



108122016003555

**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

Barcode Page

The following document has been received:

Receiving Officer/Encoder : Jojit Licudine
Receiving Branch : SEC Head Office
Receipt Date and Time : August 12, 2016 04:26:52 PM
Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No. 0000001803
Company Name ABS-CBN CORPORATION
Industry Classification
Company Type Stock Corporation

Document Information

Document ID 108122016003555
Document Type 17-Q (FORM 11-Q: QUARTERLY REPORT/FS)
Document Code 17-Q
Period Covered June 30, 2016
No. of Days Late 0
Department CFD
Remarks

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q
 QUARTERLY REPORT PURSUANT TO SECTION 17
 OF THE SECURITIES REGULATION CODE AND SECTION 141
 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: June 30, 2016
2. SEC Identification Number: 1803
3. BIR Tax Identification No.: 000-406-761-000
4. Exact name of issuer as specified in its charter: ABS-CBN CORPORATION AND SUBSIDIARIES
5. Philippines
 Province, Country or other jurisdiction of
 incorporation or organization
6. (SEC Use Only)
 Industry Classification Code:
7. ABS-CBN Broadcast Center, Sgt. Esguerra Avenue corner Mother Ignacia St., Quezon City 1100
 Address of principal office
8. (632) 924-4101 to 22 / (632) 415-2272
 Issuer's telephone number, including area code
9. Not applicable
 Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares of Stock Issued</u>
Common Stock, P1.00 par value	872,123,642 shares
Preferred Stock, P0.20 par value	1,000,000,000 shares
Short-term & Long-term debt (current & non-current)	<u>P20.5 billion</u>

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

Yes [☒] No [☐]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange Common Stock

12. Check whether the issuer:

- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [☒] No [☐]

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

Yes [☒] No [☐]



**ABS-CBN CORPORATION
QUARTERLY REPORT**

PART I - FINANCIAL INFORMATION

1. Management's Discussion and Analysis of Financial Condition and Results of Operations
2. Financial Statements
 - 2.1 Consolidated Statements of Financial Position
 - 2.2 Consolidated Statements of Income
 - 2.3 Consolidated Statements of Comprehensive Income
 - 2.4 Consolidated Statements of Changes in Equity
 - 2.5 Consolidated Statements of Cash Flows
 - 2.6 Notes to Financial Statements
 - 2.6.1 Business Segment and Geographical Segment Results (Note 6)
 - 2.6.2 Rollforward of Property and Equipment (Note 11)

PART II - OTHER FINANCIAL INFORMATION

EXHIBIT 1 – Aging of Accounts Receivables

SIGNATURES

PART I – FINANCIAL INFORMATION

1. MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2016

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, 2016 and 2015.

The table below summarizes the results of operations for the six-month period ended June 30, 2016.

(Amounts in million Pesos)	1H 2016	1H 2015	Variance	
			Amount	%
Consolidated Revenues	₱20,990	₱17,672	₱3,318	18.8
Advertising Revenues	12,517	9,500	3,017	31.8
Consumer Sales	8,473	8,172	301	3.7
<i>Sale of Services</i>	7,631	7,286	345	4.7
<i>Sale of Goods</i>	765	835	-70	-8.4
<i>Others</i>	77	51	26	54.0
Costs and Expenses	17,992	15,978	2,014	12.6
Production Costs	6,230	5,419	811	15.0
Cost of Sales and Services	5,724	5,342	382	7.2
General and Administrative Expenses (GAEX)	6,038	5,217	821	15.7
Financial Costs – net	346	234	112	47.9
Equity in Net Losses (Earnings) of Associates and Joint Ventures	(5)	(5)	-	0.0
Other Income – net	(133)	(176)	43	-24.4
Net Income	₱2,114	₱1,197	₱917	76.9
EBITDA	₱5,137	₱3,888	₱1,249	32.1

Consolidated Revenues

For the six-month period ended June 30, 2016, ABS-CBN generated consolidated revenues of ₱21.0 billion from advertising and consumer sales, ₱3.3 billion or 18.8% higher year-on-year.

Advertising revenues increased by ₱3.0 billion or 31.8% year-on-year. Advertising revenue's increase was because of 3.6% rate increase plus the 8.2% ratings increase attributable to the programs produced during the first half of the year. Consumer sales also increased by ₱301 million attributable to the increase in subscription and events revenue of Global and broadband services of Sky Cable.

Comparative revenue mix is as follows:

	1H 2016	1H 2015
Advertising revenues	60%	54%
Consumer sales	40%	46%

Consolidated Costs and Expenses

Direct costs and expenses amounted to ₱18.0 billion, or a 12.6% increase year-on-year.

Production costs increased by ₱811 million or 13.0% to ₱6.2 billion. Personnel expenses and talent fees which comprised 51.2% of total production costs increased by 7.0% year-on-year. Other cash components increased by 16.9% due to higher facilities related expenses, set requirements and travel, transportation expenses, catering and food expenses and license and royalties.

Cost of sales and services slightly increased by ₱382 million or 7.2% to ₱5.7 billion. The increase is due to expenses incurred for the events and movies held by Global during the first half of 2016. Also, contributing to the increase are Sky Cable's programming and bandwidth costs which increased compared to prior year. Facilities related expenses added to the increase in cost of sales and services attributable to Kidzania and ABS-CBN mobile.

GAEX grew by 15.7% or ₱821 million. Personnel expenses which represent 50.9% of total GAEX increased by 14.0%.




Net Income and EBITDA

The Company generated ₱2.1 billion net income for the first half of the year. Net income increased by 76.9% compared to ₱1.2 billion in previous year. EBITDA reached ₱5.1 billion, a 32.1% increase year-on-year.

Business Segments

For management purposes, the Company categorizes its operations into the following reportable businesses: TV and Studio, Pay TV Networks and New Businesses.

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

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

The following analysis presents results of operations of the Company's business segments for the period ended June 30, 2016 and 2015:

A. TV and Studio

TV and Studio segment results for the first quarter are as follows:

(Amounts in million Pesos)	Revenues		
	1H 2016	1H 2015	%
Broadcast	₱12,106	₱9,156	32.2
Global	2,927	2,740	6.8
Films and Music	614	776	-20.9
Others*	117	126	-7.1
	₱15,764	₱12,798	23.2

*This includes intercompany eliminations.

Broadcast

Revenue from the broadcast business grew by 32.2%, excluding the impact of ABS-CBNmobile TVCs. The increase is due to combination of improvement in ratings and increase in airtime placements from regular advertisers and from candidates from the elections last May 2016 elections. Improvement in ratings increased the Company's revenue due to implementation of the new airtime pricing scheme called Cost Per Individual Rating Point system or CPIRP, where advertisers pay based on the company's ratings performance.

ABS-CBN's Channel 2 led in national audience share and ratings. Channel 2's overall audience share was at 44% while the primetime audience share was at 49% based on Kantar National TV Audience Measurement.

Moreover, programs in the Philippines produced by ABS-CBN dominated the top 10 list of programs:

Rank	Channel	Program	Rating (%)*	
1	ABS-CBN	FPJ'S Ang Probinsyano	41.5	Weekday
2	ABS-CBN	The Voice Kids Sunday	37.4	Weekend
3	ABS-CBN	The Voice Kids Saturday	35.9	Weekend
4	ABS-CBN	Pangako Sayo	34.3	Weekday
5	ABS-CBN	Dolce Amore	33.7	Weekday
6	ABS-CBN	Pilipinas Got Talent Sunday	32.0	Weekend
7	ABS-CBN	Pilipinas Got Talent Saturday	31.9	Weekend
8	ABS-CBN	Maalaala Mo Kaya 25	31.3	Weekend
9	ABS-CBN	Dance Kids Saturday	31.2	Weekend
10	ABS-CBN	Dance Kids Sunday	30.7	Weekend

*Source: Kantar Media TV Audience Measurement - Total Homes, June 2016

In line with the change in programming grid and increased number of programs for the first half of 2016, production costs increased by 15.0% to ₱6.2 billion year-on-year. The increase was driven by additional programs which provided additional opportunities for ad placements translating to additional revenue. Also contributing to the increase was higher cost per program in our primetime shows to ensure that we produce more quality programs.

Global

Global's primary revenue drivers were as follows:

(Amounts in million Pesos)	Revenues		
	1H 2016	1H 2015	%
Subscription	₱1,910	₱1,755	8.8
Theatrical and Events	275	266	3.4
Advertising Revenue	299	274	9.1
Remittance	168	163	3.1
Others	275	282	-2.5
	₱2,927	₱2,740	6.8

Subscription revenues were up by 8.8% year-on-year, in line with the increase in total subscriber count of IPTV and TFC.TV in the US, Canada, Europe and Asia Pacific regions.

Global continues to be known internationally as it initiated various promotional campaigns such as entering into deals with a 30-day TFC.TV Lite package promos Western Union, video on demand package with Singtel and staging the world tour of the hottest love teams in the country namely "Lizquen" and "Jadine". At the same time, Global bags the 37th Annual Telly Awards and nabs nomination at the 4th Annual NorCal Emmy Awards.

Cost of sales and services of Global operations increased by 111.9% attributable to facilities related improvements, license and royalties and contracted services.

Films and Music

Total revenue of Films and Music decreased by ₱162 million or 20.9% year-on-year due to lower box office receipts generated from movies released in the first half of 2016. Star Cinema's "Beauty and the Bestie," was still the highest grossing local movie of all time generating ₱530 million at the box office. The film production arm of ABS-CBN also produced and distributed seven other movies – "Everything About Her", "All You Need is Pag-ibig", "Always Be My Maybe", "Hele sa Hiwagang Hapis", "Just the 3 of Us", "Love Me Tomorrow" and "The Achy Breaky Hearts".

Cost of sales and services decreased by 1.0% year-on-year in spite of Star Cinema co-producing only one movie 2016 while three movies in 2015.

B. Pay TV Networks

Total revenues grew by ₱206 million or 5.2% year-on year. Broadband revenues increased by 45.7% driven by 46.9% growth in broadband subscriber base versus same quarter of last year.

(Amounts in million Pesos)	Revenues		
	1H 2016	1H 2015	%
Cable	₱2,753	₱2,861	-3.7
Broadband	1,087	746	45.7
Advertising Revenue and Others	357	384	-7.0
	₱4,197	₱3,991	5.2

Total costs and expenses increased by ₱246 million to ₱4.2 billion. The decrease in employee related costs was offset by the increase was caused by growth in facilities related costs, programming, contracted services and depreciation. Increase in contracted services is in line with Sky Cable expansion on products and services offered to the market.

C. New Business

In the first quarter of 2015, ABS-CBN Corporation launched its newest and biggest innovation on Philippine TV with ABS-CBN TVplus. Total cumulative set-top boxes sold as at June 30, 2016 for digital terrestrial TV reached over 1.3 million boxes.

ABS-CBNmobile prepaid mobile subscribers reached over 520 thousand as of June 30, 2016.

Kidzania Manila continues to contribute fair share in the group with a revenue of over ₱250 million from more than 65 themepark establishments and more than 40 industry partners.

Lastly, A CJ O generated average monthly sales of ₱66 million, with a total sales of ₱397.8 million versus ₱287.0 million or 38.7% increase.

Capital Expenditures

Cash capital expenditures and program rights acquisitions amounted to ₱2.7 billion as of June 30, 2016. Program rights acquisitions amounted to ₱291 million.

Statement of Financial Position Accounts

As at June 30, 2016, total consolidated assets stood at ₱72.5 billion, 3.0% higher than total assets of ₱70.4 billion as of December 31, 2015.

Shareholders' equity stood at ₱29.9 billion as of June 30, 2016. Increase attributable to net income earned during the first half was offset by effect of declaration of cash dividends for both common shareholders.

The company's net debt-to-equity ratio was at 0.2x and 0.3x as of June 30, 2016 and December 31, 2015.

Key Performance Indicators

Ratios	1H 2016	2015
Current ratio	1.83	1.88
Debt-to-Equity ratio	0.7	0.7
Net Debt-to-Equity ratio	0.2	0.3

ABS–CBN Corporation and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements

June 30, 2016

and for the Six Months Ended June 30, 2016 and 2015

*(With Comparative Audited Consolidated Statements of Financial Position as at
December 31, 2015)*

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

								1	8	0	3
--	--	--	--	--	--	--	--	---	---	---	---

COMPANY NAME

[illegible]**PRINCIPAL OFFICE** (No. / Street / Barangay / City / Town / Province)

A	B	S	-	C	B	N		B	r	o	a	d	c	a	s	t		C	e	n	t	e	r	,		S	g	t	.
E	s	g	u	e	r	r	a		A	v	e	n	u	e		c	o	r	n	e	r		M	o	t	h	e	r	
I	g	n	a	c	i	a		S	t	.		Q	u	e	z	o	n		C	i	t	y							

Form Type

A	A	C	F	S
----------	----------	----------	----------	----------

Department requiring the report

--	--	--	--

Secondary License Type, If Applicable

--	--	--	--

COMPANY INFORMATION

Company's Email Address

IR@abs-cbn.com

Company's Telephone Number

(632) 415 - 2272

Mobile Number

Mobile Number _____

No. of Stockholders

5,429

Annual Meeting (Month / Day)

May 5

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person

Rolando P. Valdueza

Email Address

Rolando_Valdueva@abs-cbn.com

Telephone Number/s

(632) 415-2252

Mobile Number

—

CONTACT PERSON'S ADDRESS

ABS-CBN Broadcast Center, Sgt. Esguerra Avenue corner Mother Ignacia St. Quezon City

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

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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

(Amounts in Thousands)

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	P14,344,894	P11,537,559
Short-term investments	315,423	1,617,546
Trade and other receivables (Notes 8 and 24)	11,562,568	11,561,147
Inventories (Note 9)	717,620	672,501
Program rights and other intangible assets (Note 13)	816,004	959,411
Other current assets (Note 10)	3,740,761	3,890,024
Total Current Assets	31,497,270	30,238,188
Noncurrent Assets		
Property and equipment (Notes 11, 19 and 32)	23,156,663	21,798,053
Program rights and other intangible assets - net of current portion (Note 13)	6,577,178	7,041,430
Goodwill (Note 17)	5,301,526	5,301,526
Available-for-sale (AFS) investments (Note 14)	269,983	275,096
Investment properties (Notes 12 and 19)	200,529	200,801
Investments in associates and joint ventures (Note 15)	536,872	523,733
Deferred tax assets (Note 30)	2,824,951	2,891,139
Other noncurrent assets (Note 16)	2,306,178	2,154,138
Total Noncurrent Assets	41,173,880	40,185,916
TOTAL ASSETS	P72,671,150	P70,424,104
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 18, 24 and 31)	P15,929,018	P14,941,690
Income tax payable	293,577	276,374
Obligations for program rights (Note 20)	404,654	498,905
Interest-bearing loans and borrowings (Notes 11, 12 and 19)	458,806	404,794
Total Current Liabilities	17,086,055	16,121,763
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Notes 11, 12 and 19)	20,064,858	20,125,519
Obligations for program rights - net of current portion (Note 20)	114,911	172,600
Accrued pension obligation and other employee benefits (Note 31)	4,244,682	4,047,559
Deferred tax liabilities (Note 30)	593,262	618,856
Convertible note (Note 21)	212,889	205,231
Other noncurrent liabilities (Note 22)	409,176	417,250
Total Noncurrent Liabilities	25,639,778	25,587,015
Total Liabilities	42,725,833	41,708,778

(Forward)

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 23):		
Common	₱872,124	₱872,124
Preferred	200,000	200,000
Additional paid-in capital (Notes 2, 5 and 23)	4,711,050	4,711,050
Exchange differences on translation of foreign operations	(701,988)	(466,159)
Unrealized gain on AFS investments (Note 14)	170,896	176,009
Share-based payment plan (Note 23)	34,349	34,349
Retained earnings (Note 23)	25,552,552	23,922,847
Treasury shares and Philippine depository receipts convertible to common shares (Note 23)	(1,638,719)	(1,638,719)
Equity attributable to Equity Holders of the Parent	29,200,264	27,811,501
Noncontrolling Interests (Notes 4 and 25)	745,053	903,825
Total Equity	29,945,317	28,715,326
TOTAL LIABILITIES AND EQUITY	₱72,671,150	₱70,424,104

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	
	2016	2015	2016	2015
REVENUE				
Advertising revenue (Note 24)	₱6,935,584	₱5,244,525	₱12,517,474	₱9,499,756
Sale of services (Note 32)	3,792,726	3,644,055	7,630,901	7,285,930
Sale of goods (Note 24)	420,304	427,341	764,654	835,206
Others	46,245	29,450	77,079	50,428
	11,194,859	9,345,371	20,990,108	17,671,320
PRODUCTION COSTS				
(Notes 11, 13, 24, 26, 31 and 32)	(3,269,332)	(2,771,327)	(6,230,056)	(5,419,145)
COST OF SERVICES				
(Notes 9, 11, 13, 24, 27, 31 and 32)	(2,567,762)	(2,436,540)	(5,101,548)	(4,681,991)
COST OF SALES (Notes 9, 11, 24, 27, 31 and 32)	(323,140)	(331,243)	(622,704)	(659,776)
GROSS PROFIT	5,034,625	3,806,261	9,035,800	6,910,408
GENERAL AND ADMINISTRATIVE EXPENSES				
(Notes 8, 9, 11, 12, 13, 24, 28, 31 and 32)	(3,193,229)	(2,882,560)	(6,037,772)	(5,216,954)
FINANCE COSTS (Notes 19, 21 and 29)	(232,251)	(214,871)	(427,848)	(375,325)
INTEREST INCOME (Notes 7 and 24)	67,413	40,918	119,657	84,749
FOREIGN EXCHANGE GAINS (LOSSES) - Net	3,322	51,210	(37,895)	56,283
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES (Note 15)	5,378	3,183	4,630	5,269
OTHER INCOME - net (Notes 16, 22, 29 and 32)	93,465	97,226	130,527	176,057
INCOME BEFORE INCOME TAX	1,778,723	901,367	2,787,099	1,640,487
PROVISION FOR INCOME TAX (Note 30)	425,405	272,796	673,149	442,673
NET INCOME	₱1,353,318	₱628,571	₱2,113,950	₱1,197,814
Attributable to				
Equity holders of the Parent Company (Note 35)	₱1,433,554	₱750,504	₱2,272,722	₱1,418,210
Noncontrolling interests	(80,236)	(121,933)	(158,772)	(220,396)
	₱1,353,318	₱628,571	₱2,113,950	₱1,197,814
Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent Company (Note 35)	₱1.725	₱0.902	₱2.759	₱1.716

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	
	2016	2015	2016	2015
NET INCOME	P1,353,318	P628,571	P2,113,950	P1,197,814
Other comprehensive income (loss) to be reclassified to profit and loss in subsequent periods:				
Exchange differences on translation of foreign operations	(365,411)	(254,411)	(235,829)	(307,403)
Unrealized fair value gain (loss) on AFS investments - net (Note 14)	(6,648)	12,376	(5,113)	18,001
	(372,059)	(242,035)	(240,942)	(289,402)
OTHER COMPREHENSIVE LOSS	(372,059)	(242,035)	(240,942)	(289,402)
TOTAL COMPREHENSIVE INCOME	P981,259	P386,536	P1,873,008	P908,412
Attributable to:				
Equity holders of the Parent Company	P1,061,495	P508,469	P2,031,780	P1,128,808
Noncontrolling interests	(80,236)	(121,933)	(158,772)	(220,396)
	P981,259	P386,536	P1,873,008	P908,412

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 MONTHS ENDED JUNE 30, 2016 AND 2015

Unaudited

(Amounts in Thousands)

	Capital Stock (Note 23)		Additional Paid-in Capital	Exchange Differences in Translation of Foreign Operations	Unrealized Gain on Available- for-Sale Investments (Note 14)	Share-based Payment Plan (Note 23)	Retained Earnings (Note 23)		Treasury Shares and Philippine Depository Receipts Convertible to Common Shares (Note 23)	Total	Noncontrolling Interests	Total Equity
	Common	Preferred					Appropriated	Unappropriated				
At December 31, 2015	₱872,124	₱200,000	₱4,711,050	(₱466,159)	₱176,009	₱34,349	₱16,200,000	₱7,722,847	(₱1,638,719)	₱27,811,501	₱903,825	₱28,715,326
Net income (loss)	–	–	–	–	–	–	–	2,272,722	–	2,272,722	(158,772)	2,113,950
Other comprehensive income	–	–	–	(235,829)	(5,113)	–	–	–	–	(240,942)	–	(240,942)
Total comprehensive income	–	–	–	(235,829)	(5,113)	–	–	2,272,722	–	2,031,780	(158,772)	1,873,008
Cash dividends declared	–	–	–	–	–	–	–	(643,017)	–	(643,017)	–	(643,017)
At June 30, 2016	₱872,124	₱200,000	₱4,711,050	(₱701,998)	₱170,896	₱34,349	₱16,200,000	₱9,352,552	(₱1,638,719)	₱29,200,264	₱745,053	₱29,945,317
At December 31, 2014	₱872,124	₱200,000	₱4,495,050	(₱456,773)	₱143,281	₱34,349	₱16,200,000	₱5,163,395	(₱1,264,096)	₱25,387,330	₱1,487,498	₱26,874,828
Net income (loss)	–	–	–	–	–	–	–	1,418,210	–	1,418,210	(220,396)	1,197,814
Other comprehensive income (loss)	–	–	–	(307,403)	18,001	–	–	–	–	(289,402)	–	(289,402)
Total comprehensive income (loss)	–	–	–	(307,403)	18,001	–	–	1,418,210	–	1,128,808	(220,396)	908,412
Cash dividends declared	–	–	–	–	–	–	–	(514,481)	–	(514,481)	–	(514,481)
Acquisition of PDRs and common shares	–	–	–	–	–	–	–	–	(374,623)	(374,623)	–	(374,623)
At June 30, 2015	₱872,124	₱200,000	₱4,495,050	(₱764,176)	₱161,282	₱34,349	₱16,200,000	₱6,067,124	(₱1,638,719)	₱25,627,034	₱1,267,102	₱26,894,136

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)

	Six Months Ended June 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱2,787,099	₱1,640,487
Adjustments for:		
Depreciation and amortization (Notes 11 and 12)	1,599,608	1,483,735
Amortization of:		
Program rights and other intangibles (Note 13)	595,404	892,585
Debt issue costs (Note 29)	15,184	17,686
Deferred charges	–	21,994
Movement in accrued pension obligation and other employee benefits (Note 31)	652,432	400,254
Interest expense (Note 29)	405,512	352,473
Interest income (Notes 7 and 24)	(119,657)	(84,749)
Net unrealized foreign exchange loss (gain)	(17,657)	75,399
Equity in net earnings of associates and joint ventures (Note 15)	(4,630)	(5,269)
Gain on sale of property and equipment (Notes 11 and 29)	(436)	(6,837)
Income before working capital changes	5,912,859	4,787,758
Provisions for doubtful accounts (Note 28)	269,390	173,318
Increase (decrease) in:		
Trade and other receivables	(555,024)	(1,541,885)
Other current assets	146,545	(382,893)
Inventories	(35,033)	(342,736)
Increase (decrease) in:		
Trade and other payables	543,317	1,703,085
Other noncurrent liabilities	(224,458)	(196,935)
Obligations for program rights	(151,714)	(205,299)
Cash generated from operations	5,905,882	3,994,413
Income taxes paid	(451,039)	(615,912)
Net cash provided by operating activities	5,454,843	3,378,501
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property and equipment (Note 11)	(2,478,346)	(2,469,485)
Program rights and other intangible assets (Notes 13 and 36)	(400,922)	(1,177,614)
Movement in short-term investment	1,302,123	–
Increase (decrease) in other noncurrent assets	(306,125)	139,896
Interest received	122,604	80,648
Investments in joint ventures and associates (Note 15)	(8,509)	(225,000)
Proceeds from sale of property and equipment	37	504,446
Net cash used in investing activities	(1,769,138)	(3,147,109)
(Forward)		

	Six Months Ended June 30	
	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	P8,950,000	P–
Payments of:		
Long-term debt (Notes 19 and 29)	(8,891,439)	(17,413)
Dividends	(593,845)	(492,846)
Interest	(330,199)	(342,923)
Obligations under finance lease	(6,839)	(13,206)
Acquisition of treasury shares and Philippine depository receipts (Note 23)	–	(374,622)
Net cash used in financing activities	(872,322)	(1,241,010)
EFFECTS OF EXCHANGE RATE CHANGES AND TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(6,048)	23,648
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,807,335	(985,970)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,537,559	13,238,377
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	P14,344,894	P12,252,407

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands Unless Otherwise Specified)

1. Corporate Information

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

The Parent Company is 79%-owned by Lopez, Inc. a Philippine entity, 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.

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 available-for-sale (AFS) investments that have been 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 (PFRS).

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 2015 audited annual consolidated financial statements, comprising the consolidated statements of financial position as at December 31, 2015, 2014 and January 2014, 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, 2015, 2014 and 2013, issued and approved on February 22, 2016 (referred to as the “2015 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 2015 audited annual consolidated financial statements.

Basis of Consolidation and Noncontrolling Interests

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

The following is a list of the subsidiaries as of June 30, 2016 and December 31, 2015:

	Place of		Functional	Effective Interest	
					December 31,
Company	Incorporation	Principal Activities	Currency	June 30, 2016	2015
TV and Studio					
Global:					
ABS-CBN Global Ltd. (ABS-CBN Global) ^{(a) (i)}	Cayman Islands	Holding company	United States dollar (USD)	100.0	100.0
ABS-CBN Europe Ltd. (ABS-CBN Europe) ^{(b)(c) (i)}	United Kingdom	Cable and satellite programming services	Great Britain pound (GBP)	100.0	100.0
ABS-CBN Europe Remittance Inc. ^{(d) (i)}	United Kingdom	Services - money remittance	GBP	100.0	100.0
ABS-CBN Japan, Inc. (ABS- CBN Japan) ^{(d) (i) (r)}	Japan	Cable and satellite programming services	Japanese yen (JPY)	100.0	100.0
ABS-CBN Middle East FZ-LLC (ABS-CBN Middle East) ^{(b) (i)}	Dubai, UAE	Cable and satellite programming services	United Arab Emirates dirham (AED)	100.0	100.0
ABS-CBN Middle East LLC ^{(b) (i)}	Dubai, UAE	Trading	AED	100.0	100.0
E-Money Plus, Inc. ^(b)	Philippines	Services - money remittance	Philippine peso	100.0	100.0
ABS-CBN Global Hungary Kft. (ABS-CBN Hungary) ^{(j) (i)}	Budapest, Hungary	Holding company	USD	100.0	100.0
ABS-CBN International, Inc. (ABS-CBN International) ^{(i) (n)}	California, USA	Cable and satellite programming services	USD	100.0	100.0
ABS-CBN Australia Pty. Ltd. (ABS-CBN Australia) ^{(i) (k)}	Victoria, Australia	Cable and satellite programming services	Australian dollar (AUD)	100.0	100.0
ABS-CBN Canada, ULC (ABS-CBN Canada) ^{(i) (k)}	Canada	Cable and satellite programming services	Canadian dollar (CAD)	100.0	100.0
ABS-CBN Global Remittance Inc. ^{(i) (k)}	California, USA	Services - money remittance	USD	100.0	100.0
ABS-CBN Telecom North America, Inc. ^{(i) (k)}	California, USA	Telecommunications	USD	100.0	100.0
ABS-CBN Canada Remittance Inc. ^{(i) (n)}	Canada	Services - money remittance	CAD	100.0	100.0
ABS-CBN Global Netherlands B.V. (ABS-CBN Netherlands) ^{(j) (n)}	Amsterdam, Netherlands	Intermediate holding and financing company	Euro (EUR)	100.0	100.0
Films and Music:					
ABS-CBN Film Productions, Inc. (ABS-CBN Films)	Philippines	Movie production	Philippine peso	100.0	100.0
Narrowcast and Sports:					
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
Studio 23, Inc. (Studio 23) ^(v)	Philippines	Content development and programming services	Philippine peso	–	100.0
Others:					
ABS-CBN Center for Communication Arts, Inc. ^(e)	Philippines	Educational/training	Philippine peso	100.0	100.0
ABS-CBN Global Cargo Corporation ^(t)	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 Interactive, Inc. (ABS-CBN Interactive) ^(v)	Philippines	Services - interactive media	Philippine peso	–	100.0
ABS-CBN Multimedia, Inc. (ABS-CBN Multimedia) ^{(f) (v)}	Philippines	Digital electronic content distribution	Philippine peso	–	100.0
ABS-CBN Shared Service Center PTE. Ltd.(ABS-CBN Shared Service) ^{(j) (m)}	Singapore	Services - support	Singapore dollar (SGD)	100.0	100.0

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest	
				June 30, 2016	December 31, 2015
Medianow Strategies, Inc. (Medianow) ^(x)	Philippines	Marketing, sales and advertising	Philippine peso	79.7	79.7
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
Pay TV Networks					
Sky Vision Corporation (Sky Vision) ^(w) (see Note 5)	Philippines	Holding Company	Philippine peso	75.0	75.0
Sky Cable Corporation (Sky Cable) ^(w) (see Note 5)	Philippines	Cable television services	Philippine peso	59.4	59.4
Bisaya Cable Television Network, Inc. ^{(h) (i) (w)}	Philippines	Cable television services	Philippine peso	59.4	59.4
Bright Moon Cable Networks, Inc. ^{(h) (w)}	Philippines	Cable television services	Philippine peso	59.4	59.4
Cavite Cable Corporation ^{(h) (w)}	Philippines	Cable television services	Philippine peso	59.4	59.4
Cepsil Consultancy and Management Corporation ^{(h) (w)}	Philippines	Cable television services	Philippine peso	59.4	59.4
Davao Cableworld Network, Inc. ^{(h) (o) (w)}	Philippines	Cable television services	Philippine peso	59.4	59.4
HM Cable Networks, Inc. ^{(h) (w)}	Philippines	Cable television services	Philippine peso	59.4	59.4
HM CATV, Inc. ^{(h) (w)}	Philippines	Cable television services	Philippine peso	59.4	59.4
Hotel Interactive Systems, Inc. ^{(h) (w)}	Philippines	Cable television services	Philippine peso	59.4	59.4
Isla Sat TV, Inc. ^{(h) (w)}	Philippines	Cable television services	Philippine peso	59.4	59.4
Moonsat Cable Television, Inc. ^{(h) (o) (w)}	Philippines	Cable television services	Philippine peso	59.4	59.4
Pilipino Cable Corporation (PCC) ^{(h) (w)}	Philippines	Cable television services	Philippine peso	59.4	59.4
Satellite Cable TV, Inc. ^{(h) (w)}	Philippines	Cable television services	Philippine peso	59.4	59.4
Sun Cable Holdings, Incorporated (SCH) ^{(h) (w)}	Philippines	Holding company	Philippine peso	59.4	59.4
Sun Cable Systems Davao, Inc. ^{(h) (i) (w)}	Philippines	Cable television services	Philippine peso	59.4	59.4
Sunvision Cable, Inc. ^{(h) (w)}	Philippines	Cable television services	Philippine peso	59.4	59.4
Tarlac Cable Television Network, Inc. ^{(h) (w)}	Philippines	Cable television services	Philippine peso	59.4	59.4
Telemondial Holdings, Inc. ^{(h) (i) (w)}	Philippines	Holding company	Philippine peso	59.4	59.4
JMY Advantage Corporation ^{(h) (w)}	Philippines	Cable television services	Philippine peso	56.4	56.4
Cebu Cable Television, Inc. ^{(h) (o) (p) (w)}	Philippines	Cable television services	Philippine peso	57.4	57.4
Suburban Cable Network, Inc. ^{(h) (w)}	Philippines	Cable television services	Philippine peso	54.9	54.9
Pacific CATV, Inc. (Pacific) ^{(h) (o) (w)}	Philippines	Cable television services	Philippine peso	58.0	58.0
First Ilocandia CATV, Inc. ^{(h) (o) (w)}	Philippines	Cable television services	Philippine peso	54.9	54.9
Mactan CATV Network, Inc. ^{(h) (o) (p) (w)}	Philippines	Cable television services	Philippine peso	56.6	56.6
Discovery Mactan Cable, Inc. ^{(h) (s) (w)}	Philippines	Cable television services	Philippine peso	41.6	41.6
Home-Lipa Cable, Inc. ^{(h) (s) (w)}	Philippines	Cable television services	Philippine peso	35.6	35.6
New Businesses					
ABS-CBN Theme Parks and Resorts Holdings, Inc. (ABS-CBN Theme Parks)	Philippines	Holding company	Philippine peso	100.0	100.0
Play Innovations, Inc. ^{(g) (y)}	Philippines	Theme park	Philippine peso	73.0	73.0
Play Innovations Hungary Kft. (Play Innovations) ^{(i) (g)}	Budapest, Hungary	Theme park	USD	73.0	73.0
iConnect Convergence, Inc.	Philippines	Service - call center	Philippine peso	100.0	100.0
Sapientis Holdings Corporation (Sapientis)	Philippines	Holding company	Philippine peso	100.0	100.0
Columbus Technologies, Inc. (CTI) ^(q)	Philippines	Holding company	Philippine peso	70.0	70.0
ABS-CBN Convergence, Inc. (ABS-C) ^{(q) (u)}	Philippines	Telecommunication	Philippine peso	69.3	69.3
ABS-CBN Studios, Inc.	Philippines	Production facility	Philippine peso	100.0	100.0

^(a) With branches in the Philippines and Taiwan

^(b) Through ABS-CBN Global

^(c) With branches in Italy and Spain

^(d) Subsidiary of ABS-CBN Europe

^(e) Nonstock ownership interest

^(f) Through ABS-CBN Interactive

^(g) Through ABS-CBN Theme Parks

^(h) Through Sky Cable

- (i) *Subsidiary of SCHI*
- (j) *Considered as foreign subsidiary*
- (k) *Subsidiary of ABS-CBN International*
- (l) *With a branch in Luxembourg*
- (m) *With a regional operating headquarters in the Philippines*
- (n) *Through ABS-CBN Hungary*
- (o) *Subsidiary of PCC*
- (p) *Through Pacific*
- (q) *Through Sapientis*
- (r) *With branch in Korea*
- (s) *A subsidiary of Sky Cable where Sky Cable effectively owns more than 50% interest*
- (t) *In liquidation*
- (u) *Subsidiary of CTI.*
- (v) *On April 24, 2015, Studio 23, ABS-CBN Interactive, ABS-CBN Multimedia and ABS-CBN filed an application for merger with the SEC, the latter being the surviving entity. On December 29, 2015, the SEC approved the application for merger to be effective January 1, 2016.*
- (w) *In 2015, ABS-CBN purchased additional shares in Sky Vision increasing its economic interest on Sky Vision and Sky Cable to 75% and 59.4%, respectively (see Note 5).*
- (x) *In 2014, CPI and Sky Cable entered into an agreement to form a joint venture company. Medianow, which was incorporated on August 22, 2014, is 78.7% effectively owned by the Company in 2014. As a result of the acquisition of additional interest in Sky Vision, economic interest increased to 79.7% in 2015.*

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 Control over Investee Companies. Control is when an investor has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Company has assessed it has control over its subsidiaries.

Classification of Interests in Joint Ventures. The Company classified its interest in joint arrangements as either joint operations or joint ventures depending on its rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, management considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Management evaluated its involvement in its joint arrangements and assessed these as joint ventures since the entities were established as separate vehicles and the Parent Company has joint control over these entities and has rights over their net assets. While the Parent Company only has 44% equity interest in ALA Sports Promotions, Inc. (ALA Sports), management determined that it has joint control over the entity since, under the terms of the Joint Venture Agreement, unanimous consent with the joint venture partners is required in the relevant

activities of ALA Sports. In addition, the Parent Company and its joint venture partner are also equally represented in ALA Sports' BOD (see Note 15).

Determination of Significant Influence over an Investee Company. An entity that holds, directly or indirectly, 20 percent or more of the voting power of an investee company is presumed to have significant influence over the latter, unless it can be clearly demonstrated that such is not the case. Conversely, if the entity holds, directly or indirectly, less than 20 per cent of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. As of June 30, 2016 and December 31, 2015, the Company has assessed that it has significant influence over its associates (see Note 15). The Company is represented in the BODs and participates in the policy-making process.

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.

Fair Value of Financial Instruments. PFRS requires that certain financial assets and liabilities (including derivative instruments) be carried at fair value, which requires the use of accounting estimates. The fair values of financial instruments of short-term nature and those that are subjected to monthly repricing are estimated to approximate their carrying amounts. Except for unquoted AFS investments, certain financial instruments which are not quoted in an active market, fair values are assessed to be the present value of estimated future cash flows discounted at risk-free rates applicable to the financial instrument.

The fair values of financial assets and liabilities are set out in Note 34.

4. Seasonality of Operations

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

5. Significant Acquisitions and Re-organization

a. Merger of ABS-CBN, Studio 23, ABS-CBN Interactive and ABS-CBN Multimedia

On March 5, 2015, the BOD approved the Plan of Merger of ABS-CBN, ABS-CBN Interactive, ABS-CBN Multimedia, Sarimanok News Network, Inc., Sapienis and Studio 23, with the Parent Company as the surviving corporation. On April 30, 2015, the Parent Company, Studio 23, ABS-CBN Interactive and ABS-CBN Multimedia filed an application for merger with the SEC, which was approved on December 29, 2015 to be effective January 1, 2016.

b. Acquisition of additional Sky Vision shares

In December 2015, the Parent Company entered into a Deed of Assignment with Lopez Holdings whereby the latter assigned all its rights, including all deposits made, under a Share Option Agreement (the Agreement) covering the purchase of 504,980,707 common shares of Sky Vision from Lopez Inc. The consideration for the assignment of rights amounted to P350 million. Thereafter, the Parent Company entered into agreements with Lopez Inc. for the reduction of the purchase price and the acquisition of the subject common shares via

application of the deposit. The Parent Company's economic interest in Sky Vision increased from 24.8% in 2014 to 75% in 2015 as a result of the acquisition of the shares of stock. The Parent Company's economic interest in Sky Cable also increased from 57.4% in 2014 to 59.4% in 2015. The impact of the change in noncontrolling interest amounted to P217 million in 2015.

6. Segment Information

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 interim condensed 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-PFRS measures.

The following table shows the reconciliation of the consolidated EBITDA to consolidated net income:

	Six Months Ended June 30	
	(Unaudited)	
	2016	2015
Consolidated EBITDA	P5,136,612	P3,887,896
Depreciation and amortization	(1,599,608)	(1,483,735)
Amortization of intangible assets**	(448,866)	(478,264)
Finance costs*	(420,696)	(370,159)
Interest income	119,657	84,749
Provision for income tax	(673,149)	(442,673)
Consolidated net income	P2,113,950	P1,197,814

* Excluding bank service charges

** Excluding amortization of movie in-process and filmed entertainment

Business Segment Data

The following tables present revenue and income information for the six months ended June 30, 2016 and 2015 and certain asset and liability information regarding business segments as of June 30, 2016 and December 31, 2015:

	TV and Studio		Pay TV Networks		New Businesses		Eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue										
External sales	P15,921,230	P12,865,789	P4,196,757	P3,984,537	P1,145,969	P1,010,544	P-	P-	P21,263,956	P17,860,870
Inter-segment sales	1,500,731	1,627,551	685	6,373	40,551	6,017	(1,541,967)	(1639,941)	-	-
Revenue deductions	(134,608)	(65,460)	-	-	(155,800)	(134,994)	16,560	10,904	(273,848)	(189,550)
Total revenue	P17,287,353	P14,427,880	P4,197,442	P3,990,910	P1,030,720	P881,567	(P1,525,407)	(P1,629,037)	P20,990,108	P17,671,320
Results										
Operating results	P3,463,091	P2,340,924	P73,883	P83,070	(P848,816)	(P964,694)	P309,870	P234,154	P2,998,028	P1,693,454
Finance costs	(418,512)	(371,277)	(117,077)	(130,773)	(2,506)	(288)	110,247	127,013	(427,848)	(375,325)
Foreign exchange gains (losses) - net	7,117	(66,542)	(5,194)	11,579	(926)	(228)	(38,892)	111,474	(37,895)	56,283
Interest income	171,128	126,743	1,629	7,782	795	386	(53,895)	(50,162)	119,657	84,749
Equity in net earnings of associates and joint ventures	4,630	5,269	-	-	-	-	-	-	4,630	5,269
Other income - net	430,301	426,089	99,836	76,213	8,099	25,038	(407,709)	(351,283)	130,527	176,057
Income tax	(632,037)	(410,262)	(18,698)	(14,002)	(2,414)	(18,409)	(20,000)	-	(673,149)	(442,673)
Net income	P3,025,718	P2,050,944	P34,379	P33,869	(P845,768)	(P958,195)	(P100,379)	P71,196	P2,113,950	P1,197,814
EBITDA									P5,136,612	P3,887,896
EBITDA Margin									24%	22%
Assets and Liabilities										
Operating assets	P56,204,681	P54,464,779	P19,450,264	P18,094,516	P1,695,681	P2,159,722	(P8,041,299)	(P7,709,785)	P69,309,327	P67,009,232
Investments in associates and joint ventures	18,177,575	18,564,266	1,562	1,562	-	-	(17,642,265)	(18,042,095)	536,872	523,733
Deferred tax assets - net	1,769,394	1,836,538	765,314	760,458	301,004	304,904	(10,761)	(10,761)	2,824,951	2,891,139
Total assets	P76,151,650	P74,865,583	P20,217,140	P18,856,536	P1,996,685	P2,464,626	(25,694,325)	(P25,762,641)	P72,671,150	P70,424,104
Operating liabilities	P14,841,132	P15,497,127	P8,020,681	P6,673,883	P3,155,471	P2,891,344	(P4,408,377)	(P4,502,745)	P21,608,907	P20,559,609
Interest-bearing loans and borrowings	16,776,142	16,819,685	3,715,805	3,672,071	-	-	-	-	20,491,947	20,491,756
Deferred tax liabilities - net	300,145	320,087	-	-	293,117	298,769	-	-	593,262	618,856
Obligations under finance lease	22,879	33,253	8,838	5,304	-	-	-	-	31,717	38,557
Total liabilities	P31,940,298	P32,670,152	P11,745,324	P10,351,258	P3,448,588	P3,190,113	(P4,408,377)	(P4,502,745)	P42,725,833	P41,708,778
Other Segment Information										
Capital expenditures:										
Property and equipment	P1,863,107	P1,171,036	P314,653	P2,817,506	P300,586	P755,267	P-	P-	P2,478,346	P4,743,809
Intangible assets	382,993	1,336,948	-	-	115,717	667,626	-	-	498,710	2,004,574
Depreciation and amortization	1,770,060	3,832,870	749,375	1,390,324	85,562	152,304	(409,985)	(676,161)	2,195,012	4,699,337
Noncash expenses other than depreciation and amortization	130,613	115,854	112,707	258,778	41,254	24,929	-	-	284,574	399,561

Geographical Segment Data

The following tables present revenue and expenditure for the six months ended June 30, 2016 and 2015 and certain asset information regarding geographical segments as of June 30, 2016 and December 31, 2015:

	Philippines		United States		Others		Eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue										
External sales	P18,379,410	P15,162,882	P1,980,088	P1,854,885	P904,458	P843,103	P-	P-	P21,263,956	P17,860,870
Inter-segment sales	1,541,967	1,639,941	-	-	-	-	(1,541,967)	(1,639,941)	-	-
Revenue deductions	(290,408)	(200,454)	-	-	-	-	16,560	10,904	(273,848)	(189,550)
Total revenue	P19,630,969	P16,602,369	P1,980,088	P1,854,885	P904,458	P843,103	(P1,525,407)	(P1,629,037)	P20,990,108	P17,671,320
Assets										
Operating assets	P66,944,547	P65,255,223	P2,081,843	P1,880,291	P8,324,236	P7,583,503	(P8,041,299)	(P7,709,785)	P69,309,327	P67,009,232
Investments in associates and joint ventures	18,179,137	18,565,828	-	-	-	-	(17,642,265)	(18,042,095)	536,872	523,733
Deferred tax assets - net	2,628,782	2,726,772	205,509	179,510	1,421	(4,382)	(10,761)	(10,761)	2,824,951	2,891,139
Total assets	P87,752,466	P86,547,823	P2,287,352	P2,059,801	P8,325,657	P7,579,121	(P25,694,325)	(P25,762,641)	P72,671,150	P70,424,104
Liabilities										
Operating liabilities	P23,705,786	P23,304,892	P684,031	P569,183	P1,627,467	P1,188,279	(P4,408,377)	(P4,502,745)	P21,608,907	P20,559,609
Interest-bearing loans and borrowings	20,455,233	20,454,033	36,714	37,723	-	-	-	-	20,491,947	20,491,756
Deferred tax liabilities - net	593,262	618,856	-	-	-	-	-	-	593,262	618,856
Obligations under finance lease	31,717	38,557	-	-	-	-	-	-	31,717	38,557
Total liabilities	P44,785,998	P44,416,338	P720,745	P606,906	P1,627,467	P1,188,279	(P4,408,377)	(P4,502,745)	P42,725,833	P41,708,778
Other Segment Information										
Capital expenditures:										
Property and equipment	P2,478,346	P4,702,862	P-	P39,052	P-	P1,895	P-	P-	P2,478,346	P4,743,809
Intangible assets	498,710	2,004,574	-	-	-	-	-	-	498,710	2,004,574

7. Cash and Cash Equivalents

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Cash on hand and in banks	₱7,017,835	₱6,258,878
Cash equivalents	7,327,059	5,278,681
	₱14,344,894	₱11,537,559

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 six months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term placement rates.

Interest earned from cash and cash equivalents amounted to ₱119 million and ₱63 million for the six months ended June 30, 2016 and 2015, respectively.

8. Trade and Other Receivables

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Trade:		
Airtime	₱6,685,262	₱6,646,413
Subscriptions	3,856,918	2,737,347
Others	1,272,029	2,242,809
Advances to employees and talents (see Note 24)	382,625	484,085
Due from related parties (see Note 24)	263,747	335,683
Others	778,179	578,197
	13,238,760	13,024,534
Less allowance for doubtful accounts	1,676,192	1,463,387
	₱11,562,568	₱11,561,147

Trade receivables are noninterest-bearing and are generally on 60 to 90-days term upon receipt of invoice by the customer.

For terms and conditions relating to due from related parties, refer to Note 24.

Advances to employees and talents are usually settled within one year.

Other trade receivables are other revenue generated from the sale of goods and services and usually collected within one year.

Movements in the allowance for doubtful accounts are as follows:

	Trade			Nontrade	Total
	Airtime	Subscriptions	Others		
Balance at January 1, 2015	P459,631	P745,824	P288,086	P22,586	P1,516,127
Provisions (see Note 28)	20,931	255,347	30,762	57,834	364,874
Write-offs and others	(151,059)	(100,783)	(156,605)	(9,167)	(417,614)
Balance at December 31, 2015	329,503	900,388	162,243	71,253	1,463,387
Provisions (see Note 28)	13,091	168,974	86,609	716	269,390
Write-offs and others	-	(22,852)	(20,911)	(12,822)	(56,585)
Balance at June 30, 2016	P342,594	P1,046,510	P227,941	P59,147	P1,676,192

The aging analysis of the unbilled airtime and subscription receivables follows:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Less than 30 days	P410,412	P451,169
31 to 60 days	14,203	36,133
	P424,615	P487,302

9. Inventories

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
At net realizable value:		
Materials, supplies and spare parts	P154,808	P100,954
Merchandise inventories	122,381	119,364
At cost:		
Merchandise inventories	439,054	452,075
Office supplies	1,377	108
	P717,620	P672,501

Merchandise inventory consists mainly of set-up 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 of digital boxes amounting to P573 million and P608 million for the six months ended June 30, 2016 and 2015, respectively, is recorded under the "Cost of sales and services" account in the consolidated statement of income (see Note 27).

Inventory losses amounted to P10 million and P6 million six months ended June 30, 2016 and 2015, respectively (see Note 28). The cost of inventories carried at net realizable value amounted to P277 million and P307 million as of June 30, 2016 and December 31, 2015, respectively. Inventory costs, recognized under "Cost of sales and services" amounted to P612 million and P646 million for the six months ended June 30, 2016 and 2015, respectively (see Note 27).

10. Other Current Assets

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Creditable withholding and prepaid taxes	₱1,693,869	₱1,799,544
Advances to suppliers	843,904	989,741
Prepaid licenses	534,840	438,563
Preproduction expenses	304,495	329,562
Prepaid rent	154,623	99,525
Prepaid insurance	33,337	23,374
Prepaid transponder services	9,731	14,080
Other prepayments	165,962	195,635
	₱3,740,761	₱3,890,024

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

Other prepayments mainly pertain to membership dues and subscription.

11. Property and Equipment

June 30, 2016 (Unaudited – Six Months)						
	Land and Land Improvements	Buildings and Improvements	Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Other Equipment	Construction in Progress	Total
Cost						
Balance at beginning of year	₱1,729,165	₱11,813,393	₱18,269,220	₱11,384,615	₱2,653,258	₱45,849,651
Additions	271,495	4,418	892,139	328,038	982,256	2,478,346
Reclassifications (see Note 13)	1,373	287,667	759,051	134,532	(660,526)	522,097
Disposals/retirements	–	(11)	(426)	(3,663)	–	(4,100)
Translation adjustments	(869)	(2,483)	(4,592)	(4,565)	(320)	(12,829)
Balance at end of year	2,001,164	12,102,984	19,915,392	11,838,957	2,974,668	48,833,165
Accumulated Depreciation and Amortization						
Balance at beginning of year	27,792	6,448,962	11,303,012	6,271,832	–	24,051,598
Depreciation and amortization (see Notes 26, 27 and 28)	2,621	251,285	888,889	456,216	–	1,599,011
Reclassifications (see Note 13)	–	(194)	47,206	194	–	47,206
Disposals/retirements	–	–	(1,204)	(3,295)	–	(4,499)
Translation adjustments	(11)	(1,918)	(4,738)	(10,147)	–	(16,814)
Balance at end of year	30,402	6,698,135	12,233,165	6,714,800	–	25,676,502
Net Book Value	₱1,970,762	₱5,404,849	₱7,682,227	₱5,124,157	₱2,974,668	₱23,156,663

December 31, 2015 (Audited – One Year)						
	Land and Land Improvements	Buildings and Improvements	Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Other Equipment	Construction in Progress	Total
Cost						
Balance at beginning of year	₱1,467,370	₱11,219,835	₱17,817,765	₱10,714,861	₱2,196,297	₱43,416,128
Additions	255,627	74,208	1,497,988	991,857	1,924,129	4,743,809
Disposals/retirements	–	(22,598)	(1,709,863)	(660,743)	–	(2,393,204)
Reclassifications	1,976	533,144	644,347	288,564	(1,468,031)	–
Translation adjustments	4,192	8,804	18,983	50,076	863	82,918
Balance at end of year	1,729,165	11,813,393	18,269,220	11,384,615	2,653,258	45,849,651
Accumulated Depreciation and Amortization						
Balance at beginning of year	21,699	5,970,337	9,744,365	7,107,184	–	22,843,585
Depreciation and amortization (see Notes 26, 27 and 28)	6,050	490,294	1,689,552	835,194	–	3,021,090
Disposals/retirements	–	(19,864)	(1,220,015)	(645,684)	–	(1,885,563)
Reversal of allowance for impairment	–	–	–	(1,524)	–	(1,524)
Reclassifications	–	(58)	1,070,700	(1,070,642)	–	–
Translation adjustments	43	8,253	18,431	47,283	–	74,010
Balance at end of year	27,792	6,448,962	11,303,033	6,271,811	–	24,051,598
Net Book Value	₱1,701,373	₱5,364,431	₱6,966,187	₱5,112,804	₱2,653,258	₱21,798,053

Certain property and equipment of Sky Cable and PCC with a carrying value of ₱492 million as of 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 of June 30, 2016, 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 ₱15,954 million and ₱15,663 million as of June 30, 2016 and December 31, 2015, 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 billion and ₱944 million as of June 30, 2016 and December 31, 2015, respectively. Borrowing costs capitalized in 2016 and 2015 amounted to ₱83 million and ₱166 million, respectively.

Property and equipment, classified as other equipment, includes the following amounts where the Company is a lessee under a finance lease (see Note 32):

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Cost capitalized under finance lease	₱ 777,474	₱777,402
Accumulated depreciation	(426,670)	(406,695)
Net book value	₱350,804	₱370,707

The amount of property and equipment under finance lease includes the net book value of the IRU covered by the lease agreement between Sky Cable and Bayantel.

12. Investment Properties

Cost and related accumulated depreciation of investment properties are as follows:

June 30, 2016 (Unaudited – Six Months)			
	Land	Building	Total
Cost:			
Balance at beginning of year	₱169,264	₱40,171	₱209,435
Translation adjustments	28	–	28
Balance at end of year	169,292	40,171	209,463
Accumulated depreciation:			
Balance at beginning of year	–	8,634	8,634
Depreciation (see Note 28)	–	597	597
Translation adjustments	–	(297)	(297)
Balance at end of year	–	8,934	8,934
Net book value	₱169,292	₱31,237	₱200,529

December 31, 2015 (Audited – One Year)			
	Land	Building	Total
Cost:			
Balance at beginning of year	₱167,268	₱38,533	₱205,801
Translation adjustments	1,996	1,638	3,634
Balance at end of year	169,264	40,171	209,435
Accumulated depreciation:			
Balance at beginning of year	–	7,067	7,067
Depreciation (see Note 28)	–	1,159	1,159
Translation adjustments	–	408	408
Balance at end of year	–	8,634	8,634
Net book value	₱169,264	₱31,537	₱200,801

Land and building with carrying value of ₱57 million as of June 30, 2016 and December 31, 2015, 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 19).

As of June 30, 2016 and December 31, 2015, the fair market value of land and building of ABS-CBN International, which is based on market price of similar properties within the area, amounted to ₱92 million and ₱70 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. Management believes that the carrying value of the remaining investment properties amounting to ₱143 million and ₱144 million approximates their fair values as of June 30, 2016 and December 31, 2015, respectively.

Rental income derived from the investment properties amounted to ₱1 million for the six months ended June 30, 2016 and 2015. Direct operating expenses, which consist mainly of depreciation, amounted to ₱597 thousand and ₱567 thousand for the six months ended June 30, 2016 and 2015, respectively.

13. Program Rights and Other Intangible Assets

June 30, 2016 (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	BSS Integration	Production and Distribution Business - Middle East	Digital Platform	Total
Balance at beginning of year	P3,356,467	P134,847	P924,297	P13,465	P1,111,784	P1,001,814	P421,246	P459,968	P511,189	P65,764	P–	P8,000,841
Additions	388,662	–	88,104	3,774	–	–	–	–	–	–	18,170	498,710
Amortization (see Notes 26, 27 and 28)	(427,132)	(3,115)	(143,939)	(2,599)	–	(2,029)	(10,569)	–	–	(2,986)	(3,035)	(595,404)
Reclassification (see Note 11)	–	–	–	–	–	–	–	–	(474,891)	–	–	(474,891)
Reclassification to Other Assets	–	–	–	–	–	–	–	–	(36,298)	–	–	(36,298)
Translation adjustments	–	–	–	–	–	(4)	–	–	–	228	–	224
Balance at end of year	3,317,997	131,732	868,462	14,640	1,111,784	999,781	410,677	459,968	–	63,006	15,135	7,393,182
Less current portion	790,077	9,904	13,898	2,125	–	–	–	–	–	–	–	816,004
Noncurrent portion	P2,527,920	P121,828	P854,564	P12,515	P1,111,784	P999,781	P410,677	P459,968	P–	P63,006	P15,135	P6,577,178

December 31, 2015 (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	BSS Integration	Production and Distribution Business - Middle East	Digital Platform	Total
Balance at beginning of year	P3,729,454	P132,803	P756,353	P9,960	P1,111,784	P1,003,767	P445,384	P459,968	P63,742	P68,371	–	P7,781,586
Additions	590,722	8,163	889,215	18,784	–	–	–	–	497,690	–	–	2,004,574
Amortization (see Notes 26, 27 and 28)	(850,511)	(6,119)	(721,271)	(15,279)	–	(3,730)	(24,138)	–	(50,243)	(5,797)	–	(1,677,088)
Reclassification	(113,198)	–	–	–	–	–	–	–	–	–	–	(113,198)
Translation adjustments	–	–	–	–	–	1,777	–	–	–	3,190	–	4,967
Balance at end of year	3,356,467	134,847	924,297	13,465	1,111,784	1,001,814	421,246	459,968	511,189	65,764	–	8,000,841
Less current portion	798,081	8,163	141,053	12,114	–	–	–	–	–	–	–	959,411
Noncurrent portion	P2,558,386	P126,684	P783,244	P1,351	P1,111,784	P1,001,814	P421,246	P459,968	P511,189	P65,764	–	P7,041,430

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

June 30, 2016 (Unaudited – Six Months)						December 31, 2015 (Audited – One Year)					
	Licenses	Customer Relationships	Cable Channels - CPI	Production and Distribution Business - Middle East	Total	Licenses	Customer Relationships	Cable Channels - CPI	Production and Distribution Business - Middle East	BSS Integration	Total
Cost	P42,777	P612,940	P574,960	P212,358	P1,443,035	P42,777	P612,940	P574,960	P212,358	P563,908	P2,006,943
Accumulated amortization	(8,045)	(202,263)	(114,992)	(149,352)	(474,652)	(6,012)	(191,694)	(114,992)	(146,594)	(52,719)	(512,011)
Net book value	P34,732	P410,677	P459,968	P63,006	P968,383	P36,765	P421,246	P459,968	P65,764	P511,189	P1,494,932

14. Available-for-Sale Investments

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Balance at beginning of year	₱275,096	₱242,368
Unrealized fair value gain (loss) on AFS investments	(5,113)	32,728
Balance at end of year	₱269,983	₱275,096

AFS investments consist mainly of investments in quoted (₱193 million and ₱198 million as of June 30, 2016 and December 31, 2015, respectively) and unquoted (₱77 million as of June 30, 2016 and December 31, 2015) ordinary shares.

The unrealized gain (loss) on AFS investments amounting to (₱5) million and ₱18 million for the six months ended June 30, 2016 and 2015, respectively, were recognized in OCI, net of deferred tax liabilities (assets).

15. Investments in Associates and Joint Ventures

The following are the associates and joint ventures of the Company with remaining carrying value as of June 30, 2016 and December 31, 2015:

		Percentage of Ownership	
		June 30, 2016	December 31, 2015
Entity	Principal Activities	(Unaudited)	(Audited)
Associate:			
Amcara Broadcasting Network Incorporated (Amcara)	Services	49.0	49.0
The Flagship, Inc. (Flagship)	Services	40.0	40.0
Joint ventures:			
A C J O Shopping Corporation (A C J O)	Home shopping	50.0	50.0
Daum Kakao Philippines Corp.	Services	50.0	50.0
ALA Sports	Boxing promotions	44.0	44.0

Details and movement in the account are as follows:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Acquisition costs:		
Balance at beginning of year	P1,054,490	P729,490
Additions	8,509	325,000
Balance at end of year	1,062,999	1,054,490
Accumulated equity in net losses:		
Balance at beginning of year	(530,757)	(529,616)
Equity in net gain (loss) during the year	4,630	(1,141)
Balance at end of year	(526,127)	(530,757)
	P536,872	P523,733
Investments in:		
Joint ventures	P387,537	P382,803
Associates	149,335	140,930
	P536,872	P523,733

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 of June 30, 2016 and December 31, 2015.

Condensed financial information of the joint ventures follows:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Current assets	P907,278	P939,189
Noncurrent assets	131,520	126,732
Current liabilities	(247,865)	(286,802)
Net equity	P790,933	P779,119

	Six Months Ended June 30 (Unaudited)	
	2016	2015
Revenue	P448,459	P287,800
Costs and expenses	(436,645)	(277,236)
Net income	P11,814	P10,564
Equity in net earnings of joint ventures	P4,734	P5,283

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

June 30, 2016 (Unaudited – Six Months)				
	A C J O	ALA Sports	Daum Kakao	Total
Net assets of joint ventures	₱251,107	₱132,160	₱407,666	₱790,933
Interest of the Parent Company in the net assets of the joint ventures	50%	44%	50%	
Carrying amount of investments in joint ventures	₱125,554	₱58,150	₱203,833	₱387,537

December 31, 2015 (Audited – One Year)				
	A C J O	ALA Sports	Daum Kakao	Total
Net assets of joint ventures	₱233,932	₱112,602	₱432,585	₱779,119
Interest of the Parent Company in the net assets of the joint ventures	50%	44%	50%	
Carrying amount of investments in joint ventures	₱116,966	₱49,544	₱216,293	₱382,803

a. Investments in Associates

The carrying value of investments in associates consists of investments in Flagship and Amcara as of June 30, 2016 and December 31, 2015.

On March 28, 2015, the Parent Company entered into an agreement with individuals to form Flagship, a holding company with interests on entities engaged in the business of producing and co-producing motion pictures and providing visual effects and post-production services. The Company did not recognize its equity in net earnings of Flagship in 2015 because it is not material.

Investment in the other associate, Star Cinema Productions, Inc., a 45%-owned associate of the Company, has been reduced to zero due to accumulated equity in net losses.

The net cumulative unrecognized net losses amounted to ₱17 million as of June 30, 2016 and December 31, 2015.

Condensed financial information of Amcara follows:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Current assets	₱35,176	₱26,025
Noncurrent assets	206,054	206,582
Current liabilities	(157,912)	(149,076)
Net equity	₱83,318	₱83,531

	Six Months Ended June 30	
	(Unaudited)	
	2016	2015
Revenue	P24,734	14,387
Costs and expenses	(24,947)	(14,415)
Net loss	(P213)	(P28)

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

	June 30, 2016	December 31, 2015
	(Unaudited)	(Audited)
Net assets of associate of Amcara	P83,318	P83,531
Interest of the Parent Company in the net assets of the associate	49%	49%
Carrying amount of investments in associate	P40,826	P40,930
Investment in Flagship	108,509	100,000
Carrying amount of investments in associates	P149,335	P140,930

16. Other Noncurrent Assets

	June 30, 2016	December 31, 2015
	(Unaudited)	(Audited)
Tax credits with TCCs - net	P1,637,225	P1,726,990
Deposits and bonds	290,163	244,884
Deferred charges	106,139	124,673
Others	272,651	57,591
	P2,306,178	P2,154,138

17. Goodwill

Analysis of movement in goodwill follows:

	June 30, 2016	December 31, 2015
	(Unaudited)	(Audited)
Balance at beginning of year	P5,301,526	P5,289,956
Translation adjustment	-	11,570
Balance at end of year	P5,301,526	P5,301,526

Goodwill arose from the following acquisitions and business combination:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Sky Cable	P4,491,817	P4,491,817
CTI and ABS-C	567,836	567,836
ABS-CBN International	232,672	232,672
Sapientis	9,201	9,201
	P5,301,526	P5,301,526

18. Trade and Other Payables

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Trade	P3,169,957	P2,396,864
Accrued expenses:		
Production costs and other expenses	5,514,176	5,145,014
Salaries and other employee benefits (see Note 31)	2,621,838	3,270,666
Taxes	1,636,663	1,434,001
Interest	218,962	151,308
Deferred revenue	2,154,474	1,861,008
Dividend payable	226,658	198,120
Due to related parties (see Note 24)	146,810	107,699
Others	239,480	377,010
	P15,929,018	P14,941,690

19. Interest-bearing Loans and Borrowings

	June 30, 2016 (Unaudited)			December 31, 2015 (Audited)		
Borrower	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion	Total
Parent Company	P71,478	P16,390,830	P16,462,308	P70,887	P16,444,329	P16,515,216
Sky Cable	79,221	2,870,730	2,949,951	29,860	2,871,330	2,901,190
PCC	6,000	768,691	774,691	2,000	774,184	776,184
Play Innovations, Inc.	300,000	—	300,000	300,000	—	300,000
ABS-CBN International	2,107	34,607	36,714	2,047	35,676	37,723
	P458,806	P20,064,858	P20,523,664	P404,794	P20,125,519	P20,530,313

Parent Company

The details of interest-bearing loans and borrowings of the Parent Company are as follows:

	June 30, 2016 (Unaudited)			December 31, 2015 (Audited)		
	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion	Total
Term loans:						
Loan agreements	P50,490	P10,440,591	P10,491,081	P50,649	P10,487,788	P10,538,437
Bonds payable	—	5,948,347	5,948,347	—	5,943,525	5,943,525
Obligations under finance lease (see Note 32)	20,988	1,892	22,880	20,238	13,016	33,254
	P71,478	P16,390,830	P16,462,308	P70,887	P16,444,329	P16,515,216

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 shall serve as the loan’s facility agent. The loan is intended 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. The loan is payable annually with a lump sum payment of the remaining balance on November 9, 2017. The loan is pre-payable subject to a break cost.

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 loan agreement 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 Parent 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 January 30, 2014 and October 30, 2014, the BOD approved the refinancing of the fixed rate portions of the syndicated loan, amounting to ₱4,850 million in principal.

Thereafter, on February 28, 2014 and November 10, 2014, the Parent 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 the 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 with a term of four years. The ₱3,200 million loan, which was secured from BPI, bears interest of 3.88% per annum with a term of six years.

- (ii) On March 7, 2014, the Parent Company secured a ₱1 billion loan from Philippine American Life and General Insurance Company to partially finance the Company's capital expenditure requirements and general working capital purposes. The loan has a term of ten years and a fixed rate of 5.40% per annum.
- (iii) On February 9, 2016, the Parent Company entered into a loan agreement with Unionbank of the Philippines for principal amount of ₱4,750 million. The loan is intended to refinance the existing indebtedness of ₱1,650 million availed from Security Bank and ₱3,200 million availed from BPI. The ₱4,750 million loan bears interest of 5.00% payable semi-annually with a term of ten years.

As of June 30, 2016 and December 31, 2015, the Parent Company is in compliance with the provisions of its loan agreements.

Unamortized debt issue cost, presented as a deduction from the Parent Company's outstanding loans, amounted to ₱60 million and ₱45 million as of June 30, 2016 and December 31, 2015, respectively.

Amortization of debt issue costs amounted to about ₱9 million and ₱10 million for the six months ended June 30, 2016 and 2015 (see Note 29).

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 of June 30, 2016 and December 31, 2015, 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 ₱52 million and ₱56 million as of June 30, 2016 and December 31, 2015, respectively.

Amortization of debt issue costs amounted ₱5 million for the six months ended June 30, 2016 and 2015, (see Note 29).

Breakdown of the Company's term loans as of June 30, 2016 and December 31, 2015 follows:

	June 30, 2016 (Unaudited)			December 31, 2015 (Audited)		
	Loan Agreements	Bonds Payable	Total	Loan Agreements	Bonds Payable	Total
Principal	₱10,551,000	₱6,000,000	₱16,551,000	₱10,583,500	₱6,000,000	₱16,583,500
Less unamortized transaction costs	59,919	51,653	111,572	45,063	56,475	101,538
	10,491,081	5,948,347	16,439,428	10,538,437	5,943,525	16,481,962
Less current portion	50,490	—	50,490	50,649	—	50,649
Noncurrent portion	₱10,440,591	₱5,948,347	₱16,388,938	₱10,487,788	₱5,943,525	₱16,431,313

Debt issue costs as of June 30, 2016 amortized over the term of the loans using the effective interest method as follows:

Year	Loan Agreements	Bonds Payable	Total
2016	₱23,895	₱5,012	₱28,907
2017	32,618	10,370	42,988
2018	475	10,965	11,440
2019 and onwards	2,931	25,306	28,237
	₱59,919	₱51,653	₱111,572

Amortization of debt issue costs are as follows (see Note 29):

	Six Months Ended June 30 (Unaudited)	
	2016	2015
Debt costs	₱13,716	₱14,840

Repayments of loan and bonds payable based on nominal values are scheduled as follows:

Year	Loan Agreements	Bonds Payable	Total
2016	₱50,000	₱—	₱50,000
2017	7,900,500	—	7,900,500
2018 and onwards	2,600,500	6,000,000	8,600,500
	₱10,551,000	₱6,000,000	₱16,551,000

Sky Cable

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

	June 30, 2016 (Unaudited)			December 31, 2015 (Audited)		
	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion	Total
Term Loans	₱77,500	₱2,863,614	₱2,941,114	₱26,441	₱2,869,446	₱2,895,887
Obligations under finance lease (see Note 32)	1,721	7,116	8,837	3,419	1,884	5,303
	₱79,221	₱2,870,730	₱2,949,951	₱29,860	₱2,871,330	₱2,901,190

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 ₱1.8 billion 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 ₱1.85 billion. The remaining ₱150 million will be used for working capital purposes.

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 is supported by a Fixed Rate Corporate Notes Facility Agreement.

The loan agreements 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 Sky Cable's assets, declaration of cash dividends or enter into merger or consolidation, except where Sky Cable is the surviving entity and it does not result to a change in control.

On January 26, 2016, Sky Cable entered into a loan agreement with Rizal Commercial Banking Corporation for principal amount of ₱1 billion. The loan is intended to refinance the existing indebtedness of ₱1 billion availed from various local banks. The ₱1 billion loan bears interest of 4.60% per annum with a term of five years.

As of June 30, 2016 and December 31, 2015, 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 ₱16 million and ₱14 million as of June 30, 2016 and December 31, 2015, respectively. Using the effective interest method, unamortized debt issue costs as of June 30, 2016 will be amortized as follows:

Year	Amount
2016	₱2,314
2017	4,409
2018	3,209
2019 and onwards	6,454
	<u>₱16,386</u>

Amortization of debt issue costs amounted to about ₱2 million for the six months ended June 30, 2016 and 2015. (see Note 29).

Based on nominal values, the schedule of debt repayments of the unsubordinated and restructured loans is as follows:

Year	Amount
2016	₱25,000
2017	77,500
2018	30,000
2019 and onwards	2,825,000
	<u>₱2,957,500</u>

PCC

On April 10, 2012, PCC signed an omnibus notes facility and security agreement with BDO in the amount of ₱800 million with the interest rate using the BSP overnight borrowing rate of 4.0%, multiplied by 97/100. The net proceeds from the issuance of the notes pursuant to the Tranche A amounting to ₱500 million is used to refinance the existing long-term bank loans. The proceeds of the Tranche A was used to settle the long term-debt of PCC as of December 31, 2011 amounting to ₱499 million.

The loan is supported by deed of pledge executed by Sky Cable and the Continuing Suretyship Agreement executed by Sky Vision. It is payable in quarterly installments commencing on July 16, 2013 with a maturity on April 1, 2019.

The agreement provided for certain requirements and restrictions with respect to, among others, the use of the proceeds, maintenance of certain financial ratios, incurrence of additional debt, sale or lease of all or substantially all of PCC's assets, declaration of cash dividends or enter into merger or consolidation, except where PCC is the surviving entity and it does not result to a change in control. As of December 31, 2015 and 2014, PCC is in compliance with the provisions and all of the financial ratios required by its creditors in the agreement.

Debt issue costs on the loan amounting to ₱3 million and ₱4 million as of June 30, 2016 and December 31, 2015, respectively, are deferred and amortized using the effective interest method. Amortization of debt issue costs amounted to about ₱508 thousand and ₱488 thousand for the six months ended June 30, 2016 and 2015 (see Note 29).

Debt issue costs are amortized over the term of the loan using the effective interest method as follows:

Year	Amount
2016	₱610
2017	1,153
2018	1,546
	₱3,309

The schedule of debt repayment of the loan is as follows:

Year	Amount
2016	₱6,000
2017	4,000
2018	8,000
2019 onwards	760,000
	₱778,000

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 six 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 12).

The schedule of debt repayment is as follows:

Year	Amount
2016	₱2,107
2017	2,231
2018	2,363
2019–2028	30,013
	₱36,714

Play Innovations, Inc.

In 2015, Play Innovations, Inc. availed of various short-term loans from BPI for working capital purposes. The principal amount of the loans totaled ₱300 million bearing fixed interest rate of 4.21% for a year. The loans are free from liens and mortgages.

20. 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. Unamortized discounts amounted to ₱21 million and ₱24 million as of June 30, 2016 and December 31, 2015, respectively.

The schedule of repayments as of June 30, 2016 and December 31, 2015 is as follows:

	June 30, 2016 (Unaudited)			December 31, 2015 (Audited)		
	Gross Value	Unamortized Discount	Carrying Value	Gross Value	Unamortized Discount	Carrying Value
Within one year	₱413,530	₱8,876	₱404,654	₱508,052	₱9,147	₱498,905
More than one year to five years	127,218	12,307	114,911	187,869	15,269	172,600
	₱540,748	₱21,183	₱519,565	₱695,921	₱24,416	₱671,505

21. Convertible Note

On February 14, 2011, ABS-CBN, Lopez, Inc, Lopez Holdings, Sky Vision, Sky Cable, STT Communications Ltd. (STTC) and Sampaquita Communications Pte. Ltd. (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 six years, subject to adjustment every six 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 interim condensed consolidated

financial statements. The liability component is presented separately as “Convertible note” in the consolidated statements of financial position.

In 2014, Sampaquita and Sky Cable agreed to retain the interest rate at 0% for the next six 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 ₱70 million is recognized as gain in 2014.

Accretion of the convertible note recognized as part of interest expense in the interim condensed consolidated statements of income amounted to ₱8 million and ₱7 million for the six months ended June 30, 2016 and 2015, respectively (see Note 29).

22. Other Noncurrent Liabilities

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Customers’ deposits	₱246,050	₱263,300
Deferred credits	35,084	36,537
Others	128,042	117,413
	₱409,176	₱417,250

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.

23. Equity

Capital Stock

Details of authorized and issued capital stock as of June 30, 2016 and December 31, 2015 are as follows:

	Number of Shares	Amount
<i>(Amounts in Thousands, Except Number of Shares)</i>		
Authorized -		
Common shares - ₱1.0 par value	1,300,000,000	₱1,300,000
Preferred shares - ₱0.2 par value	1,000,000,000	₱200,000
Issued -		
Common shares	872,123,642	₱872,124
Preferred shares	1,000,000,000	₱200,000

Below is the Parent Company's track record of the registration of securities:

Date of SEC Order Rendered Effective or Permit to Sell	Event	Authorized Capital Stock	Issued Shares	Issue Price
	Registered and Listed Shares			
	(Original Shares)	₱200,000	111,327,200	₱1.00
June 30, 1992	Initial Public Offering (Primary)	200,000	12,428,378	15.00
	Secondary *	200,000	18,510,517	15.00
	ESOP*	200,000	1,403,500	15.00
June 16, 1993	40% stock dividends	200,000	49,502,074	1.00
August 18, 1994	50% stock dividends	500,000	86,620,368	1.00
July 25, 1995	100% stock dividends	1,500,000	259,861,104	1.00
July 2, 1996	50% stock dividends	1,500,000	259,861,104	1.00
January 7, 2014	Issuance	1,500,000	57,836,900	43.125
January 7, 2014	Issuance	1,500,000	34,702,140	43.225

**Included in the 111,327,200 shares existing at the time of the IPO*

The Parent Company's total number of common stockholders is 5,429 and 5,478 as of June 30, 2016 and December 31, 2015, respectively.

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 ₱658 million and ₱745 million for the six months ended June 30, 2016 and 2015, 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 19).

On March 17, 2016, the BOD approved the declaration of cash dividend of ₱0.75 per common share or an aggregate amount of ₱643 million to all common stockholders of record as of April 11, 2016 payable on April 29, 2016.

On March 5, 2015, the BOD approved the declaration of cash dividend of ₱0.60 per common share or an aggregate amount of ₱514 million to all common stockholders of record as of March 20, 2015 payable on April 20, 2015.

On April 24, 2015, the BOD approved the declaration and payment of 2% per annum cash dividend on the Parent Company's preferred shares with a record date set for May 11, 2015 payable on May 18, 2015.

Treasury Shares and PDRs Convertible to Common Shares

Details of treasury shares and PDRs convertible to common shares as of June 30, 2016 and December 31, 2015 are as follows:

	June 30, 2016 (Unaudited)				December 31, 2015 (Audited)			
	Treasury Shares	PDRs Convertible Common Shares	Total	Amount	Treasury Shares	PDRs Convertible Common Shares	Total	Amount
Balance at beginning of year	21,322,561	27,828,645	49,151,206	P1,638,719	21,124,161	20,430,445	41,554,606	P1,264,096
Acquisitions during the year	—	—	—	—	198,400	7,398,200	7,596,600	374,623
Balance at end of year	21,322,561	27,828,645	49,151,206	P1,638,719	21,322,561	27,828,645	49,151,206	P1,638,719

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.

Transaction cost incurred on the purchase of treasury shares and PDRs convertible to common shares amounting to P993 thousand was charged to “Additional paid-in capital” in the 2015 consolidated statement of financial position.

24. 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 Notes 5 and 19, significant transactions of the Company with its associates, joint ventures and related parties follow:

		Six Months Ended June 30 (Unaudited)	
	Nature	2016	2015
Associate and Joint Venture			
Blocktime fees paid by the Parent Company and Studio 23 to Amcara	Blocktime fees	₱8,350	₱14,386
Airtime revenue from A C J O	Airtime fees	2,000	—
Service revenue of ABS-CBN Shared Services from Amcara	Service Fees	86	—
Entities under Common Control			
Expenses paid by the Parent Company and subsidiaries to Goldlink Securities and Investigative Services, Inc. (Goldlink), Bayantel and other related parties	Service fees and utilities expenses	₱42,363	₱86,102
Expenses and charges paid for by the Parent Company which are reimbursed by the concerned related parties	Rent and utilities	7,226	14,774
Revenue of ABS-CBN Publishing and subsidiaries from other related parties	Print revenue and Other service Fees	353	—
Loan and advances to Lopez Holdings	Loan and interest	—	22,468

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, 2016 (Unaudited)	December 31, 2015 (Audited)
Due from (see Note 8)					
Amcara	Associate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	₱143,857	₱142,474
A C J O	Joint Venture	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	26,637	—
INAEC	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	23,182	54,032
ABS-CBN Lingkod Kapamilya	Corporate social responsibility sector of ABS-CBN	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	22,433	18,677
ALA Sports	Joint Venture	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	15,741	30,424
(Forward)					

				June 30, 2016	December 31, 2015
	Relationship*	Terms	Conditions	(Unaudited)	(Audited)
Star Cinema	Associate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	7,915	7,924
First Philippine Holdings Corporation	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	6,497	59,815
Goldlink	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	5,697	5,220
Rockwell Land Corporation (Rockwell Land)	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	2,842	2,956
Others	Affiliate	30 days upon receipt; noninterest-bearing	Unsecured, no impairment	8,946	14,161
Total				P263,747	P335,683

				June 30, 2016	December 31, 2015
	Relationship*	Terms	Conditions	(Unaudited)	(Audited)
Due to (see Note 18)					
Sky Cable Net, Inc.	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured	P55,858	P55,858
Lopez, Inc.	Ultimate parent	30 days upon receipt of billings; noninterest-bearing	Unsecured	19,118	19,277
ABS-CBN Bayan Foundation	Corporate social responsibility sector of ABS-CBN	30 days upon receipt of billings; noninterest-bearing	Unsecured	6,234	6,234
Others	Affiliates	30 days upon receipt of billings; noninterest-bearing	Unsecured	65,600	26,330
Total				P146,810	P107,699

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

- The Parent Company and Studio 23 own the program rights being aired in UHF Channel 23 of Amcara. The Parent Company and Studio 23 have an existing blocktime agreement with Amcara for its provincial operations.
- Due from Amcara pertains substantially to the outstanding receivable for funds transferred by ABS-CBN to Amcara in 2012 to fund the purchase of an intangible asset.
- Advances to employees and talents amounted to P383 million and P484 million as of June 30, 2016 and December 31, 2015, respectively (see Note 8).
- Share-based payment amounted to P34 million as of June 30, 2016 and December 31, 2015.
- In 2015, the Parent Company has advances to Lopez Holdings for the purchase of assets amounting to P96 million.

- f. In 2015, the Parent Company has advances to INAEC amounting to P336 million.
- g. Other transactions with related parties include cash advances for working capital requirements.

Terms and Conditions of Transactions with Related Parties

The sales to and purchases from related parties are made at normal market prices. Except for transactions identified in the previous section as interest-bearing, outstanding balances as of year-end are generally unsecured, interest-free and settlement occurs in cash, and are collectible or payable on demand. For the six months ended June 30, 2016 and 2015, 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

	Six Months Ended June 30	
	(Unaudited)	
	2016	2015
Compensation (see Notes 26, 27 and 28)	P713,197	P681,480
Termination benefits	24,761	24,449
Pension benefits (see Note 31)	24,708	25,396
Vacation leaves and sick leaves	24,627	25,367
	P787,293	P756,692

25. 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	
		June 30, 2016	December 31, 2015
		(Unaudited)	(Audited)
Sky Cable Corporation and Subsidiaries (see Note 5)	Philippines	40.6%	40.6%
Sapientis Holdings Corporation and Subsidiaries	Philippines	30.7%	30.7%

Accumulated Earnings (Losses) of Material Noncontrolling Interests

Company	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Sky Cable Corporation and Subsidiaries	₱1,911,104	₱1,898,072
Sapientis Holdings Corporation and Subsidiaries	(1,153,515)	(999,690)

Net Income (Loss) Attributable to Material Noncontrolling Interests

Company	Six Months Ended June 30 (Unaudited)	
	2016	2015
Sky Cable Corporation and Subsidiaries	₱13,034	₱14,337
Sapientis Holdings Corporation and Subsidiaries	(153,826)	(200,814)

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

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Cash and cash equivalents	₱2,346,949	₱1,791,245
Other current assets	3,053,828	2,320,593
Goodwill	4,491,817	4,491,817
Trademarks	1,111,784	1,111,784
Customer relationships	413,811	421,247
Other noncurrent assets	11,031,079	10,906,019
Current liabilities	(7,420,059)	(8,288,681)
Noncurrent liabilities	(7,064,117)	(4,714,624)

Summarized Consolidated Statements of Comprehensive Income

	Six Months Ended June 30	
	(Unaudited)	
	2016	2015
Revenue	P4,197,442	P3,990,910
Cost of services	(2,772,411)	(2733,181)
General and administrative expenses	(1,351,148)	(1,174,659)
Finance costs	(117,077)	(130,773)
Other income - net	96,271	95,574
Income before income tax	53,077	47,871
Provision for income tax	18,698	14,002
Net income	P34,379	P34,380
Attributable to equity holders of the Parent Company	P37,971	P36,167
Attributable to noncontrolling interests	(P3,592)	(P2,298)
Total comprehensive income	P34,379	P33,869
Attributable to equity holders of the Parent Company	P37,971	P36,167
Attributable to noncontrolling interests	(P3,592)	(P2,298)

Summarized Consolidated Statements of Cash Flows

	Six Months Ended June 30	
	(Unaudited)	
	2016	2015
Operating	P1,493,239	P1,453,562
Investing	(875,371)	(1,505,654)
Financing	(61,270)	(169,473)

b. Sapientis

Summarized Consolidated Statements of Financial Position

	June 30,	December 31,
	2016	2015
	(Unaudited)	(Audited)
Cash and cash equivalents	P18,554	P13,516
Other current assets	959,925	916,251
Goodwill	567,836	567,836
Other noncurrent assets	1,821,946	1,939,755
Current liabilities	(2,403,046)	(2,072,498)
Noncurrent liabilities	(5,865,466)	(6,883,888)

Summarized Consolidated Statements of Comprehensive Income

	Six Months Ended June 30	
	(Unaudited)	
	2016	2015
Revenue	P167,877	P227,119
Cost of services	(193,116)	(281,689)
General and administrative expenses	(474,548)	(592,742)
Finance costs	(170)	(183)
Other income – net	3,460	10,515
Loss before income tax	(496,497)	(636,980)
Provision for income tax	(862)	17,177
Net loss	(P495,635)	(P654,157)
Attributable to equity holders of the Parent Company	(P341,809)	(P453,343)
Attributable to noncontrolling interests	(P153,826)	(P200,814)
Total comprehensive loss	(P495,635)	(P654,157)
Attributable to equity holders of the Parent Company	(P341,809)	(P453,343)
Attributable to noncontrolling interests	(P153,826)	(P200,814)

Summarized Consolidated Statements of Cash Flows

	Six Months Ended June 30	
	(Unaudited)	
	2016	2015
Operating	(P1,548,171)	(P45,891)
Investing	(46,596)	38,283
Financing	1,599,805	–

26. Production Costs

	Six Months Ended June 30	
	(Unaudited)	
	2016	2015
Personnel expenses and talent fees (see Notes 24 and 31)	P3,187,817	P2,978,190
Facilities-related expenses (see Notes 24 and 32)	970,777	838,951
Travel and transportation	456,798	343,602
Depreciation and amortization (see Note 11)	426,311	439,440
Amortization of program rights (see Note 13)	369,792	321,622
License and royalty	283,951	232,660
Set requirements	158,208	122,218
Catering and food expenses	130,939	84,537
Others	245,463	57,925
	P6,230,056	P5,419,145

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.

27. Cost of Sales and Services

Cost of services consists of the following:

	Six Months Ended June 30	
	(Unaudited)	
	2016	2015
Facilities-related expenses (see Notes 32)	₱1,233,925	₱1,153,567
Programming costs	959,173	910,167
Personnel expenses (see Notes 24 and 31)	787,983	688,669
Depreciation and amortization (see Note 11)	726,646	733,114
Advertising and promotions	411,330	232,692
Bandwidth costs	167,516	165,642
Interconnection costs (see Note 24)	132,579	166,014
Transaction costs	101,034	102,055
License fees and royalties	90,895	105,465
Transportation and travel	75,115	61,676
Amortization of program rights (see Note 13)	57,340	100,339
Stationery and office supplies	41,935	33,525
Inventory costs (see Note 9)	39,475	38,466
Freight and delivery	36,581	32,143
Set requirements	16,270	13,577
Catering and food expenses	15,541	13,577
Taxes and licenses	8,532	8,793
Amortization of other intangible assets (see Note 13)	6,150	31,590
Installation costs	1,258	17,826
Others (see Note 24)	192,270	73,094
	₱5,101,548	₱4,681,991

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:

	Six Months Ended June 30	
	(Unaudited)	
	2016	2015
Inventory costs (see Note 9)	₱572,696	₱607,582
Personnel expenses (see Notes 24 and 31)	17,717	17,005
Printing and reproduction	17,129	19,469
Handling and processing costs	5,159	6,220
Freight and delivery	2,545	2,319
Facilities related expenses (see Notes 24 and 32)	1,837	1,832
Advertising and promotions	145	180
Transportation and travel	135	97
Others (see Note 24)	5,341	5,072
	₱622,704	₱659,776

28. General and Administrative Expenses

	Six Months Ended June 30	
	(Unaudited)	
	2016	2015
Personnel expenses (see Notes 24 and 31)	₱3,242,802	₱2,843,654
Contracted services	623,488	426,404
Depreciation and amortization (see Notes 11 and 12)	446,651	311,181
Facilities related expenses (see Notes 24 and 32)	445,113	441,823
Provision for doubtful accounts (see Note 8)	269,390	173,318
Taxes and licenses	229,783	224,444
Advertising and promotion	202,780	334,025
Transportation and travel	155,622	131,149
Research and survey	150,467	115,971
Entertainment, amusement and recreation	63,946	74,323
Donations and contributions	22,224	22,747
Amortization of other intangible assets (see Note 13)	15,584	14,462
Inventory losses (see Note 9)	10,184	6,354
Others (see Note 24)	159,738	97,099
	₱6,037,772	₱5,216,954

29. Other Income and Expenses

Finance Costs

	Six Months Ended June 30	
	(Unaudited)	
	2016	2015
Interest expense (see Notes 19 and 21)	P405,512	P352,473
Amortization of debt issue costs (see Note 19)	15,184	17,686
Bank service charges	7,152	5,166
	P427,848	P375,325

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

	Six Months Ended June 30	
	(Unaudited)	
	2016	2015
Long-term debt (see Note 19)	P235,036	P181,628
Bonds payable (see Note 19)	161,828	160,939
Convertible note (see Note 21)	7,658	7,144
Obligations under finance lease (see Note 19)	990	2,762
	P405,512	P352,473

Other Income (Charges)

	Six Months Ended June 30	
	(Unaudited)	
	2016	2015
Leasing operations (see Note 32)	P18,444	P16,282
Revenue from workshops	8,916	9,909
Dividend income	6,525	4,777
Management fees	6,409	9,240
Gain on sale of property and equipment	434	6,837
Others - net (see Notes 16 and 21)	89,799	129,012
	P130,527	P176,057

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

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

The provision for (benefit from) income tax follows:

	Six Months Ended June 30	
	(Unaudited)	
	2016	2015
Current	P597,977	P645,113
Deferred	75,172	(202,440)
	P673,149	P442,673

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

	June 30,	December 31,
	2016	2015
	(Unaudited)	(Audited)
Deferred tax assets:		
Accrued pension obligation and other employee benefits	P1,432,414	P1,563,895
Allowance for doubtful accounts	353,129	309,035
NOLCO	280,114	273,506
Accrued expenses	159,434	190,467
Excess of the purchase price over the fair value of net assets acquired	132,293	132,293
Unearned revenue	113,218	78,815
Customers' deposits	111,327	111,001
MCIT	43,132	41,985
Allowance for impairment loss on property and equipment	32,777	32,777
Net unrealized foreign exchange loss	26,826	27,147
Allowance for inventory obsolescence	4,097	2,768
Others	136,190	127,450
	P2,824,951	P2,891,139
Deferred tax liabilities:		
Excess of the fair value over the book value of net assets acquired	P293,117	P298,769
Capitalized interest, duties and taxes	215,609	235,096
Imputed discount	84,536	84,991
	P593,262	P618,856

The details of the deductible temporary differences, NOLCO and MCIT of certain subsidiaries for which no deferred tax assets were recognized are as follows:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Allowance for doubtful accounts	₱1,206,393	₱1,139,148
Accrued pension obligation and others	346,050	327,230
Allowance for decline in value of inventories	116,535	116,535
NOLCO	51,563	73,710
Allowance for impairment loss on property and equipment	23,331	23,331
Unearned revenue	9,592	7,149
MCIT	1,858	1,665

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 2016, MCIT and NOLCO amounting to ₱43 thousand and ₱993 thousand, respectively, were claimed as deduction against RCIT due and taxable income.

In 2015, MCIT and NOLCO amounting to ₱1 million and ₱186 million, respectively, expired and were written off. MCIT and NOLCO amounting to ₱22 million and ₱15 million, respectively, were claimed as deduction against RCIT due and taxable income.

MCIT of certain subsidiaries amounting to ₱45 million can be claimed as tax credit against future RCIT as follows:

Year Paid	Expiry Dates	Amount
2013	December 31, 2016	₱1,452
2014	December 31, 2017	18,090
2015	December 31, 2018	24,301
2016	December 31, 2019	1,147
		₱44,990

NOLCO of certain subsidiaries amounting to ₱985 million can be claimed as deductions from future taxable income as follows:

Year Incurred	Expiry Dates	Amount
2013	December 31, 2016	₱15,587
2014	December 31, 2017	50,575
2015	December 31, 2018	881,698
2016	December 31, 2019	37,416
		₱985,276

As of June 30, 2016 and December 31, 2015, deferred tax liability on undistributed earnings of ABS-CBN Global, holding company of the Parent Company's foreign subsidiaries, amounting to ₱1,712 million and ₱1,685 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:

	Six Months Ended June 30	
	(Unaudited)	
	2016	2015
Statutory tax rate	30%	30%
Additions to (reduction in) income taxes resulting from the tax effects of:		
Interest income subjected to final tax	(4)	(5)
Nondeductible interest expense	1	2
Others (mainly income subject to different tax rates)	(3)	—
Effective tax rates	24%	27%

Registration with the PEZA

On July 14, 2009, the PEZA approved the application of Big Dipper for registration as an Ecozone Information Technology (IT) Enterprise to provide digital film archiving, digital central library, content licensing and transmission at the 3rd Floor, Eugenio Lopez, Jr. Communications Center, Eugenio Lopez Drive, Quezon City.

On February 13, 2014, the PEZA approved the application of Big Dipper for entitlement to Pioneer Status. Consequently, Big Dipper's income tax holiday period was extended until October 31, 2015.

Total income tax holiday incentives availed by Big Dipper amounted to ₱197 million in 2015.

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 ₱39 million for the year ended December 31, 2015.

31. Pension and Other Employee Benefits

Accrued pension obligation and other employee benefits consist of:

	June 30,	December 31,
	2016	2015
	(Unaudited)	(Audited)
Pension obligation	₱3,078,416	₱2,979,646
Other employee benefits	2,033,834	1,869,265
	₱5,112,250	₱4,848,911

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

	June 30, 2016	December 31, 2015
	(Unaudited)	(Audited)
Current (see Note 18)	P867,568	P801,352
Noncurrent	4,244,682	4,047,559
	P5,112,250	P4,848,911

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

	Six Months Ended June 30	
	(Unaudited)	
	2016	2015
Current service cost	P334,035	P161,276
Net interest cost	79,351	86,070
Net pension expense	P413,386	P247,346

Accrued Pension Obligation

	June 30, 2016	December 31, 2015
	(Unaudited)	(Audited)
Present value of obligation	P5,835,049	P5,925,481
Fair value of plan assets	(2,756,633)	(2,945,835)
Accrued pension obligation	P3,078,416	P2,979,646

The Parent Company and Sky Cable expect to contribute P334 million and P97 million, respectively, to the retirement fund in 2016.

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

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
	<i>(Percentage)</i>	
Investment in fixed/floating rate treasury note	8.0	6.6
Investment in government securities and bonds	3.5	3.5
Investment in stocks	79.0	72.0
Others	9.5	17.9
	100.0	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 82% and 18% as of June 30, 2016, respectively, and 75% and 25% as of December 31, 2015, respectively. In 2015, the Parent Company contributed ₱200 million to the retirement fund. No withdrawals were made in 2015.

On July 27, 2010, the retirement committee of the retirement fund approved the following:

- Acquisition of ABS-CBN securities to fully fund the retirement fund deficiency;
- Allow the acquisition of Lopez Holdings shares and shares of other listed companies;
- Migrate to an investment management account arrangement in lieu of a "Trusteed" arrangement with BDO; and
- Appoint an investment officer of the retirement plan.

The market value of ABS-CBN asset allocation as at June 30, 2016 and December 31, 2015 are as follows:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Fixed Income:		
Short-term	₱254,590	₱499,993
Medium and long-term:		
Government securities	146,910	125,864
Corporate bonds	76,585	74,371
Preferred shares	3,227	3,158
Equities:		
Investment in shares of stock and other securities of related parties	1,764,592	1,806,864
Common shares and unit investment trust fund (UITF)	375,584	304,808
	₱2,621,488	₱2,815,058

Short-term Fixed Income. Short-term fixed income investment includes time deposit, special deposit account and special savings account with interest ranging from 1% to 3% as of June 30, 2016 and December 31, 2015.

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 2% to 9% as of June 30, 2016 and December 31, 2015, 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 ₱77 million and ₱72 million with terms ranging from 5 years to 15 years as of June 30, 2016 and December 31, 2015, respectively. Yield to maturity rate ranges from 4% to 7% with a total gain of ₱2 million and 4% to 7% with a total gain of ₱431 thousand as of June 30, 2016 and December 31, 2015, respectively.

Investment in preferred stock refers to 5,000 shares with total cost of ₱3 million and ₱227 thousand and ₱158 thousand gain as of June 30, 2016 and December 31, 2015, respectively. The market value of preferred stock is ₱3 million as of June 30, 2016 and December 31, 2015.

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.

June 30, 2016 (Unaudited)				
	Number of Shares	Cost	Market Value	Unrealized Gain (Loss)
ABS-CBN PDRs	25,112,158	₱1,061,198	₱1,190,316	₱129,118
Lopez Holdings	70,127,680	232,897	543,490	310,593
Rockwell Land	17,103,433	34,548	30,786	(3,762)
	112,343,271	₱1,328,643	₱1,764,592	₱435,949

December 31, 2015 (Audited)				
	Number of Shares	Cost	Market Value	Unrealized Gain (Loss)
ABS-CBN common shares	23,800	₱704	₱1,473	₱769
ABS-CBN PDRs	21,061,938	854,838	1,320,583	465,745
Lopez Holdings	69,827,680	230,496	460,863	230,367
Rockwell Land	17,103,433	34,476	23,945	(10,531)
	108,016,851	₱1,120,514	₱1,806,864	₱686,350

In 2015, the retirement fund purchased 1,357,780 shares of ABS-CBN PDRs and 50,000 shares of Lopez Holdings at ₱65.96 and ₱7.18, respectively. As of June 30, 2016 and December 31, 2015, the value of each ABS-CBN PDRs held by the retirement fund is at ₱47.40 and ₱62.70, respectively.

Total gain from investments in shares of stock and other securities of related parties amounted to ₱436 million and ₱686 million as of June 30, 2016 and December 31, 2015, respectively.

Investments in Common Shares and UITF. Common shares pertain to 23,474,613 shares and 18,076,263 shares listed in the PSE as of June 30, 2016 and December 31, 2015, respectively, with market value of ₱361 million and ₱295 million as of June 30, 2016 and December 31, 2015, respectively. UITF has a market value of ₱15 million and ₱9 million as of June 30, 2016 and December 31, 2015, respectively. Total gain from these investments amounted to ₱20 million and ₱3 million as of June 30, 2016 and December 31, 2015, 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 of June 30, 2016 and December 31, 2015 are as follows:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Short-term fixed income	₱3,653	₱35,281
Investment in medium and long-term fixed income:		
Government securities	74,427	56,670
Corporate bonds and debt securities	18,574	28,957
Investment in shares of stock of First Gen Corporation (First Gen)	8,044	7,320
Preferred shares	30,447	2,549
	₱135,145	₱130,777

Short-term Fixed Income. Short-term fixed income investment includes time deposit, special deposit account and special savings account with interest of 2.5% as of June 30, 2016 and December 31, 2015.

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 2.13% to 7.87% and 2.13% to 7.88% as of June 30, 2016 and December 31, 2015, respectively. These securities are fully guaranteed by the government of the Republic of the Philippines. Total gain from investments in government securities amounted to ₱3 million and ₱1 million as of June 30, 2016 and December 31, 2015, respectively.

Investment in Corporate Bonds. A total cost of ₱18 million unsecured bonds with terms ranging from 6 to 10 years as of June 30, 2016 and ₱23 million with terms ranging from 5 to 25 years as of December 31, 2015. Yield to maturity rate ranges from 4.6% to 6.8% with a gain of ₱574 thousand and ₱1.0 for the period ended June 30, 2016 and December 31, 2015, respectively.

Investments in Shares of Stock of First Gen. These refer to investments in preferred shares of First Gen which is listed in the PSE.

Total cost and market value of investments in shares of stock of First Gen amounted to ₱7 million as of June 30, 2016 and December 31, 2015. Total gain from these investments amounted to ₱1.5 million and ₱1.3 million as of June 30, 2016 and December 31, 2015, 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

	Six Months Ended June 30	
	(Unaudited)	
	2016	2015
Current service cost	P208,465	P121,438
Interest cost	30,580	31,470
Net benefit expense	P239,045	P152,908

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

	June 30,	December 31,
	2016	2015
	(Unaudited)	(Audited)
Defined benefit obligation at beginning of year	P1,869,265	P1,791,531
Current service cost	208,465	168,319
Interest cost	30,580	74,123
Actuarial gain	–	(71,100)
Settlement gain	–	(16,548)
Benefits paid	(74,476)	(77,060)
Defined benefit obligation at end of year	P2,033,834	P1,869,265

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	2015
	Increase (Decrease) in
	Defined Benefit Obligation
Discount rate:	
Increase by 1%	(P702,107)
Decrease by 1%	809,017
Future salary increases:	
Increase by 1%	P169,631
Decrease by 1%	(696,621)

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

Year	December 31, 2015
2016	₱160,770
2017 to 2020	1,498,191
2021 to 2025	3,019,363
2026 and beyond	23,471,033

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

32. Commitments

Deal Memorandum with DirecTV

ABS-CBN International's share in the subscription revenue earned from subscribers that have migrated to DirecTV amounted to ₱314 million and ₱297 million for the six months ended June 30, 2016 and 2015, 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:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Within one year	₱251,233	₱321,335
After one year but not more than five years	393,860	440,889
After five years but not more than ten years	180,741	202,914
	₱825,834	₱965,138

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:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Within one year	₱64,846	₱70,332
After one year but not more than five years	41,179	41,297
	₱106,025	₱111,629

Obligations under Finance Lease

The Company has finance leases over various items of equipment. 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:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Within one year	P26,479	P25,718
After one year but not more than five years	7,147	15,326
Total minimum lease payments	33,626	41,044
Less amounts representing finance charges	1,909	2,487
Present value of minimum lease payments	31,717	38,557
Less current portion (see Note 19)	22,709	23,657
Noncurrent portion (see Note 19)	P9,008	P14,900

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:

Year	Amount*
Within one year	645,428
After one year but not more than five years	1,679,430

*Includes variable fees based on the number of active subscribers as of December 31, 2015.

The estimated fees include channel license fees contracted by Sky Cable for its subsidiaries, amounting to P116 million, for which Sky Cable will be reimbursed.

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.

Construction Contracts

Play Innovations, Inc., a subsidiary of ABS-CBN Theme Parks, entered into various construction contracts for the development of an educational theme park under the franchise license of KidZania brand in the Philippines. The contract value committed for the significant construction contracts amounted to P1,165 million as of June 30, 2016 and December 31, 2015.

33. 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.

34. 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 of June 30, 2016 and December 31, 2015. There are no material unrecognized financial assets and liabilities as of June 30, 2016 and December 31, 2015.

	June 30, 2016 (Unaudited – Six Months)				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
Loans and receivables:					
Deposits (included under "Other noncurrent assets" account in the consolidated statements of financial position)	P169,119	P155,501	P–	P155,501	P–
AFS investments – quoted	192,798	192,798	192,798	–	–
	P361,917	P348,299	P192,798	P155,501	P–
Financial Liabilities					
Other financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	P20,523,664	P21,440,754	P–	P–	21,440,754
Obligations for program rights	519,565	540,748	–	540,748	–
Convertible note	212,889	250,277	–	–	250,277
Customers' deposits (included as part of "Other noncurrent liabilities")	246,050	258,810	–	–	258,810
	P21,502,168	P22,490,589	P–	P540,748	P21,949,841

December 31, 2015 (Audited – One Year)					
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
Loans and receivables:					
Deposits (included under “Other noncurrent assets” account in the consolidated statements of financial position)	P149,241	P137,282	P–	P137,282	P–
AFS investments - quoted	197,911	197,911	197,911	–	–
	P347,152	P335,193	P197,911	P137,282	P–
Financial Liabilities					
Other financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	P20,530,313	P21,424,191	P–	P–	P21,424,191
Obligations for program rights	671,505	695,921	–	695,921	–
Convertible note	205,231	233,607	–	–	233,607
Customers’ deposits (included as part of “Other noncurrent liabilities”)	263,300	258,810	–	–	258,810
	P21,670,349	P22,612,529	P–	P695,921	P21,916,608

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 of 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 of 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:

	Fair Value Assumptions
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-F rate plus applicable credit spread ranging from 2.8% to 4.7% as of June 30, 2016 and December 31, 2015.

There were no transfers between levels in the fair value hierarchy as of June 30, 2016 and December 31, 2015.

Offsetting of Financial Assets and Financial Liabilities

There is no offsetting of financial assets and financial liabilities as of June 30, 2016 and December 31, 2015.

35. 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)	
	2016	2015
Net income attributable to equity holders of the Parent Company	₱2,272,722	₱1,418,210
Dividends on preferred shares	(4,000)	(4,000)
(a) Net income attributable to common equity holders of the Parent Company	₱2,268,722	₱1,414,210
(b) Weighted average number of shares outstanding:		
At beginning of year	822,972,436	830,569,036
Acquisitions of treasury shares and PDRs (see Note 23)	—	(6,568,966)
At end of year	822,972,436	824,000,070
Basic/diluted EPS (a/b)	₱2.759	₱1.716

The Company has no dilutive potential common shares outstanding, therefore basic EPS is the same as diluted EPS.

36. Note to Consolidated Statements of Cash Flows

For the six months ended June 30, 2016 and 2015, the Company has noncash investing activity pertaining to acquisition of program rights on accounts amounting to ₱98 million and ₱77 million, respectively.

37. 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 of June 30, 2016, the claims, including those in connection with the events of February 4, 2006, are still pending and remain contingent liabilities. While the funeral and medical expenses have all been shouldered by the Parent Company, there still exist claims for compensation for the deaths and injuries, the amount of which have not been declared and cannot be determined with certainty at this time. Management is nevertheless of the opinion that should there be any adverse judgment based on these claims, this will not materially affect the Parent Company's financial position and performance.

- b. In relation to the consolidation of Sky Cable and Home Cable in 2004, a competitor television broadcasting company (complainant) filed a case before the NTC for unlawful merger and unlawful cross-ownership and common control and operations of telecommunications companies and cable companies with a prayer for cease and desist order. As of June 30, 2016, the case is still pending before the NTC. It is the opinion of Sky Vision's legal counsels that the case filed by the complainant is without legal basis and would not have a material impact to the interim condensed consolidated financial statements.

EXHIBIT 1 – Aging of Accounts Receivable

As of June 30, 2016

30-Jun-16	Neither Past Due nor Impaired	PAST DUE ACCOUNTS		Impaired	Allowance	Total
		Less than 30 Days	30 Days and Over			
Trade Receivables						
Airtime	4,724,965	587,189	957,054	416,054	(342,594)	6,342,668
Subscription	1,203,407	293,429	779,799	1,580,283	(1,046,510)	2,810,408
Others	555,160	53,426	619,965	43,478	(227,940)	1,044,089
Nontrade Receivables	458,630	40,484	614,662	47,028	(59,148)	1,101,656
Due from related parties						
Total	6,942,162	974,528	2,971,480	2,086,843	(1,676,192)	11,298,821

As of December 31, 2015

31-Dec-15	Neither Past Due nor Impaired	PAST DUE ACCOUNTS		Impaired	Allowance	Total
		Less than 30 Days	30 Days and Over			
Trade Receivables						
Airtime	4,304,121	1,440,333	477,388	424,571	(329,503)	6,316,910
Subscription	667,960	300,875	868,124	900,388	(900,388)	1,836,959
Others	806,323	550,339	428,768	457,379	(162,243)	2,080,566
Nontrade Receivables	481,612	122,487	386,930	71,253	(71,253)	991,029
Due from related parties						
Total	6,260,016	2,414,034	2,161,210	1,853,591	(1,463,387)	11,225,464

SIGNATURES

For the SEC 17-Q Second Quarter 2016 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: _____