214
	<b>P29,504,451</b>	<b>P28,127,119</b>	<b>P–</b>	<b>P779,652</b>	<b>P27,347,467</b>

December 31, 2017 (Audited – One Year)					
	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.* The fair values of publicly-traded instruments were determined by reference to market bid quotes as at financial reporting date. Investments in unquoted equity securities for which no reliable basis for fair value measurement is available are carried at cost, net of any impairment.

*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.* Fair value was computed based on the discounted value of future cash flows using the PDST-R2 rate plus 1% credit spread.

*Customers' Deposits.* The fair values were calculated by discounting the expected future cash flows at prevailing PDST-R2 rate plus applicable credit spread ranging from 2.8% to 4.7% in 2018 and 2017.

There were no transfers between levels in the fair value hierarchy as at June 30, 2018 and December 31, 2017.

Offsetting of Financial Assets and Financial Liabilities

There is no offsetting of financial assets and financial liabilities as at June 30, 2018 and December 31, 2017.

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#### 34. Earnings Per Share (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:

	Six Months Ended June 30 (Unaudited)	
	2018	2017
Net income attributable to equity holders of the Parent Company	<b>₱849,882</b>	₱1,454,660
Dividends on preferred shares	<b>(4,000)</b>	(4,000)
(a) Net income attributable to common equity holders of the Parent Company	<b>₱845,882</b>	₱1,450,660
(b) Weighted average number of shares outstanding:		
At beginning of year	<b>822,972,436</b>	822,972,436
Issuances of common shares	<b>8,100,622</b>	-
At end of year	<b>831,073,058</b>	822,972,436
Basic/diluted EPS (a/b)	<b>₱1.018</b>	₱1.763

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

Noncash investing activities follow:

	Six Months Ended June 30 (Unaudited)	
	2018	2017
Acquisitions of program rights on account	<b>₱201,256</b>	₱90,000

Changes in liabilities arising from financing activities:

	December 31, 2017 (Audited)	Cash flows	Noncash changes	June 30, 2018 (Unaudited)
Term loans	₱20,362,938	₱7,887,500	(₱15,789)	<b>₱28,234,649</b>
Obligations under finance leases	23,767	(4,603)	(1)	<b>19,163</b>
Interest payable (Note 17)	225,697	(422,799)	499,245	<b>302,143</b>
Dividends payable (Note 17)	257,961	(550,966)	585,074	<b>292,069</b>
Deposit for future subscription (Notes 4 and 17)	1,220,000	-	-	<b>1,220,000</b>
Total liabilities from financing activities	<b>₱22,090,363</b>	<b>₱6,909,132</b>	<b>₱1,068,529</b>	<b>₱30,068,024</b>

Noncash changes includes effect of accrual of dividends and interests, amortization of debt issue costs and the accretion of interest on finance leases.



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### 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 June 30, 2018, 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 National Telecommunications Commission (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 June 30, 2018, 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. In May 2017, Solar Entertainment Corporation ("Solar") filed a civil action against the Parent Company and Sky Cable for collection of allegedly unpaid carriage fees in connection with Solar and ABS-CBN's Joint Television License Agreement for the NBA games. As at June 30, 2018, the case is still ongoing. ABS-CBN believes that the civil complaint has no legal and factual basis and would not have a material impact on the consolidated financial statements.
- d. 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 Philippine Accounting Standard 37, *Provisions, Contingent Liabilities and Contingent Assets*, only general descriptions were provided.

**Exhibit A – Aging of Accounts Receivable**

As of June 30, 2018

	Neither Past	Past Due but not Impaired		Impaired	Allowance	Total
	Due nor Impaired	Less than 30	30 Days and Over			
Trade receivables:						
Airtime	₱4,269,084	₱677,032	₱415,545	₱124,476	(₱337,207)	₱5,148,930
Subscriptions	880,362	358,447	47,590	1,677,212	(1,332,570)	1,631,041
Others	431,482	233,900	704,258	385,888	(315,097)	1,440,431
Nontrade receivables	359,686	347,295	308,154	76,715	(69,815)	1,022,035
Due from related parties	–	–	402,581	–	–	402,581
	<b>₱5,940,614</b>	<b>₱1,616,674</b>	<b>₱1,878,128</b>	<b>₱2,264,291</b>	<b>(₱2,054,689)</b>	<b>₱9,645,018</b>

As of December 31, 2017

	Neither Past	Past Due but not Impaired		Impaired	Allowance	Total
	Due nor Impaired	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>

**SIGNATURES**

**For the SEC 17-Q Second Quarter 2018 Report**

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

Registrant: ABS-CBN Corporation

By:

  
ALDRIN M. CERRADO

Chief Financial Officer

Date: AUGUST 6, 2018