Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes as at December 31, 2018 and 2017 and for each of the three years ended December 31, 2018, 2017 and 2016 included elsewhere in this Annual Report. This discussion contains forward-looking statements that reflect our current views with respect to future events and our future financial performance. These statements involve risks and uncertainties, and our actual results may differ materially from those anticipated in these forward-looking statements.

Overview

We are the largest and most diversified telecommunications company in the Philippines which delivers data and multimedia services nationwide. We have organized our business into business units based on our products and services and have three reportable operating segments which serve as the bases for management's decision to allocate resources and evaluate operating performance:

- *Wireless* — mobile telecommunications services provided by Smart Communications, Inc., or Smart, and Digitel Mobile Philippines, Inc., or DMPI, our mobile service providers; Smart Broadband, Inc., or SBI, and Primeworld Digital Systems, Inc., or PDSI, our wireless broadband service providers; and certain subsidiaries of PLDT Global Corporation, or PLDT Global, our mobile virtual network operations, or MVNO, provider;

- *Fixed Line* — fixed line telecommunications services primarily provided by PLDT. We also provide fixed line services through PLDT's subsidiaries, namely, PLDT Clark Telecom, Inc., PLDT Subic Telecom, Inc., PLDT-Philcom, Inc. or Philcom, and its subsidiaries, or Philcom Group, PLDT-Maratel, Inc., Bonifacio Communications Corporation, PLDT Global and certain subsidiaries, and Digital Telecommunications Phils., Inc., or Digitel, all of which together account for approximately 4% of our consolidated fixed line subscribers; data center, cloud, big data, managed security services, managed IT services and resellership provided by ePLDT, Inc., or ePLDT, IP Converge Data Services, Inc., or IPCDSI, and subsidiary, or IPCDSI Group, ABM Global Solutions, Inc., or AGS, and its subsidiaries, or AGS Group, Curo Teknika, Inc. and ePDS, Inc., or ePDS; business infrastructure and solutions, intelligent data processing and implementation services and data analytics insight generation provided by Talas Data Intelligence, Inc., or Talas; distribution of Filipino channels and content by Pilipinas Global Network Limited and its subsidiaries; and

- *Others* — Voyager Innovations Holdings, Pte. Ltd., or VIH, and certain subsidiaries, the digital innovations arm of PLDT and Smart; PLDT Communications and Energy Ventures, Inc., or PCEV, PLDT Global Investment Holdings, Inc., PLDT Global Investments Corporation, or PGIC, PLDT Digital Investments Pte. Ltd., or PLDT Digital, and its subsidiaries, our investment companies.

New and Amended Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except that we have adopted certain standards and amendments starting January 1, 2018. Except for the adoption of PFRS 9, *Financial Instruments (2014)*, and PFRS 15, *Revenue from Contract with Customers*, the adoption of these new standards and amendments did not have any significant impact on our financial position or performance. Please see Note 2 – Summary of Significant Accounting Policies and Procedures to the accompanying audited consolidated financial statements for further discussion.

Selected Financial Data and Key Performance Indicators

	2018	2017	2016
Financial Data:			
Service revenues	154,207	151,165	157,210
Net income	18,973	13,466	20,162
Core income	25,855	27,668	27,857
EBITDA	64,027	66,174	61,161
EBITDA margin(1)	42%	44%	39%
Operational Data:			
Number of mobile subscribers	60,499,017	58,293,908	62,763,209
Number of fixed line subscribers	2,710,972	2,663,210	2,438,473
Number of broadband subscribers	2,025,563	1,950,881	1,720,753

(1) *EBITDA margin for the period is measured as EBITDA from continuing operations divided by service revenues.*

EBITDA

EBITDA is measured as net income excluding depreciation and amortization, amortization of intangible assets, asset impairment on noncurrent assets, financing costs, interest income, equity share in net earnings (losses) of associates and joint ventures, foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net, provision for (benefit from) income tax and other income (expenses) – net. EBITDA is monitored by the management for each business unit separately for purposes of making decisions about resource allocation and performance assessment. EBITDA is presented because our management believes that it is widely used by investors in their analysis of the performance of PLDT and can assist them in their comparison of PLDT's performance with those of other companies in the technology, media and telecommunications sector. We also present EBITDA because it is used by some investors as a way to measure a company's ability to incur and service debt, make capital expenditures and meet working capital requirements. Companies in the technology, media and telecommunications sector have historically reported EBITDA as a supplement to financial measures in accordance with PFRS. EBITDA should not be considered as an alternative to net income as an indicator of our performance, nor should EBITDA be considered as an alternative to cash flows from operating activities, as a measure of liquidity or as an alternative to any other measure determined in accordance with PFRS. Unlike net income, EBITDA does not include depreciation and amortization or financing costs and, therefore, does not reflect current or future capital expenditures or the cost of capital. We compensate for these limitations by using EBITDA as only one of several comparative tools, together with PFRS-based measurements, to assist in the evaluation of operating performance. Such PFRS-based measurements include income before income tax, net income, and operating, investing and financing cash flows. We have significant uses of cash flows, including capital expenditures, interest payments, debt principal repayments, taxes and other non-recurring charges, which are not reflected in EBITDA. Our calculation of EBITDA may be different from the calculation methods used by other companies and, therefore, comparability may be limited. A reconciliation of our consolidated net income to our consolidated EBITDA for the years ended December 31, 2018, 2017 and 2016 is presented in *Note 4 – Operating Segment Information* to the accompanying audited consolidated financial statements.

Core Income

Core income is measured as net income attributable to equity holders of PLDT (net income less net income attributable to non-controlling interests), excluding foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net (excluding hedge costs), asset impairment on noncurrent assets, nonrecurring gains (losses), net of tax effect of aforementioned adjustments, as applicable, and similar adjustments to equity share in net earnings (losses) of associates and joint ventures. Core income results are monitored by the management for each business unit separately for purposes of making decisions about resource allocation and performance assessment. Also, core income is used by the management as a basis for determining the level of dividend payouts to shareholders and a basis for granting incentives to employees. Core income should not be considered as an alternative to income before income tax or net income determined in accordance with PFRS as an indicator of our performance. Unlike net income, core income does not include foreign exchange gains and losses, gains and losses on derivative financial instruments, asset impairments and non-recurring gains and losses. We compensate for these limitations by using core income as only one of several comparative tools, together with PFRS-based measurements, to assist in the evaluation of operating performance. Such PFRS-based measurements include income before income tax and net income. Our calculation of core income may be different from the calculation methods used by other companies and, therefore, comparability may be limited. A reconciliation of our consolidated net income to our consolidated core income for the years ended December 31, 2018, 2017 and 2016 is presented in *Note 4 – Operating Segment Information* to the accompanying audited consolidated financial statements.

Management's Financial Review

We use our EBITDA and our core income to assess our operating performance; a reconciliation of our consolidated net income to our consolidated EBITDA and our consolidated core income for the years ended December 31, 2018, 2017 and 2016 is set forth below.

The following table shows the reconciliation of our consolidated net income to our consolidated EBITDA for the years ended December 31, 2018, 2017 and 2016:

	2018	2017	2016
		(in millions)	
Consolidated net income	Php18,973	Php13,466	Php20,162
Add (deduct) adjustments:			
Depreciation and amortization	47,240	51,915	34,455
Financing costs – net	7,067	7,370	7,354
Provision for income tax	3,842	1,103	1,909
Noncurrent asset impairment	2,122	3,913	1,074
Amortization of intangible assets	892	835	929
Foreign exchange losses – net	771	411	2,785
Impairment of investments	172	2,562	5,515
Equity share in net losses (earnings) of associates and joint ventures	87	(2,906)	(1,181)
Gains on derivative financial instruments – net	(1,086)	(533)	(996)
Interest income	(1,943)	(1,412)	(1,046)
Other income – net	(14,110)	(10,550)	(9,799)
Total adjustments	45,054	52,708	40,999
EBITDA	Php64,027	Php66,174	Php61,161

The following table shows the reconciliation of our consolidated net income to our consolidated core income for the years ended December 31, 2018, 2017 and 2016:

	2018	2017	2016
		(in millions)	
Consolidated net income	Php18,973	Php13,466	Php20,162
Add (deduct) adjustments:			
Depreciation due to shortened life of property and equipmet	4,564	12,816	—
Noncurrent asset impairment	2,122	3,913	1,074
Manpower rightsizing program	1,703	—	—
Loss in fair value of investments	1,154	—	—
Foreign exchange losses – net	771	411	2,785
Investment written-off	362	—	—
Impairment of investments	172	2,562	5,515
Core income adjustment on equity share in net losses of associates and joint ventures	23	60	95
Net income attributable to noncontrolling interests	(57)	(95)	(156)
Other nonrecurring income	(1,018)	—	—
Gains on derivative financial instruments – net, excluding hedge costs	(1,135)	(724)	(1,539)
Net tax effect of aforementioned adjustments	(1,779)	(4,741)	(79)
Total adjustments	6,882	14,202	7,695
Consolidated core income	Php25,855	Php27,668	Php27,857

Results of Operations

The table below shows the contribution by each of our business segments to our consolidated revenues, expenses, other income (expense), income (loss) before income tax, provision for (benefit from) income tax, net income (loss)/segment profit (loss), EBITDA, EBITDA margin and core income for the years ended December 31, 2018, 2017 and 2016. In each of the years ended December 31, 2018, 2017 and 2016, majority of our revenues are derived from our operations within the Philippines. Our revenues derived from outside the Philippines consist primarily of revenues from incoming international calls to the Philippines.

In 2018, we reclassified the presentation of VIH from wireless to other business resulting from the transfer from Smart to PCEV in April 2018. In 2017, we changed the presentation of our expenses by combining certain line items to simplify our reporting while maintaining the same level of information. In 2016, we changed the classification of our revenue mix to provide for a more direct comparison to the current industry presentation in the Philippines by combining or separating certain line items from our service lines, and moving line items from one service line to another. We also changed the classification of our impairment on investments not directly affecting operations (most significantly, the impairment of our investment in Rocket Internet SE, or Rocket Internet), from operating expenses to other expenses. Accordingly, we changed prior years' financial information to conform with the current years' presentation in order to provide a clear comparison.

	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
			(in millions)		
For the year ended December 31, 2018					
Revenues	Php89,929	Php85,222	Php1,138	(Php11,537)	Php164,752
Expenses	82,246	77,782	4,093	(13,142)	150,979
Other income (expenses)	(625)	(45)	12,099	(2,387)	9,042
Income before income tax	7,058	7,395	9,144	(782)	22,815
Provision for income tax	1,333	1,336	1,173	–	3,842
Net income/Segment profit	5,725	6,059	7,971	(782)	18,973
EBITDA	34,235	30,875	(2,688)	1,605	64,027
EBITDA margin(1)	41%	38%	-246%	–	42%
Core income	9,760	6,925	9,952	(782)	25,855
For the year ended December 31, 2017					
Revenues	92,572	78,341	1,279	(12,266)	159,926
Expenses	97,651	63,864	2,774	(13,874)	150,415
Other income (expenses)	77	(3,323)	10,530	(2,226)	5,058
Income (loss) before income tax	(5,002)	11,154	9,035	(618)	14,569
Provision for (benefit from) income tax	(2,787)	3,680	210	–	1,103
Net income (loss)/Segment profit (loss)	(2,215)	7,474	8,825	(618)	13,466
EBITDA	36,395	29,478	(1,307)	1,608	66,174
EBITDA margin(1)	42%	39%	-104%	–	44%
Core income	9,812	8,846	9,628	(618)	27,668
For the year ended December 31, 2016					
Revenues	104,087	72,728	847	(12,400)	165,262
Expenses	91,623	61,285	1,623	(13,972)	140,559
Other income (expenses)	(3,103)	(291)	2,334	(1,572)	(2,632)
Income before income tax	9,361	11,152	1,558	–	22,071
Provision for (benefit from) income tax	(1,257)	3,018	148	–	1,909
Net income/Segment profit	10,618	8,134	1,410	–	20,162
EBITDA	32,915	26,950	(276)	1,572	61,161
EBITDA margin(1)	33%	39%	-37%	–	39%
Core income	12,275	7,746	7,836	–	27,857

(1) *EBITDA margin for the year is measured as EBITDA from continuing operations divided by service revenues.*

Wireless

Revenues

We generated revenues of Php89,929 million from our Wireless business segment in 2018, a decrease of Php2,643 million, or 3%, from Php92,572 million in 2017.

The following table summarizes our total revenues by service from our Wireless business segment for the years ended December 31, 2018 and 2017:

	2018	%	2017	%	Increase (Decrease) Amount	%
			(in millions)			
Service Revenues:						
Mobile	Php81,096	90	Php84,439	91	(Php3,343)	(4)
Home Broadband	155	—	2,556	3	(2,401)	(94)
MVNO and others(1)	1,750	2	417	—	1,333	320
Total Wireless Service Revenues	83,001	92	87,412	94	(4,411)	(5)
Non-Service Revenues:						
Sale of mobile handsets, SIM-packs and broadband data modems	6,928	8	5,160	6	1,768	34
Total Wireless Revenues	Php89,929	100	Php92,572	100	(Php2,643)	(3)

(1) *Includes service revenues generated by MVNOs of PLDT Global subsidiaries and facilities service fees.*

Service Revenues

Our wireless service revenues in 2018 decreased by Php4,411 million, or 5%, to Php83,001 million as compared with Php87,412 million in 2017, mainly as a result of lower revenues from mobile, and home broadband, partially offset by higher revenues from other services. As a percentage of our total wireless revenues, service revenues accounted for 92% and 94% for the years ended December 31, 2018 and 2017, respectively.

Mobile Services

Our mobile service revenues amounted to Php81,096 million in 2018, a decrease of Php3,343 million, or 4%, from Php84,439 million in 2017. Mobile service revenues accounted for 98% and 97% of our wireless service revenues for the years ended December 31, 2018 and 2017, respectively. In the third quarter of 2018, the revenue split allocation among voice, SMS and data for our mobile bundled plans was revised to reflect the current usage behavior pattern of our subscribers based on the recent network study conducted for our Wireless business segment.

					Increase (Decrease)	
	2018	%	2017	%	Amount	%
			(in millions)			
Mobile Services:						
Data	Php38,350	47	Php26,281	31	Php12,069	46
Voice	28,052	35	30,724	36	(2,672)	(9)
SMS	13,103	16	26,045	31	(12,942)	(50)
Inbound roaming and others[1]	1,591	2	1,389	2	202	15
Total	Php81,096	100	Php84,439	100	(Php3,343)	(4)

[1] *Refers to other non-subscriber-related revenues consisting primarily of inbound international roaming fees.*

Data Services

Mobile revenues from our data services, which include mobile internet, mobile broadband and other data services, increased by Php12,069 million, or 46%, to Php38,350 million in 2018 from Php26,281 million in 2017 due to increased mobile internet usage driven mainly by enhanced data offers with video access, supported by continuous network improvement and LTE migration, as well as the impact of the revised revenue split allocation, partially offset by lower revenues from mobile broadband and the impact of adoption of PFRS 15. Data services accounted for 47% and 31% of our mobile service revenues for the years ended December 31, 2018 and 2017, respectively.

The following table shows the breakdown of our mobile data service revenues for the years ended December 31, 2018 and 2017:

					Increase (Decrease)	
	2018	%	2017	%	Amount	%
			(in millions)			
Data Services:						
Mobile internet[1]	Php33,207	87	Php20,086	76	Php13,121	65
Mobile broadband	4,589	12	6,030	23	(1,441)	(24)
Other data[2]	554	1	165	1	389	236
Total	Php38,350	100	Php26,281	100	Php12,069	46

[1] *Includes revenues from web-based services, net of discounts and content provider costs.*
[2] *Beginning third quarter of 2018, revenues from other data include value-added services, or VAS.*

Mobile internet

Mobile internet service revenues increased by Php13,121 million, or 65%, to Php33,207 million in 2018 from Php20,086 million in 2017, primarily due to the following: (i) LTE migration efforts which yielded growth in LTE SIMs and smartphone ownership among our subscriber base; (ii) *Youtube* promo which built a video-streaming habit among users; (iii) prevalent use of mobile apps, social networking and e-commerce sites, and other OTT services; and (iv) impact of the revised revenue split allocation. Mobile internet services accounted for 41% and 24% of our mobile service revenues for the years ended December 31, 2018 and 2017, respectively.

Mobile broadband

Mobile broadband revenues amounted to Php4,589 million in 2018, a decrease of Php1,441 million, or 24%, from Php6,030 million in 2017, primarily due to a decrease in the number of subscribers using pocket wifi as they shift to using mobile internet and fixed DSL/Fiber home broadband. Mobile broadband services accounted for 6% and 7% of our mobile service revenues for the years ended December 31, 2018 and 2017, respectively.

Other data

Revenues from our other data services, which include VAS, domestic leased lines and share in revenue from PLDT WeRoam, increased by Php389 million, or 236%, to Php554 million in 2018 from Php165 million in 2017.

Voice Services

Mobile revenues from our voice services, which include all voice traffic, decreased by Php2,672 million, or 9%, to Php28,052 million in 2018 from Php30,724 million in 2017, mainly on account of lower traffic due to subscribers' shift to digital lifestyle with access to alternative calling options and other OTT services, and the impact of reduction in interconnection rates for voice services, as mandated by the NTC, and adoption of PFRS 15, partly offset by the effect of the revised revenue split allocation. Mobile voice services accounted for 35% and 36% of our mobile service revenues for the years ended December 31, 2018 and 2017, respectively.

Domestic voice service revenues decreased by Php650 million, or 3%, to Php23,486 million in 2018 from Php24,136 million in 2017, due to lower domestic inbound and outbound voice service revenues.

International voice service revenues decreased by Php2,022 million, or 31%, to Php4,566 million in 2018 from Php6,588 million in 2017, primarily due to lower international inbound and outbound voice service revenues as a result of lower international voice traffic, partially offset by the effect of higher weighted average rate of the Philippine peso relative to the U.S. dollar.

SMS Services

Mobile revenues from our SMS services, which include all SMS-related services, decreased by Php12,942 million, or 50%, to Php13,103 million in 2018 from Php26,045 million in 2017 mainly due to declining SMS volumes as a result of alternative text messaging options, such as OTT services and social media, and the impact of the revised revenue split allocation, reduction in interconnection rates for SMS services and adoption of PFRS 15. Mobile SMS services accounted for 16% and 31% of our mobile service revenues for the years ended December 31, 2018 and 2017, respectively.

Inbound Roaming and Others

Mobile revenues from inbound roaming and other services increased by Php202 million, or 15%, to Php1,591 million in 2018 from Php1,389 million in 2017.

The following table shows the breakdown of our mobile service revenues by service type for the years ended December 31, 2018 and 2017:

			Increase (Decrease)	
	2018	**2017**	**Amount**	**%**
		(in millions)		
Mobile service revenues	Php81,096	Php84,439	(Php3,343)	(4)
By service type				
Prepaid	59,914	59,862	52	—
Postpaid	19,591	23,188	(3,597)	(16)
Inbound roaming and others	1,591	1,389	202	15

Prepaid Revenues

Revenues generated from our mobile prepaid services amounted to Php59,914 million in 2018, an increase of Php52 million as compared with Php59,862 million in 2017. Mobile prepaid service revenues accounted for 74% and 71% of mobile service revenues for the years ended December 31, 2018 and 2017, respectively. The increase in revenues from our mobile prepaid services was primarily driven by a higher mobile prepaid subscriber base combined with the sustained growth in mobile internet revenues.

Postpaid Revenues

Revenues generated from mobile postpaid service amounted to Php19,591 million in 2018, a decrease of Php3,597 million, or 16%, as compared with Php23,188 million in 2017, and accounted for 24% and 27% of mobile service revenues for the years ended December 31, 2018 and 2017, respectively. The decrease in our mobile postpaid service revenues was primarily due to a lower postpaid subscriber base and the impact of adoption of PFRS 15.

Subscriber Base, Average Revenue Per User, or ARPU, and Churn Rates

The following table shows our wireless subscriber base as at December 31, 2018 and 2017:

			Increase (Decrease)	
	2018	2017	Amount	%
Mobile subscriber base				
Smart[1]	21,956,289	21,821,441	134,848	1
Prepaid	*20,532,174*	*20,433,351*	*98,823*	—
Postpaid	*1,424,115*	*1,388,090*	*36,025*	3
TNT	31,893,641	28,807,964	3,085,677	11
Sun[1]	6,649,087	7,664,503	(1,015,416)	(13)
Prepaid	*5,753,163*	*6,535,331*	*(782,168)*	(12)
Postpaid	*895,924*	*1,129,172*	*(233,248)*	(21)
Total mobile subscribers	60,499,017	58,293,908	2,205,109	4

(1) *Includes mobile broadband subscribers.*

Our current policy is to recognize a prepaid subscriber as active only when the subscriber activates and uses the SIM card. Beginning the second quarter of 2017, a prepaid mobile subscriber is considered inactive if the subscriber does not reload within 90 days after the full usage or expiry of the last reload, revised from the previous 120 days.

In compliance with Memorandum Circular (MC) No. 05-12-2017 issued jointly by the NTC, Department of Information and Communications Technology, and Department of Trade and Industry, Smart, TNT, and Sun extended the validity of prepaid loads to one year. Beginning January 2018, the one-year validity was implemented particularly on prepaid loads worth Php300 and above. In July 2018, the one-year validity was fully implemented for all prepaid loads, including denominations lower than Php300, regardless of the validity period printed on the physical cards already out in the market.

The average monthly churn rates for Smart Prepaid subscribers were 6.5% and 6.7% in 2018 and 2017, respectively, while the average monthly churn rates for TNT subscribers were 5.8% and 6.8% in 2018 and 2017, respectively. The average monthly churn rates for Sun Prepaid subscribers were 6.1% and 7.7% in 2018 and 2017, respectively.

The average monthly churn rates for Smart Postpaid subscribers were 2.0% and 2.3% in 2018 and 2017, respectively, and 3.5% in each of 2018 and 2017, for Sun Postpaid subscribers.

The following table summarizes our average monthly ARPUs for the years ended December 31, 2018 and 2017:

	Gross[1]		Increase (Decrease)		Net[2]		Increase (Decrease)	
	2018	2017	Amount	%	2018	2017	Amount	%
	(in Pesos)				(in Pesos)			
Prepaid								
Smart	*Php130*	*Php118*	*Php12*	*10*	*Php118*	*Php108*	*Php10*	*9*
TNT	*79*	*81*	*(2)*	*(2)*	*71*	*74*	*(3)*	*(4)*
Sun	*89*	*88*	*1*	*1*	*81*	*82*	*(1)*	*(1)*
Postpaid								
Smart	*836*	*1,004*	*(168)*	*(17)*	*819*	*972*	*(153)*	*(16)*
Sun	*403*	*422*	*(19)*	*(5)*	*401*	*418*	*(17)*	*(4)*

(1) *Gross monthly ARPU is calculated by dividing gross mobile service revenues for the month, including interconnection income but excluding inbound roaming revenues, gross of discounts, and content provider costs, by the average number of subscribers in the month.*
(2) *Net monthly ARPU is calculated by dividing gross mobile service revenues for the month, including interconnection income, but excluding inbound roaming revenues, net of discounts and content provider costs, by the average number of subscribers in the month.*

Home Broadband

Revenues from our Home Broadband services decreased by Php2,401 million, or 94%, to Php155 million in 2018 from Php2,556 million in 2017, mainly due to the transfer of *Ultera* and *WiMAX* businesses to PLDT.

MVNO and Others

Revenues from our MVNO and other services increased by Php1,333 million to Php1,750 million in 2018 from Php417 million in 2017, primarily due to facility service fees relating to *Ultera*, *WiMAX* and *Shops.Work Unplugged*, or *SWUP,* in 2018, partially offset by lower revenue contribution from MVNOs of PLDT Global.

Non-Service Revenues

Our wireless non-service revenues consist of sale of mobile handsets, mobile broadband data modems, tablets and accessories. Our wireless non-service revenues increased by Php1,768 million, or 34%, to Php6,928 million in 2018 from Php5,160 million in 2017, primarily due to the impact of adoption of PFRS 15.

Expenses

Expenses associated with our Wireless business segment amounted to Php82,246 million in 2018, a decrease of Php15,405 million, or 16%, from Php97,651 million in 2017. The decrease was mainly attributable to lower depreciation and amortization, asset impairment and interconnection costs, partially offset by higher cost of sales and services, and selling, general and administrative expenses. As a percentage of our total wireless revenues, expenses associated with our Wireless business segment accounted for 91% and 105% in the years ended December 31, 2018 and 2017, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the years ended December 31, 2018 and 2017 and the percentage of each expense item in relation to the total:

					Increase (Decrease)	
	2018	**%**	**2017**	**%**	**Amount**	**%**
			(in millions)			
Selling, general and administrative expenses	Php39,693	48	Php39,584	41	Php109	—
Depreciation and amortization	24,778	30	36,776	38	(11,998)	(33)
Cost of sales and services	9,989	12	8,814	9	1,175	13
Interconnection costs	4,467	6	6,373	6	(1,906)	(30)
Provisions	2,173	3	2,191	2	(18)	(1)
Asset impairment	1,146	1	3,913	4	(2,767)	(71)
Total	Php82,246	100	Php97,651	100	(Php15,405)	(16)

Selling, general and administrative expenses increased by Php109 million to Php39,693 million, primarily due to higher taxes and licenses, repairs and maintenance, and compensation and employee benefits, partly offset by lower professional and other contracted services, rent, and selling and promotions expenses.

Depreciation and amortization charges decreased by Php11,998 million, or 33%, to Php24,778 million, on account of lower depreciation due to shortened life of certain data network platform and other technology equipment resulting from the ongoing transformation projects which commenced in the previous year, to improve and simplify the network and systems applications.

Cost of sales and services increased by Php1,175 million, or 13%, to Php9,989 million, primarily due to higher issuances of mobile handsets and cost of SIM packs.

Interconnection costs decreased by Php1,906 million, or 30%, to Php4,467 million, primarily due to lower interconnection cost on domestic voice and SMS services, mainly due to the impact of reduction in interconnection rates for voice and SMS, as well as lower interconnection charges on international SMS and data roaming services.

Provisions decreased by Php18 million, or 1%, to Php2,173 million, primarily due to lower provision for inventory obsolescence.

Asset impairment decreased by Php2,767 million, or 71%, to Php1,146 million primarily due to the impairment of certain network equipment in 2017 which were rendered obsolete due to technological advancements as a result of continuing network transformation projects.

Other Income (Expenses)

The following table summarizes the breakdown of our total wireless-related other income (expenses) for the years ended December 31, 2018 and 2017:

	2018	2017	Change Amount	Change %
	(in millions)			
Other Income (Expenses):				
Financing costs – net	(Php1,865)	(Php2,247)	Php382	17
Foreign exchange losses – net	(125)	(57)	(68)	(119)
Equity share in net earnings (losses) of associates	62	(129)	191	148
Gain on derivative financial instruments – net	449	282	167	59
Interest income	719	305	414	136
Other income – net	135	1,923	(1,788)	(93)
Total	(Php625)	Php77	(Php702)	(912)

Our Wireless business segment's other expenses amounted to Php625 million in 2018, a change of Php702 million as against other income of Php77 million in 2017, primarily due to the net effects of the following: (i) lower other income – net by Php1,788 million mainly due to lower income from consultancy and other miscellaneous income, partly offset by lower impairment on Smart's investment in AFPI; (ii) higher net foreign exchange losses by Php68 million; (iii) higher net gains on derivative financial instruments by Php167 million; (iv) equity share in net earnings of associates of Php62 million in 2018 as against equity share in net losses of Php129 million in 2017; (v) lower net financing costs by Php382 million mainly due to higher capitalized interest, lower financing charges and lower weighted average loan principal amount, partly offset by higher weighted average interest rates; and (vi) higher interest income by Php414 million mainly due to an increase in principal amount of temporary cash investment, higher weighted average interest rates and higher weighted average rate of the Philippine peso relative to the U.S. dollar.

Provision for (Benefit from) Income Tax

Provision for income tax amounted to Php1,333 million in 2018, a change of Php4,120 million as against benefit from income tax of Php2,787 million, which includes tax impact of depreciation due to shortened life of property and equipment and noncurrent asset impairment recognized in 2017.

Net Income (Loss)

As a result of the foregoing, our Wireless business segment's net income increased by Php7,940 million to Php5,725 million in 2018 as against net losses of Php2,215 million in 2017.

EBITDA

Our Wireless business segment's EBITDA decreased by Php2,160 million, or 6%, to Php34,235 million in 2018 from Php36,395 million in 2017. EBITDA margin decreased to 41% in 2018 from 42% in 2017.

Core Income

Our Wireless business segment's core income decreased by Php52 million to Php9,760 million in 2018 from Php9,812 million in 2017 on account of lower EBITDA, higher provision for income tax and lower other miscellaneous income, partially offset by lower depreciation expense and net financing costs.

Fixed Line

Revenues

Revenues generated from our Fixed Line business segment amounted to Php85,222 million in 2018, an increase of Php6,881 million, or 9%, from Php78,341 million in 2017.

The following table summarizes our total revenues by service from our Fixed Line business segment for the years ended December 31, 2018 and 2017:

	2018	%	2017	%	Increase (Decrease) Amount	%
			(in millions)			
Service Revenues:						
Voice	Php25,178	30	Php28,500	36	(Php3,322)	(12)
Data	54,770	64	44,294	57	10,476	24
Miscellaneous	1,700	2	1,963	2	(263)	(13)
	81,648	96	74,757	95	6,891	9
Non-Service Revenues:						
Sale of computers, phone units and SIM packs, and point-product sales	3,574	4	3,584	5	(10)	—
Total Fixed Line Revenues	Php85,222	100	Php78,341	100	Php6,881	9

Service Revenues

Our fixed line service revenues increased by Php6,891 million, or 9%, to Php81,648 million in 2018 from Php74,757 million in 2017, due to higher revenues from our data services, partially offset by lower voice and miscellaneous service revenues. In the second quarter of 2018, the revenue split allocation between voice and data for our fixed line bundled plans was revised, in favor of data, to reflect the result of a recent network usage study from our Fixed Line business segment.

Voice Services

Revenues from our voice services decreased by Php3,322 million, or 12%, to Php25,178 million in 2018 from Php28,500 million in 2017, primarily due to lower revenues from local exchange and domestic services. The decline was partly due to the continued popularity of services such as Skype, Viber, Line, Facebook Messenger, Google Talk and WhatsApp, offering free OTT calling services, and other similar services, as well as the impact of the revised revenue split allocation. The percentage contribution of voice service revenues to our fixed line service revenues accounted for 31% and 38% for the years ended December 31, 2018 and 2017, respectively.

Data Services

The following table shows information of our data service revenues for the years ended December 31, 2018 and 2017:

	2018	2017	Increase Amount	%
		(in millions)		
Data service revenues	Php54,770	Php44,294	Php10,476	24
Home broadband	26,733	18,054	8,679	48
Corporate data and ICT	28,037	26,240	1,797	7

Our data services posted revenues of Php54,770 million in 2018, an increase of Php10,476 million, or 24%, from Php44,294 million in 2017, primarily due to higher home broadband revenues from DSL and Fibr, higher corporate data and leased lines, and higher data center and ICT revenues. The percentage contribution of this service segment to our fixed line service revenues accounted for 67% and 59% for the years ended December 31, 2018 and 2017, respectively.

Home Broadband

Home broadband data revenues amounted to Php26,733 million in 2018, an increase of Php8,679 million, or 48%, from Php18,054 million in 2017. This growth is driven by increasing demand for broadband services which the company is providing through its existing copper network and a nationwide roll-out of its fiber-to-the-home, or FTTH, network, and the transfer of *Ultera* and *WiMAX* businesses from SBI, as well as the impact of the revised revenue split allocation. Home broadband revenues accounted for 49% and 41% of total data service revenues in the years ended December 31, 2018 and 2017, respectively. In 2018, PLDT's FTTH nationwide network rollout has passed 6.3 million homes.

Corporate Data and ICT

Corporate data services amounted to Php23,991 million in 2018, an increase of Php1,102 million, or 5%, as compared with Php22,889 million in 2017, mainly due to sustained market traction of internet services, such as Dedicated Internet Access and FibrBiz, as a result of higher internet connectivity requirements, and key Multiprotocol Label Switching solutions, such as IP-VPN, Metro Ethernet and *Shops.Work*. Corporate data revenues accounted for 44% and 52% of total data services in the years ended December 31, 2018 and 2017, respectively.

ICT revenues increased by Php695 million, or 21%, to Php4,046 million in 2018 from Php3,351 million in 2017 mainly due to higher revenues from colocation and managed IT services. The percentage contribution of this service segment to our total data service revenues accounted for 7% in each of the years ended December 31, 2018 and 2017.

Miscellaneous Services

Miscellaneous service revenues are derived mostly from rentals and management fees. These service revenues decreased by Php263 million, or 13%, to Php1,700 million in 2018 from Php1,963 million in 2017 mainly due to lower management fees. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues accounted for 2% and 3% for the years ended December 31, 2018 and 2017, respectively.

Non-service Revenues

Non-service revenues decreased by Php10 million to Php3,574 million in 2018 from Php3,584 million in 2017, primarily due to lower sale of hardware and software, and *Fabtab* for *myDSL* retention, partly offset by higher sale of computer bundles, managed ICT equipment, and *Ultera* devices, combined with the impact of PFRS 15 adjustment.

Expenses

Expenses related to our Fixed Line business segment totaled Php77,782 million in 2018, an increase of Php13,918 million, or 22%, as compared with Php63,864 million in 2017. The increase was primarily due to higher depreciation and amortization, selling, general and administrative expenses, provisions, asset impairment, and interconnection costs. As a percentage of our total fixed line revenues, expenses associated with our Fixed Line business segment accounted for 91% and 82% for the years ended December 31, 2018 and 2017, respectively.

The following table shows the breakdown of our total fixed line-related expenses for the years ended December 31, 2018 and 2017 and the percentage of each expense item in relation to the total:

					Increase (Decrease)	
	2018	**%**	**2017**	**%**	**Amount**	**%**
			(in millions)			
Selling, general and administrative expenses	Php41,065	53	Php37,390	59	Php3,675	10
Depreciation and amortization	22,303	29	15,001	23	7,302	49
Interconnection costs	5,145	7	4,587	7	558	12
Cost of sales and services	4,523	6	4,788	8	(265)	(6)
Provisions	3,547	4	2,098	3	1,449	69
Asset impairment	1,199	1	—	—	1,199	100
Total	Php77,782	100	Php63,864	100	Php13,918	22

Selling, general and administrative expenses increased by Php3,675 million, or 10%, to Php41,065 million primarily due to higher professional and other contracted services, repairs and maintenance, rent, and selling and promotions expenses, partly offset by lower compensation and employee benefits, mainly as a result of lower incentive plan and MRP costs.

Depreciation and amortization charges increased by Php7,302 million, or 49%, to Php22,303 million mainly due to a higher depreciable asset base and depreciation due to shortened life of certain network equipments resulting from the modernization of facilities to adopt more effective technologies, such as VVDSL and FTTH.

Interconnection costs increased by Php558 million, or 12%, to Php5,145 million, primarily due to higher international interconnection costs, as a result of an increase in international inbound calls that terminated to other domestic carriers, partly offset by lower domestic interconnection costs.

Cost of sales and services decreased by Php265 million, or 6%, to Php4,523 million, primarily due to lower cost of hardware and software, *Fabtab* for *myDSL* retention, and *TVolution* units, partly offset by higher cost of services.

Provisions increased by Php1,449 million, or 69%, to Php3,547 million, primarily due to higher provision for doubtful accounts mainly due to lower collection efficiency by 1% and provision for unbilled receivables relating to devices, as well as higher provision for inventory obsolescence due to provision for network materials resulting from the modernization of facilities.

Asset impairment amounted to Php1,199 million in 2018 primarily due to the impairment provision for property and equipment of Digitel.

Other Income (Expenses)

The following table summarizes the breakdown of our total fixed line-related other income (expenses) for the years ended December 31, 2018 and 2017:

			Change	
	2018	**2017**	**Amount**	**%**
		(in millions)		
Other Income (Expenses):				
Financing costs – net	(Php5,195)	(Php5,106)	(Php89)	(2)
Foreign exchange losses	(58)	(98)	40	41
Equity share in net earnings of associates	171	44	127	289
Gains on derivative financial instruments – net	355	251	104	41
Interest income	812	695	117	17
Other income – net	3,870	891	2,979	334
Total	(Php45)	(Php3,323)	Php3,278	99

Our Fixed Line business segment's other expenses amounted to Php45 million in 2018, a decrease of Php3,278 million, or 99%, from Php3,323 million in 2017, mainly due to the combined effects of the following: (i) higher other income – net by Php2,979 million, mainly due to the impairment of investment in Hastings PDRs in 2017 while nil in 2018, and higher other miscellaneous income; (ii) higher equity share in net earnings of associates by Php127 million; (iii) higher interest income by Php117 million; (iv) higher net gains on derivative financial instruments by Php104 million; (v) lower foreign exchange losses by Php40 million; and (vi) higher net financing costs by Php89 million.

Provision for Income Tax

Provision for income tax amounted to Php1,336 million in 2018, a decrease of Php2,344 million, or 64%, from Php3,680 million in 2017, mainly due to lower taxable income.

Net Income

As a result of the foregoing, our Fixed Line business segment registered a net income of Php6,059 million in 2018, a decrease of Php1,415 million, or 19%, as compared with Php7,474 million in 2017.

EBITDA

Our Fixed Line business segment's EBITDA increased by Php1,397 million, or 5%, to Php30,875 million in 2018 from Php29,478 million in 2017. EBITDA margin decreased to 38% in 2018 from 39% in 2017.

Core Income

Our Fixed Line business segment's core income decreased by Php1,921 million, or 22%, to Php6,925 million in 2018 from Php8,846 million in 2017, primarily as a result of higher depreciation expense, partially offset by higher EBITDA and lower provision for income tax.

Others

Revenues

Revenues generated from our Other business segment, which include revenues from digital platforms and mobile financial services, amounted to Php1,138 million in 2018, a decrease of Php141 million, or 11%, from Php1,279 million in the same period in 2017, due mainly to the deconsolidation of VIH.

Expenses

Expenses related to our Other business segment totaled Php4,093 million in 2018, an increase of Php1,319 million, or 48%, from Php2,774 million in the same period in 2017, due to higher selling, general and administrative expenses of VIH.

Other Income (Expenses)

The following table summarizes the breakdown of our Other business segment's other income (expenses) for the years ended December 31, 2018 and 2017:

			Change	
	2018	2017	Amount	%
		(in millions)		
Other Income (Expenses):				
Gain on deconsolidation of VIH	Php12,054	Php—	Php12,054	100
Interest income	536	655	(119)	(18)
Gain on derivative financial instruments – net	282	—	282	100
Financing costs – net	(131)	(214)	83	39
Equity share in net earnings (losses) of associates and joint ventures	(320)	2,991	(3,311)	(111)
Foreign exchange losses	(588)	(256)	(332)	(130)
Other income – net	266	7,354	(7,088)	(96)
Total	Php12,099	Php10,530	Php1,569	15

Our Other business segment's other income amounted to Php12,099 million in 2018, an increase of Php1,569 million, or 15%, from Php10,530 million in 2017, primarily due to the combined effects of the following: (i) gain on the deconsolidation of VIH of Php12,054 million in 2018; (ii) net gains on derivative financial instruments of Php282 million in 2018; (iii) lower net financing costs by Php83 million; (iv) lower interest income by Php119 million; (v) higher net foreign exchange losses by Php332 million; and (vi) equity share in net losses of associates and joint ventures of Php320 million in 2018 as against equity share in net earnings of associates and joint ventures of Php2,991 million in 2017 mainly due to sale of Beacon shares and SPi Global in 2017; and (vii) lower other income – net by Php7,088 million mainly due to gain on sale of Beacon shares and gain on conversion of iflix convertible notes in 2017, and unrealized loss on fair value of iflix investment in 2018, partly offset by realized gain on fair value of Rocket Internet investment in 2018.

Net Income

As a result of the foregoing, our Other business segment registered a net income of Php7,971 million in 2018, a decrease of Php854 million, or 10%, from Php8,825 million in 2017.

EBITDA

Our Other business segment's EBITDA amounted to negative Php2,688 million in 2018, an increase of Php1,381 million, or 106%, from negative Php1,307 million in 2017.

Core Income

Our Other business segment's core income amounted to Php9,952 million in 2018, an increase of Php324 million, or 3%, as compared with Php9,628 million in 2017, primarily as a result of higher miscellaneous income, partially offset by equity share in net losses of associates and joint ventures in 2018, higher negative EBITDA and higher provision for income tax.

Wireless

Revenues

We generated revenues of Php92,572 million from our wireless business in 2017 a decrease of Php11,515 million, or 11%, from Php104,087 million in 2016.

The following table summarizes our total revenues by service from our wireless business for the years ended December 31, 2017 and 2016:

					Increase (Decrease)	
	2017	%	2016	%	Amount	%
			(in millions)			
Service Revenues:						
Mobile	Php84,439	91	Php96,497	93	(Php12,058)	(12)
Home broadband	2,556	3	2,772	3	(216)	(8)
MVNO and others[1]	417	–	585	–	(168)	(29)
Total Wireless Service Revenues	87,412	94	99,854	96	(12,442)	(12)
Non-Service Revenues:						
Sale of mobile handsets, SIM-packs and broadband data modems	5,160	6	4,233	4	927	22
Total Wireless Revenues	Php92,572	100	Php104,087	100	(Php11,515)	(11)

[1] *Includes service revenues generated by MVNOs of PLDT Global subsidiaries.*

Service Revenues

Our wireless service revenues in 2017 decreased by Php12,442 million, or 12%, to Php87,412 million as compared with Php99,854 million in 2016, mainly as a result of lower revenues from mobile services and home broadband services. As a percentage of our total wireless revenues, service revenues accounted for 94% and 96% for the years ended December 31, 2017 and 2016, respectively.

Mobile Services

Our mobile service revenues amounted to Php84,439 million in 2017, a decrease of Php12,058 million, or 12%, from Php96,497 million in 2016. Mobile service revenues accounted for 97% of our wireless service revenues in each of the years ended December 31, 2017 and 2016.

The following table shows the breakdown of our mobile service revenues for the years ended December 31, 2017 and 2016:

					Increase (Decrease)	
	2017	%	2016	%	Amount	%
			(in millions)			
Mobile Services:						
Voice	Php30,724	36	Php37,094	38	(Php6,370)	(17)
SMS	26,045	31	32,745	34	(6,700)	(20)
Data	26,281	31	25,517	27	764	3
Inbound roaming and others[1]	1,389	2	1,141	1	248	22
Total	Php84,439	100	Php96,497	100	(Php12,058)	(12)

[1] *Refers to other non-subscriber-related revenues consisting primarily of inbound international roaming fees and share in revenues from Smart Money.*

Voice Services

Mobile revenues from our voice services, which include all voice traffic, decreased by Php6,370 million, or 17%, to Php30,724 million in 2017 from Php37,094 million in 2016, mainly on account of lower domestic and international voice revenues due to the availability of alternative calling options and other OTT services. Mobile voice services accounted for 36% and 38% of our mobile service revenues for the years ended December 31, 2017 and 2016, respectively.

Domestic voice service revenues decreased by Php4,530 million, or 16%, to Php24,136 million in 2017 from Php28,666 million in 2016, due to lower domestic outbound and inbound voice service revenues.

International voice service revenues decreased by Php1,840 million, or 22%, to Php6,588 million in 2017 from Php8,428 million in 2016, primarily due to lower international inbound and outbound voice service revenues as a result of lower international voice traffic, partially offset by the effect of higher weighted average rate of the Philippine peso relative to the U.S. dollar.

SMS Services

Mobile revenues from our SMS services, which include all SMS-related services and VAS, decreased by Php6,700 million, or 20%, to Php26,045 million in 2017 from Php32,745 million in 2016 mainly due to declining SMS volumes as a result of alternative text messaging options, such as OTT services and social media. Mobile SMS services accounted for 31% and 34% of our mobile service revenues for the years ended December 31, 2017 and 2016, respectively.

Data Services

Mobile revenues from our data services, which include mobile internet, mobile broadband and other data services, increased by Php764 million, or 3%, to Php26,281 million in 2017 from Php25,517 million in 2016 as a result of increased mobile internet usage, partially offset by lower revenues from mobile broadband.

The following table shows the breakdown of our mobile data service revenues for the years ended December 31, 2017 and 2016:

					Increase (Decrease)	
	2017	**%**	**2016**	**%**	**Amount**	**%**
			(in millions)			
Data Services:						
Mobile internet[1]	Php20,086	76	Php17,167	67	Php2,919	17
Mobile broadband	6,030	23	8,147	32	(2,117)	(26)
Other data	165	1	203	1	(38)	(19)
Total	Php26,281	100	Php25,517	100	Php764	3

(1) *Includes revenues from web-based services, net of discounts and content provider costs.*

Mobile internet

Mobile internet service revenues increased by Php2,919 million, or 17%, to Php20,086 million in 2017 from Php17,167 million in 2016 as a result of the increase in smartphone ownership and greater data usage among our subscriber base leading to an increase in mobile internet browsing and prevalent use of mobile apps, social networking sites and other OTT services. Mobile internet services accounted for 24% and 18% of our mobile service revenues for the years ended December 31, 2017 and 2016, respectively.

Mobile broadband

Mobile broadband revenues amounted to Php6,030 million in 2017, a decrease of Php2,117 million, or 26%, from Php8,147 million in 2016, primarily due to a decrease in the number of subscribers, mainly *Sun Broadband*. Mobile broadband services accounted for 7% and 9% of our mobile service revenues for the years ended December 31, 2017 and 2016, respectively.

Other data

Revenues from our other data services, which include domestic leased lines and share in revenue from PLDT *WeRoam*, decreased by Php38 million, or 19%, to Php165 million in 2017 from Php203 million in 2016.

Inbound Roaming and Others

Mobile revenues from inbound roaming and other services increased by Php248 million, or 22%, to Php1,389 million in 2017 from Php1,141 million in 2016.

The following table shows the breakdown of our mobile service revenues by service type for the years ended December 31, 2017 and 2016:

	2017	2016	Increase (Decrease) Amount	%
		(in millions)		
Mobile service revenues	Php84,439	Php96,497	(Php12,058)	(12)
By service type				
Prepaid	59,862	67,304	(7,442)	(11)
Postpaid	23,188	28,052	(4,864)	(17)
Inbound roaming and others	1,389	1,141	248	22

Prepaid Revenues

Revenues generated from our mobile prepaid services amounted to Php59,862 million in 2017, a decrease of Php7,442 million, or 11%, as compared with Php67,304 million in 2016. Mobile prepaid service revenues accounted for 71% and 70% of mobile service revenues for the years ended December 31, 2017 and 2016, respectively. The decrease in revenues from our mobile prepaid services was primarily driven by a lower mobile prepaid subscriber base resulting in lower voice and SMS revenues, partially offset by the increase in mobile internet revenues.

Postpaid Revenues

Revenues generated from mobile postpaid service amounted to Php23,188 million in 2017, a decrease of Php4,864 million, or 17%, as compared with Php28,052 million in 2016, and accounted for 27% and 29% of mobile service revenues for the years ended December 31, 2017 and 2016, respectively. The decrease in our mobile postpaid service revenues was primarily due to a lower postpaid subscriber base.

Subscriber Base, ARPU and Churn Rates

The following table shows our wireless subscriber base as at December 31, 2017 and 2016:

	2017	2016	Increase (Decrease) Amount	%
Mobile subscriber base	58,293,908	62,763,209	(4,469,301)	(7)
Smart[(1)]	21,821,441	23,027,793	(1,206,352)	(5)
Prepaid[(2)]	*20,433,351*	*21,643,963*	*(1,210,612)*	*(6)*
Postpaid	*1,388,090*	*1,383,830*	*4,260*	–
TNT	28,807,964	29,845,509	(1,037,545)	(3)
Sun[(1)]	7,664,503	9,889,907	(2,225,404)	(23)
Prepaid[(2)]	*6,535,331*	*8,463,469*	*(1,928,138)*	*(23)*
Postpaid	*1,129,172*	*1,426,438*	*(297,266)*	*(21)*
Home broadband subscriber base	237,354	270,203	(32,849)	(12)
Total wireless subscribers	58,531,262	63,033,412	(4,502,150)	(7)

(1) *Includes mobile broadband subscribers.*
(2) *Beginning 2Q2017, the prepaid subscriber base excludes subscribers who did not reload within 90 days vis-à-vis 120 days previous cut-off.*

The average monthly churn rate for *Smart Prepaid* subscribers in 2017 and 2016 were 6.7% and 7.6%, respectively, while the average monthly churn rate for *TNT* subscribers were 6.8% and 6.3% in 2017 and 2016, respectively. The average monthly churn rate for *Sun Prepaid* subscribers were 7.7% and 8.8% in 2017 and 2016, respectively.

The average monthly churn rate for *Smart Postpaid* subscribers were 2.3% and 4.8% in 2017 and 2016, respectively, and 3.5% and 6.4% in 2017 and 2016, respectively, for *Sun Postpaid* subscribers.

The following table summarizes our average monthly ARPUs for the years ended December 31, 2017 and 2016:

	Gross[(1)]		Increase (Decrease)		Net[(2)]		Increase (Decrease)	
	2017	2016	Amount	%	2017	2016	Amount	%
Prepaid								
Smart	Php118	Php117	Php1	1	Php108	Php107	Php 1	1
TNT	81	82	(1)	(1)	74	76	(2)	(3)
Sun	88	90	(2)	(2)	82	83	(1)	(1)
Postpaid								
Smart	1,004	966	38	4	972	951	21	2
Sun	422	443	(21)	(5)	418	437	(19)	(4)

(1) *Gross monthly ARPU is calculated by dividing gross cellular service revenues for the month, including interconnection income but excluding inbound roaming revenues, gross of discounts, and content provider costs, by the average number of subscribers in the month.*

(2) *Net monthly ARPU is calculated by dividing gross cellular service revenues for the month, including interconnection income, but excluding inbound roaming revenues, net of discounts and content provider costs, by the average number of subscribers in the month.*

Home Broadband

Revenues from our *Home Ultera* services decreased by Php216 million, or 8%, to Php2,556 million in 2017 from Php2,772 million in 2016, due mainly to the continued migration of our high-value fixed wireless subscribers from legacy technologies (Canopy & WiMAX) to wired broadband (digital subscriber line, or DSL/FTTH). In addition, we offer lower-priced plan offerings as part of our efforts to expand our customer base to include lower income home segments.

Subscribers of our Home Ultera services decreased by 32,849, or 12%, to 237,354 subscribers as at December 31, 2017 from 270,203 subscribers as at December 31, 2016.

MVNO and Others

Revenues from our MVNO and other services decreased by Php168 million, or 29%, to Php417 million in 2017 from Php585 million in 2016, primarily due to lower revenue contribution from MVNOs of PLDT Global and ACeS Philippines, partially offset by the impact of higher weighted average rate of the Philippine peso relative to the U.S. dollar.

Non-Service Revenues

Our wireless non-service revenues consist of sales of mobile handsets, SIM-packs, mobile broadband data modems, tablets and accessories. Our wireless non-service revenues increased by Php927 million, or 22%, to Php5,160 million in 2017 from Php4,233 million in 2016, primarily due to lower subsidy on postpaid mobile handsets, partly offset by the decline in revenues from prepaid mobile handsets and broadband data modems attributable to lower average price per unit.

Expenses

Expenses associated with our Wireless business segment amounted to Php97,651 million in 2017, an increase of Php6,028 million, or 7%, from Php91,623 million in 2016. A significant portion of the increase was mainly attributable to higher depreciation and amortization, and noncurrent asset impairment, partially offset by lower provisions, cost of sales and services, interconnection costs, and selling, general and administrative expenses. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 105% and 88% for the years ended December 31, 2017 and 2016, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the years ended December 31, 2017 and 2016 and the percentage of each expense item in relation to the total:

					Increase (Decrease)	
	2017	**%**	**2016**	**%**	**Amount**	**%**
			(in millions)			
Selling, general and administrative expenses	Php39,584	41	Php41,472	45	(Php1,888)	(5)
Depreciation and amortization	36,776	38	18,767	20	18,009	96
Cost of sales and services	8,814	9	14,333	16	(5,519)	(39)
Interconnection costs	6,373	6	8,035	9	(1,662)	(21)
Asset impairment	3,913	4	785	1	3,128	398
Provisions	2,191	2	8,231	9	(6,040)	(73)
Total	Php97,651	100	Php91,623	100	Php6,028	7

Selling, general and administrative expenses decreased by Php1,888 million, or 5%, to Php39,584 million, primarily due to lower expenses related to selling and promotions, repairs and maintenance, insurance and security services, and professional and other contracted services, partly offset by higher rent expenses and compensation and employee benefits.

Depreciation and amortization charges increased by Php18,099 million, or 96%, to Php36,776 million, primarily due to higher depreciable asset base and depreciation due to shortened life of certain data network platform and other technology equipment resulting from the transformation projects to improve and simplify the network and systems applications.

Cost of sales and services decreased by Php5,519 million, or 39%, to Php8,814 million, primarily due to lower issuances of mobile handsets and mobile broadband data modems, partly offset by higher cost of licenses from various partnership with content providers.

Interconnection costs decreased by Php1,662 million, or 21%, to Php6,373 million, primarily due to lower interconnection cost on domestic voice and SMS services, mainly as a result of lower interconnection rates, and lower interconnection costs on international voice and SMS services, partially offset by an increase in interconnection charges on international data roaming services.

Asset impairment increased by Php3,128 million, or 398%, to Php3,913 million, primarily due to impairment of certain network equipment, which were rendered obsolete due to technological advancements as a result of the continuing network transformation projects.

Provisions decreased by Php6,040 million, or 73%,to Php2,191 million, mainly due to lower provisions for doubtful accounts and inventory obsolescence, primarily driven by a 16% year-on-year decline in our postpaid service revenues and an improvement of our year-on-year collection efficiency from 89% to 90%, both of which resulted in the decrease of our billed subscribers receivable for postpaid services and in turn a decline in our provision for doubtful accounts, and a one-time provision taken in 2016 relating to the migration of our billing system for postpaid accounts for our Sun Cellular brand to Smart's billing system, and the resulting alignment of provisioning policies related to receivables and inventories.

Other Income (Expenses)

The following table summarizes the breakdown of our total wireless-related other income (expenses) for the years ended December 31, 2017 and 2016:

			Change	
	2017	**2016**	**Amount**	**%**
		(in millions)		
Other Income (Expenses):				
Financing costs – net	(Php2,247)	(Php2,482)	Php235	9
Equity share in net losses of associates	(129)	(127)	(2)	(2)
Foreign exchange losses – net	(57)	(1,653)	1,596	97
Gain on derivative financial instruments – net	282	485	(203)	(42)
Interest income	305	269	36	13
Other income – net	1,923	405	1,518	375
Total	Php77	(Php3,103)	Php3,180	102

Our Wireless business segment's other income amounted to Php77 million in 2017, an increase of Php3,180 million, or 102%, as against other expenses of Php3,103 million in 2016, primarily due to the combined effects of the following: (i) lower net foreign exchange losses by Php1,596 million on account of revaluation of foreign currency-denominated assets and liabilities due to the lower level of depreciation of the Philippine peso relative to the U.S. dollar; (ii) higher other income – net by Php1,518 million mainly due to higher miscellaneous income, partly offset by the impairment on Smart's investment in AF Payments, Inc., or AFPI, and lower income from consultancy; (iii) lower net financing costs by Php235 million; (iv) higher interest income by Php36 million; (v) higher equity share in net losses of associates by Php2 million; and (vi) lower net gains on derivative financial instruments by Php203 million.

Benefit from Income Tax

Benefit from income tax amounted to Php2,787 million in 2017, an increase of Php1,530 million from Php1,257 million in 2016, primarily due to the tax impact of depreciation due to shortened life of property and equipment, and asset impairment recognized for the year.

Net Income (Loss)

As a result of the foregoing, our Wireless business segment's net loss amounted to Php2,215 million in 2017, a change of Php12,833 million as against net income of Php10,618 million in 2016.

EBITDA

Our Wireless business segment's EBITDA increased by Php3,480 million, or 11%, to Php36,395 million in 2017 from Php32,915 million in 2016. EBITDA margin increased to 42% in 2017 from 33% in 2016.

Core Income

Our Wireless business segment's core income decreased by Php2,463 million, or 20%, to Php9,812 million in 2017 from Php12,275 million in 2016 mainly on account of higher depreciation expense, partly offset by higher EBITDA.

Fixed Line

Revenues

Revenues generated from our Fixed Line business segment amounted to Php78,341 million in 2017, an increase of Php5,613 million, or 8%, from Php72,728 million in 2016.

The following table summarizes our total revenues by service from our fixed line business for the years ended December 31, 2017 and 2016:

					Increase (Decrease)	
	2017	%	2016	%	Amount	%
			(in millions)			
Service Revenues:						
Voice	Php28,500	36	Php29,630	41	(Php1,130)	(4)
Data	44,294	57	37,711	52	6,583	17
Miscellaneous	1,963	2	1,665	2	298	18
	74,757	95	69,006	95	5,751	8
Non-Service Revenues:						
Sale of computers, phone units and SIM packs, and point-product sales	3,584	5	3,722	5	(138)	(4)
Total Fixed Line Revenues	Php78,341	100	Php72,728	100	Php5,613	8

Service Revenues

Our fixed line service revenues increased by Php5,751 million, or 8%, to Php74,757 million in 2017 from Php69,006 million in 2016, due to higher revenues from our data and miscellaneous services, partially offset by lower voice service revenues.

Voice Services

Revenues from our voice services decreased by Php1,130 million, or 4%, to Php28,500 million in 2017 from Php29,630 million in 2016, primarily due to lower international (partly due to the continued popularity of services such as *Skype*, *Uber*, *Line*, *Facebook Messenger, Googletalk* and *Whats App,* offering free on-net calling services, and other similar services), and domestic services, partially offset by higher revenues from local exchange.

Data Services

The following table shows information of our data service revenues for the years ended December 31, 2017 and 2016:

			Increase	
	2017	2016	Amount	%
Data service revenues (in millions)	Php44,294	Php37,711	Php6,583	17
Home broadband	18,054	14,896	3,158	21
Corporate data and ICT	26,240	22,815	3,425	15

Our data services posted revenues of Php44,294 million in 2017, an increase of Php6,583 million, or 17%, from Php37,711 million in 2016, primarily due to higher home broadband revenues from DSL and *Fibr*, an increase in corporate data and leased lines primarily i-Gate, Fibernet, Internet Protocol-Virtual Private Network, or IP-VPN, Metro Ethernet and *Shops.Work*, and higher data center and ICT revenues. The percentage contribution of this service segment to our fixed line service revenues accounted for 59% and 55% for the years ended December 31, 2017 and 2016, respectively.

Home Broadband

Home broadband data revenues amounted to Php18,054 million in 2017, an increase of Php3,158 million, or 21%, from Php14,896 million in 2016. This growth is driven by increasing demand for broadband services which the company is providing through its existing copper network and a nationwide roll-out of its FTTH network. Home broadband revenues accounted for 41% and 39% of total data service revenues in the years ended December 31, 2017 and 2016, respectively. PLDT's FTTH nationwide network rollout reached over four million homes passed in 2017.

Corporate Data and ICT

Corporate data services amounted to Php22,889 million in 2017, an increase of Php2,909 million, or 15%, as compared with Php19,980 million in 2016, mainly due to sustained market traction of broadband data services and growth on *Fibr*, as a result of higher internet connectivity requirements, and key Private Networking Solutions such as IP-VPN, Metro Ethernet and *Shops.Work*. Corporate data revenues accounted for 52% and 53% of total data services in the years ended December 31, 2017 and 2016, respectively.

ICT revenues increased by Php516 million, or 18%, to Php3,351 million in 2017 from Php2,835 million in 2016 mainly due to higher revenues from colocation and managed IT services. Cloud services include cloud contact center, cloud infrastructure as a service, cloud software as a service and cloud professional services. The percentage contribution of this service segment to our total data service revenues was 8% in each of 2017 and 2016.

Miscellaneous Services

Miscellaneous service revenues are derived mostly from rental, outsourcing and facilities management fees. These service revenues increased by Php298 million, or 18%, to Php1,963 million in 2017 from Php1,665 million in 2016 mainly due to higher outsourcing and management fees. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues accounted for 3% and 2% in 2017 and 2016, respectively.

Non-service Revenues

Non-service revenues decreased by Php138 million, or 4%, to Php3,584 million in 2017 from Php3,722 million in 2016, primarily due to lower sale of *PLP* and *Telpad* units, and *FabTab* for *myDSL* retention, partly offset by higher computer-bundled, hardware and software sales.

Expenses

Expenses related to our Fixed Line business segment totaled Php63,864 million in 2017, an increase of Php2,579 million, or 4%, as compared with Php61,285 million in 2016. The increase was primarily due to higher selling, general and administrative expenses, cost of sales and services, and provisions, partly offset by lower interconnection costs, depreciation and amortization expenses, and asset impairment. As a percentage of our total fixed line revenues, expenses associated with our fixed line business accounted for 82% and 84% for the years ended December 31, 2017 and 2016, respectively.

The following table shows the breakdown of our total fixed line-related expenses for the years ended December 31, 2017 and 2016 and the percentage of each expense item in relation to the total:

	2017	%	2016	%	Increase (Decrease) Amount	%
			(in millions)			
Selling, general and administrative expenses	Php37,390	59	Php34,248	56	Php3,142	9
Depreciation and amortization	15,001	24	15,471	25	(470)	(3)
Cost of sales and services	4,788	7	3,868	6	920	24
Interconnection costs	4,587	7	5,940	10	(1,353)	(23)
Provisions	2,098	3	1,722	3	376	22
Asset impairment	–	–	36	–	(36)	(100)
Total	Php63,864	100	Php61,285	100	Php2,579	4

Selling, general and administrative expenses increased by Php3,142 million, or 9%, to Php37,390 million primarily due to higher professional and other contracted services, and compensation and employee benefits, partly offset by lower repairs and maintenance costs, and selling and promotions.

Depreciation and amortization charges decreased by Php470 million, or 3%, to Php15,001 million mainly due to a lower depreciable asset base.

Cost of sales and services increased by Php920 million, or 24%, to Php4,788 million, primarily due to various partnerships with content providers.

Interconnection costs decreased by Php1,353 million, or 23%, to Php4,587 million, primarily due to lower international interconnection costs, as a result of a decrease in international inbound calls that terminated to other domestic carriers, and lower domestic interconnection costs.

Provisions increased by Php376 million, or 22%, to Php2,098 million, mainly due to higher provision for doubtful accounts, partly offset by lower provision for inventory obsolescence.

Asset impairment amounted to nil and Php36 million in 2017 and 2016, respectively.

Other Income (Expenses)

The following table summarizes the breakdown of our total fixed line-related other income (expenses) for the years ended December 31, 2017 and 2016:

	2017	2016	Change Amount	%
		(in millions)		
Other Income (Expenses):				
Financing costs – net	(Php5,106)	(Php4,917)	(Php189)	(4)
Foreign exchange losses	(98)	(486)	388	80
Equity share in net earnings (losses) of associates	44	(40)	84	210
Gains on derivative financial instruments – net	251	511	(260)	(51)
Interest income	695	707	(12)	(2)
Other income – net	891	3,934	(3,043)	(77)
Total	(Php3,323)	(Php291)	(Php3,032)	(1,042)

Our Fixed Line business segment's other expenses amounted to Php3,323 million in 2017 from Php291 million in 2016, mainly due to the combined effects of the following: (i) lower other income – net by Php3,043 million mainly due to impairment of investment in Hastings PDRs and lower gain on sale of properties, partly offset by the reversal of impairment of investment in Digitel Crossing, Inc., or DCI; (ii) lower net gains on derivative financial instruments by Php260 million; (iii) higher net financing costs by Php189 million; (iv) a decrease in interest income by Php12 million; (v) equity share in net earnings of associates of Php44 million in 2017 as against equity share in net losses of associates of Php40 million in 2016; and (vi) lower net foreign exchange losses by Php388 million.

Provision for Income Tax

Provision for income tax amounted to Php3,680 million in 2017, an increase of Php662 million, or 22%, from Php3,018 million in 2016. The effective tax rates for our Fixed Line business segment were 33% and 27% in 2017 and 2016, respectively.

Net Income

As a result of the foregoing, our Fixed Line business segment registered a net income of Php7,474 million in 2017, a decrease of Php660 million, or 8%, as compared with Php8,134 million in 2016.

EBITDA

Our Fixed Line business segment's EBITDA increased by Php2,528 million, or 9%, to Php29,478 million in 2017 from Php26,950 million in 2016. EBITDA margin remained stable at 39% in each of 2017 and 2016.

Core Income

Our Fixed Line business segment's core income increased by Php1,100 million, or 14%, to Php8,846 million in 2017 from Php7,746 million in 2016, primarily as a result of higher EBITDA and lower depreciation expense, partially offset by lower other income – net.

Others

Revenues

We generated revenues of Php1,279 million from our Other business segment in 2017, which include revenues from digital platforms and mobile financial services, an increase of Php432 million, or 51%, from Php847 million in 2016, primarily due to the increase in PayMaya mobile payment transactions.

Expenses

Expenses related to our other business totaled Php2,774 million in 2017, an increase of Php1,151 million, or 71%, as compared with Php1,623 million in 2016, due to higher selling, general and administrative expenses.

Other Income (Expenses)

The following table summarizes the breakdown of other income (expenses) for other business segment for the years ended December 31, 2017 and 2016:

			Change	
	2017	**2016**	**Amount**	**%**
		(in millions)		
Other Income (Expenses):				
Equity share in net earnings of associates and joint ventures	Php2,991	Php1,348	Php1,643	122
Interest income	655	307	348	113
Financing costs – net	(214)	(192)	(22)	(11)
Foreign exchange losses	(256)	(646)	390	60
Other income – net	7,354	1,517	5,837	385
Total	Php10,530	Php2,334	Php8,196	351

Other income increased by Php8,196 million to Php10,530 million in 2017 from Php2,334 million in 2016, primarily due to the combined effects of the following: (i) higher other income – net by Php5,837 million due to lower impairment on the Rocket Internet investment and gain on conversion of iflix convertible notes, partly offset by lower gain on sale of Beacon Electric Holdings, Inc., or Beacon, shares in 2017; (ii) higher equity share in net earnings of associates and joint ventures by Php1,643 million due to higher equity share in net earnings of Beta, resulting mainly from the gain on sale of SPi; (iii) an increase in interest income by Php348 million; (iv) lower net foreign exchange losses by Php390 million; and (v) higher financing costs by Php22 million.

Net Income

As a result of the foregoing, our other business segment registered a net income of Php8,825 million in 2017, an increase of Php7,415 million from Php1,410 million in 2016.

Core Income

Our other business segment's core income amounted to Php9,628 million in 2017, an increase of Php1,792 million, or 23%, as compared with Php7,836 million in 2016, mainly as a result of higher equity share in net earnings of associates and joint ventures, higher other income and higher interest income.

Wireless

Revenues

We generated revenues of Php104,087 million from our Wireless business segment in 2016, a decrease of Php10,209 million, or 9%, from Php114,296 million in 2015.

The following table summarizes our total revenues by service from our wireless business for the years ended December 31, 2016 and 2015:

	2016	%	2015	%	Decrease Amount	Decrease %
			(in millions)			
Service Revenues:						
Mobile	Php96,497	93	Php105,655	92	(Php9,158)	(9)
Home Broadband	2,772	3	3,040	3	(268)	(9)
MVNO and others[(1)]	585	–	970	1	(385)	(40)
Total Wireless Service Revenues	99,854	96	109,665	96	(9,811)	(9)
Non-Service Revenues:						
Sale of mobile handsets, mobile SIM-packs and broadband data modems	4,233	4	4,631	4	(398)	(9)
Total Wireless Revenues	Php104,087	100	Php114,296	100	(Php10,209)	(9)

[(1)] *Includes service revenues generated by MVNOs of PLDT Global subsidiaries.*

Service Revenues

Our wireless service revenues in 2016 decreased by Php9,811 million, or 9%, to Php99,854 million as compared with Php109,665 million in 2015, mainly as a result of lower revenues from mobile, home broadband, and MVNO and other services. As a percentage of our total wireless revenues, service revenues accounted for 96% in each of 2016 and 2015.

Mobile Services

Our mobile service revenues amounted to Php96,497 million in 2016, a decrease of Php9,158 million, or 9%, from Php105,655 million in 2015. Mobile service revenues accounted for 97% and 96% of our wireless service revenues in 2016 and 2015, respectively.

The following table shows the breakdown of our mobile service revenues for the years ended December 31, 2016 and 2015:

	2016	%	2015	%	Increase (Decrease) Amount	Increase (Decrease) %
			(in millions)			
Mobile Services:						
Voice	Php37,094	38	Php46,129	44	(Php9,035)	(20)
SMS	32,745	34	37,982	36	(5,237)	(14)
Data	25,517	27	20,179	19	5,338	26
Inbound roaming and others[(1)]	1,141	1	1,365	1	(224)	(16)
Total	Php96,497	100	Php105,655	100	(Php9,158)	(9)

[(1)] *Refers to other non-subscriber-related revenues consisting primarily of inbound international roaming fees and share in revenues from Smart Money.*

Voice Services

Mobile revenues from our voice services, which include all voice traffic, decreased by Php9,035 million, or 20%, to Php37,094 million in 2016 from Php46,129 million in 2015 primarily due to lower domestic and international voice revenues due to the availability of alternative calling options and other OTT services such as *Viber*, *Facebook Messenger*, and similar services. Mobile voice services accounted for 38% and 44% of our mobile service revenues in 2016 and 2015, respectively.

Domestic voice service revenues decreased by Php6,486 million, or 18%, to Php28,666 million in 2016 from Php35,152 million in 2015, due to lower domestic outbound and inbound voice service revenues.

International voice service revenues decreased by Php2,549 million, or 23%, to Php8,428 million in 2016 from Php10,977 million in 2015 primarily due to lower international inbound and outbound voice service revenues as a result of lower international voice traffic, partially offset by the effect of higher weighted average exchange rate of the Philippine peso relative to the U.S. dollar.

SMS Services

Mobile revenues from our SMS services, which include all SMS-related services and VAS, decreased by Php5,237 million, or 14%, to Php32,745 million in 2016 from Php37,982 million in 2015 mainly from lower bucket-priced and unlimited SMS revenues. Mobile SMS services accounted for 34% and 36% of our mobile service revenues in 2016 and 2015, respectively.

Data Services

Mobile revenues from our data services, which include mobile internet, mobile broadband and other data services, increased by Php5,338 million, or 26%, to Php25,517 million in 2016 from Php20,179 million in 2015 primarily due to higher mobile internet revenues, mobile broadband and other data revenues.

The following table shows the breakdown of our mobile data revenues for the years ended December 31, 2016 and 2015:

					Increase	
	2016	**%**	**2015**	**%**	**Amount**	**%**
			(in millions)			
Data Services:						
Mobile internet[1]	Php17,167	67	Php12,055	60	Php5,112	42
Mobile broadband	8,147	32	7,951	39	196	2
Other data	203	1	173	1	30	17
Total	Php25,517	100	Php20,179	100	Php5,338	26

(1) *Includes revenues from web-based services, net of discounts and content provider costs.*

Mobile internet

Mobile internet service revenues increased by Php5,112 million, or 42%, to Php17,167 million in 2016 from Php12,055 million in 2015 as a result of the increase in smartphone ownership and greater data usage among our subscriber base leading to an increase in mobile internet browsing and prevalent use of mobile apps, social networking sites and other OTT services. Mobile internet services accounted for 18% and 11% of our mobile service revenues in 2016 and 2015, respectively.

Mobile broadband

Mobile broadband revenues amounted to Php8,147 million in 2016, an increase of Php196 million, or 2%, from Php7,951 million in 2015 primarily due to higher mobile broadband traffic.

Other data

Revenues from our other data services, which include domestic leased lines and share in revenue from PLDT *WeRoam*, increased by Php30 million, or 17%, to Php203 million in 2016 from Php173 million in 2015.

Inbound Roaming and Others

Mobile revenues from inbound roaming and other services decreased by Php224 million, or 16%, to Php1,141 million in 2016 from Php1,365 million in 2015.

The following table shows the breakdown of our mobile service revenues for the years ended December 31, 2016 and 2015:

			Decrease	
	2016	**2015**	**Amount**	**%**
		(in millions)		
Mobile service revenues	Php96,497	Php105,655	(Php9,158)	(9)
By service type				
Prepaid	67,304	76,143	(8,839)	(12)
Postpaid	28,052	28,147	(95)	–
Inbound roaming and others	1,141	1,365	(224)	(16)

Prepaid Revenues

Revenues generated from our mobile prepaid services amounted to Php67,304 million in 2016, a decrease of Php8,839 million, or 12%, as compared with Php76,143 million in 2015. Mobile prepaid service revenues accounted for 70% and 72% of mobile service revenues in 2016 and 2015, respectively. The decrease in revenues from our mobile prepaid services was primarily driven by lower mobile prepaid subscriber base resulting to lower voice and text messaging revenues, partially offset by an increase in mobile internet revenues.

Postpaid Revenues

Revenues generated from mobile postpaid services amounted to Php28,052 million in 2016, a decrease of Php95 million as compared with Php28,147 million in 2015, and accounted for 29% and 27% of mobile service revenues in 2016 and 2015, respectively. The decrease in our mobile postpaid service revenues was primarily due to a lower postpaid subscriber base.

Subscriber Base, ARPU and Churn Rates

The following table shows our wireless subscriber base as at December 31, 2016 and 2015:

			Increase (Decrease)	
	2016	**2015**	**Amount**	**%**
Mobile subscriber base	62,763,209	68,612,118	(5,848,909)	(9)
Smart[1]	23,027,793	26,921,211	(3,893,418)	(14)
Prepaid	*21,643,963*	*25,418,533*	*(3,774,570)*	*(15)*
Postpaid	*1,383,830*	*1,502,678*	*(118,848)*	*(8)*
TNT	29,845,509	28,054,160	1,791,349	6
Sun[1]	9,889,907	13,636,747	(3,746,840)	(27)
Postpaid	*1,426,438*	*2,045,580*	*(619,136)*	*(30)*
Prepaid	*8,463,469*	*11,591,167*	*(3,127,698)*	*(27)*
Home Broadband subscriber base	270,203	258,776	11,427	4
Total wireless subscribers	63,033,412	68,870,894	(5,837,482)	(8)

(1) Includes mobile broadband subscribers.

The average monthly churn rate for *Smart Prepaid* subscribers in 2016 and 2015 were 7.6% and 6.6%, respectively, while the average monthly churn rate for *TNT* subscribers were 6.3% and 5.7% in 2016 and 2015, respectively. The average monthly churn rate for *Sun Prepaid* subscribers were 8.8% and 11.3% in 2016 and 2015, respectively.

The average monthly churn rate for *Smart Postpaid* subscribers were 4.8% and 3.3% in 2016 and 2015, respectively, and 6.4% and 4.3% in 2016 and 2015, respectively, for *Sun Postpaid* subscribers.

The following table summarizes our average monthly ARPUs for the years ended December 31, 2016 and 2015:

	Gross[1]		Increase (Decrease)		Net[2]		Increase (Decrease)	
	2016	2015	Amount	%	2016	2015	Amount	%
Prepaid								
Smart	Php117	Php129	(Php12)	(9)	Php107	Php118	(Php11)	(9)
TNT	82	91	(9)	(10)	76	84	(8)	(10)
Sun	90	74	16	22	83	68	15	22
Postpaid								
Smart	966	993	(27)	(3)	951	982	(31)	(3)
Sun	443	444	(1)	–	437	441	(4)	(1)

[1] *Gross monthly ARPU is calculated by dividing gross mobile service revenues for the month, gross of discounts, content provider costs and interconnection income but excluding inbound roaming revenues, by the average number of subscribers in the month.*

[2] *Net monthly ARPU is calculated by dividing gross mobile service revenues for the month, including interconnection income, but excluding inbound roaming revenues, net of discounts and content provider costs, by the average number of subscribers in the month.*

Home Broadband

Revenues from our *HOMEBro* services decreased by Php268 million, or 9%, to Php2,772 million in 2016 from Php3,040 million in 2015 mainly due to the continued migration of our high-value fixed wireless subscribers from legacy technologies (Canopy & WiMAX) to either TD-LTE or wired broadband (DSL/FTTH). In addition, ARPU has decreased as a result of price competition and PLDT's continued efforts to bring high-quality broadband services to the lower income home segments.

Subscribers of our *HOMEBro* services increased by 11,427 or 4% to 270,203 subscribers as of December 31, 2016 from 258,776 subscribers as of December 31, 2015. This significant turnaround in subscriber base was directly attributed to the launch of the country's most affordable postpaid broadband offering designed for the home – *Home Ultera Plan 699*.

MVNO and Others

Revenues from our other services decreased by Php385 million, or 40%, to Php585 million in 2016 from Php970 million in 2015, primarily due to a decrease in the number of ACeS Philippines' subscribers, lower revenue contribution from MVNOs of PLDT Global, partially offset by the impact of higher weighted average exchange rate of the Philippine peso relative to the U.S. dollar to Php47.48 for the year ended December 31, 2016 from Php45.51 for the year ended December 31, 2015 on our U.S. dollar and U.S. dollar-linked other service revenues.

Non-Service Revenues

Our wireless non-service revenues consist of sales of mobile handsets, mobile SIM-packs and broadband data modems, tablets and accessories. Our wireless non-service revenues decreased by Php398 million, or 9%, to Php4,233 million in 2016 from Php4,631 million in 2015, primarily due to lower revenues from the sale of broadband data modems, partially offset by higher revenues from sale of mobile handsets attributed to *Smart Prepaid Android Phone Kits*.

Expenses

Expenses associated with our wireless business amounted to Php91,623 million in 2016, a decrease of Php1,833 million, or 2%, from Php93,456 million in 2015. A significant portion of the decrease was mainly attributable to lower asset impairment, selling, general and administrative expenses, and interconnection costs, partially offset by higher provisions, depreciation and amortization, and cost of sales and services. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 88% and 82% in 2016 and 2015, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the years ended December 31, 2016 and 2015 and the percentage of each expense item in relation to the total:

					Increase (Decrease)	
	2016	%	2015	%	Amount	%
			(in millions)			
Selling, general and administrative expenses	Php41,472	45	Php45,771	49	(Php4,299)	(9)
Depreciation and amortization	18,767	20	17,037	18	1,730	10
Cost of sales and services	14,333	16	13,720	15	613	4
Provisions	8,231	9	2,627	3	5,604	213
Interconnection costs	8,035	9	8,513	9	(478)	(6)
Asset impairment	785	1	5,788	6	(5,003)	(86)
Total	Php91,623	100	Php93,456	100	(Php565)	(1)

Selling, general and administrative expenses decreased by Php4,299 million, or 9%, to Php41,472 million, primarily due to lower selling and promotions, compensation and employee benefits, and rent expenses.

Depreciation and amortization charges increased by Php1,730 million, or 10%, to Php18,767 million, primarily due to higher depreciable asset base.

Cost of sales and services increased by Php613 million, or 4%, to Php14,333 million, primarily due to higher average costs and increased smartphone and data-capable device issuances for Smart Postpaid subscribers, increased availments for *Smart Prepaid Android Phone Kits,* and higher cost of licenses from various partnership with content providers.

Provisions increased by Php5,604 million, to Php8,231 million, primarily due to higher provisions for doubtful accounts and inventory obsolescence.

Interconnection costs decreased by Php478 million, or 6%, to Php8,035 million, primarily due to lower interconnection cost on international voice and text services, partially offset by an increase in interconnection charges on domestic voice and text services.

Asset impairment decreased by Php5,003 million, or 86%, to Php785 million, primarily due to higher impairment provision for property and equipment in 2015.

Other Income (Expenses)

The following table summarizes the breakdown of our total wireless-related other income (expenses) for the years ended December 31, 2016 and 2015:

	2016	2015	Change Amount	Change %
		(in millions)		
Other Income (Expenses):				
Financing costs – net	(Php2,482)	(Php1,794)	(Php688)	(38)
Foreign exchange losses – net	(1,653)	(1,533)	(120)	(8)
Equity share in net losses of associates	(127)	(81)	(46)	(57)
Interest income	269	308	(39)	(13)
Gain on derivative financial instruments – net	485	–	485	100
Other income – net	405	1,162	(757)	(65)
Total	(Php3,103)	(Php1,938)	(Php1,165)	(60)

Our Wireless business segment's other expenses amounted to Php3,103 million in 2016, an increase of Php1,165 million, or 60%, from Php1,938 million in 2015, primarily due to the combined effects of the following: (i) a decrease in other income – net by Php757 million mainly due to reversal of asset retirement obligation in 2015 and lower gain on insurance claims, partly offset by higher income from consultancy services; (ii) higher net financing costs by Php688 million mainly due to higher outstanding loan balances, higher weighted average interest rate and higher financing charges, partly offset by higher capitalized interest; (iii) higher foreign exchange losses by Php120 million; (iv) higher equity share in net losses of associates by Php46 million; (v) lower interest income by Php39 million; and (vi) net gains on derivative financial instruments of Php485 million in 2016.

Provision for (Benefit from) Income Tax

Benefit from income tax amounted to Php1,257 million in 2016 as against provision for income tax of Php2,763 million in 2015, primarily due to lower taxable income and recognition of deferred tax benefit relating to Smart's acquisition of DMPI's subscriber base.

Net Income

As a result of the foregoing, our Wireless business segment's net income decreased by Php5,521 million, or 34%, to Php10,618 million in 2016 from Php16,139 million in 2015.

EBITDA

Our Wireless business segment's EBITDA decreased by Php11,813 million, or 26%, to Php32,915 million in 2016 from Php44,728 million in 2015. EBITDA margin decreased to 33% in 2016 from 41% in 2015.

Core Income

Our wireless business' core income decreased by Php10,879 million, or 47%, to Php12,275 million in 2016 from Php23,154 million in 2015 mainly on account of lower EBITDA and higher depreciation expense.

Fixed Line

Revenues

Revenues generated from our Fixed Line business segment amounted to Php72,728 million in 2016, an increase of Php3,863 million, or 6%, from Php68,865 million in 2015.

The following table summarizes our total revenues by service from our fixed line business for the years ended December 31, 2016 and 2015:

	2016	%	2015	%	Increase (Decrease) Amount	%
			(in millions)			
Service Revenues:						
Voice	Php29,630	41	Php30,253	44	(Php623)	(2)
Data	37,711	52	33,748	49	3,963	12
Miscellaneous	1,665	2	1,474	2	191	13
	69,006	95	65,475	95	3,531	5
Non-Service Revenues:						
Sale of computers, phone units and SIM packs, and point-product sales	3,722	5	3,390	5	332	10
Total Fixed Line Revenues	Php72,728	100	Php68,865	100	Php3,863	6

Service Revenues

Our fixed line service revenues increased by Php3,531 million, or 5%, to Php69,006 million in 2016 from Php65,475 million in 2015 due to higher revenues from our data and miscellaneous services, partially offset by lower voice service revenues.

Voice Services

Revenues from our voice services decreased by Php623 million, or 2%, from Php29,630 million in 2016 from Php30,253 million in 2015 primarily due to lower international and domestic services, partially offset by higher revenues from local exchange.

Data Services

The following table shows information of our data service revenues for the years ended December 31, 2016 and 2015:

	2016	2015	Increase Amount	%
		(in millions)		
Data service revenues	Php37,711	Php33,748	Php3,963	12
Home broadband	14,896	12,338	2,558	21
Corporate data and ICT	22,815	21,410	1,405	7

Our data services posted revenues of Php37,711 million in 2016, an increase of Php3,963 million, or 12%, from Php33,748 million in 2015, primarily due to higher home broadband revenues from DSL and *Fibr*, an increase in corporate data and leased lines primarily i-Gate, Fibernet, Metro Ethernet and *Shops.Work*, and higher data center and ICT revenues. The percentage contribution of this service segment to our fixed line service revenues was 55% and 52% in 2016 and 2015, respectively.

Home Broadband

Home broadband data revenues amounted to Php14,896 million in 2016, an increase of Php2,558 million, or 21%, from Php12,338 million in 2015, primarily due to the company's commitment to aggressively expand the FTTH network in the Philippines, as well as an increase in the number of subscribers by 194,686, or 16%, to 1,450,550 subscribers as at December 31, 2016 from 1,255,864 subscribers as at December 31, 2015. Home broadband revenues accounted for 39% and 36% of total data service revenues in 2016 and 2015, respectively.

Corporate Data and ICT

Corporate data services contributed Php19,980 million in 2016, an increase of Php1,174 million, or 6%, as compared with Php18,806 million in 2015, primarily due to sustained market traction of broadband data services such as DSL and *Fibr*, as a result of higher internet connectivity requirements, and key Private Networking Solutions such as IP-VPN, Metro Ethernet and *Shops.Work*. Corporate data revenues accounted for 53% and 56% of total data services in 2016 and 2015, respectively.

ICT revenues increased by Php231 million, or 9%, to Php2,835 million in 2016 from Php2,604 million in 2015, primarily due to higher revenues from colocation, managed IT and social engagement solutions services. Cloud services include cloud contact center, cloud Infrastructure as a Service, cloud Software as a Service, managed security services and cloud professional services. The percentage contribution of this service segment to our total data service revenues was 8% in each of 2016 and 2015.

Miscellaneous Services

Miscellaneous service revenues are derived mostly from rental, outsourcing and facilities management fees. These service revenues increased by Php191 million, or 13%, to Php1,665 million in 2016 from Php1,474 million in 2015, primarily due to higher outsourcing and management fees, partly offset by royalties from directory services in 2015. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues was 2% in each of 2016 and 2015.

Non-service Revenues

Non-service revenues increased by Php332 million, or 10%, to Php3,722 million in 2016 from Php3,390 million in 2015, primarily due to higher sale of *FabTAB* for *myDSL* retention and *PLP* units, computer-bundled, and TVolution units, partially offset by lower sale of *UNO* equipment, *Telpad* units, managed IT equipment, set top boxes and managed PABX solutions.

Expenses

Expenses related to our Fixed Line business segment totaled Php61,285 million in 2016, an increase of Php2,868 million, or 5%, as compared with Php58,417 million in 2015. The increase was primarily due to higher expenses related to depreciation and amortization, asset impairment, cost of sales and services, partly offset by lower expenses related to interconnection costs. As a percentage of our total fixed line revenues, expenses associated with our fixed line business accounted for 84% and 85% in 2016 and 2015, respectively.

The following table shows the breakdown of our total fixed line-related expenses for the years ended December 31, 2016 and 2015 and the percentage of each expense item in relation to the total:

	2016	%	2015	%	Increase (Decrease) Amount	%
			(in millions)			
Selling, general and administrative	Php34,248	56	Php32,608	56	Php1,640	5
Depreciation and amortization	15,471	25	14,301	25	1,170	8
Interconnection costs	5,940	10	6,666	11	(726)	(11)
Cost of sales and services	3,868	6	3,598	6	270	8
Noncurrent asset impairment	36	–	–	–	36	100
Provisions	1,722	3	1,244	2	478	38
Total	Php61,285	100	Php58,417	100	Php2,868	5

Selling, general and administrative expenses increased by Php1,640 million, or 5%, to Php34,248 million, primarily due to higher expenses related to professional and other contracted services, rent, and repairs and maintenance.

Depreciation and amortization charges increased by Php1,170 million, or 8% to Php15,471 million due to a higher depreciable asset base.

Interconnection costs decreased by Php726 million, or 11%, to Php5,940 million, primarily due to lower international interconnection/settlement costs as a result of a decrease in international inbound calls that terminated to other domestic carriers, and lower international outbound calls, and data interconnection/settlement costs, particularly Fibernet and Infonet.

Cost of sales and services increased by Php270 million, or 8%, to Php3,868 million, primarily due to higher sale of *FabTab* for *myDSL* retention, *PLP* units, computer-bundled sales, and sales of TVolution units, as well as due to various partnership with content providers.

Provisions increased by Php478 million, or 38%, to Php1,722 million, mainly due to higher provision for inventory obsolescence and doubtful accounts.

Other Income (Expenses)

The following table summarizes the breakdown of our total fixed line-related other income (expenses) for the years ended December 31, 2016 and 2015:

			Change	
	2016	2015	Amount	%
		(in millions)		
Other Income (Expenses):				
Financing costs – net	(Php4,917)	(Php4,509)	(Php408)	9
Foreign exchange losses – net	(486)	(892)	406	(46)
Equity share in net earnings (losses) of associates	(40)	38	(78)	(205)
Gains on derivative financial instruments – net	511	420	91	22
Interest income	707	620	87	14
Other income – net	3,934	1,724	2,210	128
Total	(Php291)	(Php2,599)	Php2,308	(89)

Our Fixed Line business segment's other expenses amounted to Php291 million in 2016, a decrease of Php2,308 million, or 89% from Php2,599 million in 2015 mainly due to the combined effects of the following: (i) an increase in other income – net by Php2,210 million due to gain on sale of property and lower loss on sale of fixed assets and materials; (ii) lower foreign exchange losses by Php406 million; (iii) higher net gain on derivative financial instruments by Php91 million; (iv) an increase in interest income by Php87 million; (v) equity share in net losses of associates of Php40 million in 2016 as against equity share in net earnings of associates of Php38 million in 2015; and (vi) higher financing costs by Php408 million.

Provision for Income Tax

Provision for income tax amounted to Php3,018 million in 2016, an increase of Php1,362 million, or 82%, from Php1,656 million in 2015 primarily due to higher taxable income. The effective tax rates for our fixed line business were 27% and 21% in 2016 and 2015, respectively.

Net Income

As a result of the foregoing, our Fixed Line business segment registered a net income of Php8,134 million in 2016, an increase of Php1,941 million, or 31%, as compared with Php6,193 million in 2015.

EBITDA

Our Fixed Line business segment's EBITDA increased by Php2,201 million, or 9%, to Php26,950 million in 2016 from Php24,749 million in 2015. EBITDA margin increased to 39% in 2016 from 38% in 2015.

Core Income

Our Fixed Line business segment's core income increased by Php1,207 million, or 18%, to Php7,746 million in 2016 from Php6,539 million in 2015, primarily as a result of higher EBITDA, partly offset by higher provision for income tax.

Others

Revenues

Revenues generated from our Other business segment, which include revenues from digital platforms and mobile financial services, amounted to Php847 million in 2016, a decrease of Php370 million, or 30%, from Php1,217 million in 2015, primarily due to lower revenues from PayMaya.

Expenses

Expenses related to our Other business segment totaled Php1,623 million in 2016, a decrease of Php338 million, or 17%, as compared with Php1,961 million in 2015, primarily due to lower selling, general and administrative expenses.

Other Income (Expenses)

The following table summarizes the breakdown of other income – net for our Other business segment for the years ended December 31, 2016 and 2015:

	2016	2015	Change Amount	Change %
		(in millions)		
Other Income (Expenses):				
Equity share in net earnings of associates and joint ventures	Php1,348	Php3,284	(Php1,936)	(59)
Interest income	307	99	208	210
Financing costs – net	(192)	(184)	(8)	(4)
Foreign exchange losses – net	(646)	(611)	(35)	(6)
Other income (expenses) – net	1,517	(1,957)	3,474	178
Total	Php2,334	Php631	Php1,703	270

Other income increased by Php1,703 million to Php2,334 million in 2016 from Php631 million in 2015 primarily due to the combined effects of the following: (i) other income of Php1,517 million in 2016 as against other expenses of Php1,957 million in 2015 due to higher gain on sale of Beacon shares by PCEV in 2016 as against the gain on sale of Meralco shares by Beacon in 2015, partly offset by higher impairment loss on our investment in Rocket Internet resulting from the decline in fair value; (ii) an increase in interest income by Php208 million; (iii) higher financing costs by Php8 million; (ii) higher foreign exchange losses by Php35 million; and (v) lower equity share in net earnings of associates by Php1,936 million mainly from lower equity share in net earnings of Beacon and equity share in net losses of VTI in 2016, partly offset by higher equity share in net earnings of Beta due to the sale of its SPi CRM business.

Net Income (Loss)

As a result of the foregoing, our Other business segment registered a net income of Php1,410 million in 2016, a change of Php1,667 million as against net loss of Php257 million in 2015.

Core Income

Our Other business segment's core income amounted to Php7,836 million in 2016, an increase of Php2,317 million, or 42%, as compared with Php5,519 million in 2015 mainly as a result of higher other income.

Plans

We are the largest telecommunications company in the Philippines in terms of revenues and subscribers. We intend to reinforce our leading position while offering a broader range and higher quality of products and services.

Our current estimate for our consolidated capital expenditures in 2019 is approximately Php78 billion. Our capital spending is focused on our objective to improve network quality and provide customers a superior data experience.

We plan to expand our LTE network in line with our desire to provide coverage to substantially all of the country's cities and municipalities by the end of 2019. We intend to expand and upgrade our fixed access networks for cable fortification and resiliency in various locations. The expansion of our national and domestic networks is intended to follow the roll-out of our access networks.

We also plan to continue the transformation of our service delivery platforms and IT in order to facilitate a real-time, on demand and personalized customer experience across all touch points and channels.

While the commercial use cases for 5G are still being determined, PLDT is undertaking 5G pilots with several equipment vendors, namely: Huawei, Nokia and Ericsson.

In November 2018, PLDT wireless arm Smart Communications, Inc. made the country's first successful video call on a 5G connection between the newly launched Smart 5G cities in Pampanga and Makati City. The country's first 5G-enabled video call was made using 5G Radio and Core equipment of Smart's technology partners Huawei in Makati and Ericsson in Clark, showcasing 5G interoperability in a multi-vendor environment at this early stage.

In March 2019, Smart signed a Memorandum of Understanding with Nokia, where both will collaborate in identifying innovative real world and enterprise-led 5G standalone (5G SA) solutions, such as artificial intelligence, drones, and Internet of Things (IoT) applications, for use in schools, colleges and universities. This will be done through the combined capabilities of the PLDT-Smart 5G Technolab in Makati and the Nokia Technology Center in Quezon City.

Furthermore, in anticipation of the rollout of 5G, the company's capex investments, particularly in the transport network, aim to make the PLDT network 5G-ready.

Our capital expenditure budget includes projects addressing the following objectives:

(1) Commercial expansion of capacity and footprint of our wired and wireless services, as well as new platforms to expand service offerings;

(2) Technical transformation of the PLDT Group's service delivery platform in order to realize operating and cost efficiencies, provision of greater resilience and redundancy for the network, and investments in additional cable systems;

(3) Continuing investments to ensure that the PLDT network is 5G-ready; and

(4) IT/Support Systems –upgrade of our IT and support systems.

We expect to fund incremental capital expenditures from free cash flow.

Liquidity and Capital Resources

The following table shows our consolidated cash flows for the years ended December 31, 2018, 2017 and 2016 as well as our consolidated capitalization and other consolidated selected financial data as at December 31, 2018 and 2017:

	2018	2017	2016
		(in millions)	
Cash Flows			
Net cash flows provided by operating activities	Php61,116	Php56,114	Php48,976
Net cash flows used in investing activities	(25,054)	(21,060)	(41,982)
Payment for purchase of property and equipment, including capitalized interest	*48,771*	*37,432*	*42,825*
Net cash flows used in financing activities	(18,144)	(40,319)	(15,341)
Net increase (decrease) in cash and cash equivalents	18,749	(5,817)	(7,733)

	2018	2017	2016
	(in millions)		
Capitalization			
Interest-bearing financial liabilities:			
Long-term financial liabilities:			
Long-term debt	Php155,835	Php157,654	Php151,759
Current portion of interest-bearing financial liabilities:			
Long-term debt maturing within one year	20,441	14,957	33,273
Total interest-bearing financial liabilities	176,276	172,611	185,032
Total equity attributable to equity holders of PLDT	112,358	106,842	108,175
	Php288,634	Php279,453	Php293,207
Other Selected Financial Data			
Total assets	Php482,750	Php459,444	Php475,119
Property and equipment	195,964	186,907	203,188
Cash and cash equivalents	51,654	32,905	38,722
Short-term investments	1,165	1,074	2,738

Our consolidated cash and cash equivalents and short-term investments totaled Php52,819 million as at December 31, 2018. Principal sources of consolidated cash and cash equivalents in 2018 were: (1) cash flows from operating activities amounting to Php61,116 million; (2) proceeds from availment of long-term debt of Php20,500 million; (3) proceeds from disposal of Rocket Internet shares of Php11,400 million and proceeds from repurchase of Matrixx's Convertible Series B Preferred Stock of Php237 million; (4) proceeds from sale and collection of receivables from Metro Pacific Investments Corporation, or MPIC, of Php6,976 million and Php4,451 million, respectively; (5) proceeds from disposal of Hastings PDRs of Php1,664 million; (6) interest received of Php1,115 million; (7) proceeds from collection of derivative financial instruments of Php886 million; and (8) proceeds from disposal of property and equipment of Php345 million. These funds were used principally for: (1) payment for purchase of property and equipment, including capitalized interest, of Php48,771 million; (2) debt principal and interest payments of Php18,740 million and Php6,614 million, respectively; (3) cash dividend payments of

Php13,928 million; and (4) payment for purchase of investment in Multisys Technologies Corporation, or Multisys, of Php1,588 million and net decrease in cash resulting from deconsolidation of VIH of Php1,186 million.

Our consolidated cash and cash equivalents and short-term investments totaled Php33,979 million as at December 31, 2017. Principal sources of consolidated cash and cash equivalents in 2017 were: (1) cash flows from operating activities amounting to Php56,114 million; (2) proceeds from availment of long-term debt of Php26,255 million; (3) proceeds from disposal of investment in associates and joint ventures of Php14,884 million; (4) proceeds from issuance of perpetual notes of Php4,165 million; (5) collection of receivables from MPIC of Php2,001 million: (6) net proceeds from maturity of short-term investments of Php1,830 million; (7) interest received of Php1,217 million; (8) net proceeds from disposal of investments available-for-sale of Php924 million; (9) dividends received of Php833 million; (10) proceeds from disposal of property and equipment of Php484 million; (11) net proceeds from redemption of investment in debt securities of Php456 million; and (12) proceeds from disposal of investment properties of Php290 million. These funds were used principally for: (1) debt principal and interest payments of Php39,199 million and Php7,076 million, respectively; (2) payment for purchase of property and equipment, including capitalized interest, of Php37,432 million; (3) cash dividend payments of Php16,617 million; (4) net reduction in capital expenditures under long-term financing of Php7,735 million; (5) payment for purchase of investment in associates and joint ventures, mainly payment to VTI and Bow Arken of Php5,533 million and Php100 million additional funding to AFPI.

Operating Activities

Our consolidated net cash flows provided by operating activities increased by Php5,002 million, or 9%, to Php61,116 million in 2018 from Php56,114 million in 2017, primarily due to lower level of settlement of accounts payable and other liabilities, lower corporate taxes paid and lower prepayments, partially offset by higher advances and other noncurrent assets, lower collection of receivables and lower operating income.

Our consolidated net cash flows provided by operating activities increased by Php7,138 million, or 15%, to Php56,114 million in 2017 from Php48,976 million in 2016, primarily due to lower prepayments, inventories and advances and other noncurrent assets, lower level of settlement of accounts payable and other liabilities, higher operating income and lower corporate taxes paid, partially offset by lower collection of receivables.

Cash flows provided by operating activities of our Wireless business segment increased by Php7,559 million, or 24%, to Php39,296 million in 2018 from Php31,737 million in 2017, primarily due to lower receivables, lower level of settlement of accounts payable and other liabilities, lower corporate taxes paid and lower prepayments, partially offset by higher advances and other noncurrent assets and lower operating income. Cash flows provided by operating activities of our Fixed Line business segment decreased by Php2,950 million, or 12%, to Php22,601 million in 2018 from Php25,551 million in 2017, primarily due to higher advances and other noncurrent assets, higher level of settlement of accounts payable and other liabilities, and higher corporate taxes paid, partially offset by higher operating income and lower receivables. Cash flows used in operating activities of our Other business segment decreased by Php475 million, or 59%, to Php329 million in 2018 from Php804 million in 2017, mainly due to lower level of settlement of accounts payable, partly offset by lower collection of receivables and higher operating loss.

Cash flows provided by operating activities of our wireless business increased by Php6,749 million, or 27%, to Php31,737 million in 2017 from Php24,988 million in 2016, primarily due to lower level of settlement of accounts payable and other liabilities, lower prepayments, and lower corporate taxes paid, partially offset by lower collection of receivables, lower operating income and higher advances and other noncurrent assets. Cash flows provided by operating activities of our fixed line business increased by Php666 million, or 3%, to Php25,551 million in 2017 from Php24,885 million in 2016, primarily due to higher operating income, lower pension contribution, lower settlement of accounts payable and other liabilities, and lower inventories, partly offset by lower collection of receivables, higher prepayments and higher corporate taxes paid. Cash flows used in operating activities of our other business decreased by Php25 million, or 3%, to Php804 million in 2017 from Php829 million in 2016 mainly due to higher collection of receivables, partly offset by higher settlement of accounts payable and other liabilities, and higher operating loss.

Investing Activities

Consolidated net cash flows used in investing activities amounted to Php25,054 million in 2018, an increase of Php3,994 million, or 19%, from Php21,060 million in 2017, primarily due to the combined effects of the following: (1) lower proceeds from disposal of investment in associates and joint ventures by Php13,174 million mainly due to proceeds from disposal of the remaining Beacon shares in 2017, partly offset by proceeds from disposal of Hastings PDRs of Php1,664 million in 2018; (2) higher payment for purchase of property and equipment, including capitalized interest, by Php11,339 million; (3) higher payment for purchase of investment, mainly investment in Multisys amounting to Php1,588 million and decrease in cash resulting from deconsolidation of VIH of Php1,186 million; (4) lower net proceeds from maturity of short-term investments by Php1,720 million; (5) proceeds from redemption of Beacon's Class B Preferred Shares of Php1,000 million in 2017; (6) dividends received of Php833 million in 2017; (7) lower payment for purchase of investments in associates and joint ventures by Php5,522 million, mainly investment in VTI; (8) higher collection of receivables from MPIC by Php2,450 million and proceeds from sale of receivables from MPIC of Php6,976 million in 2018; and (9) proceeds from sale of Rocket Internet shares of Php11,400 million and proceeds from repurchase of Matrixx's Convertible Series B Preferred Stock of Php237 million in 2018.

Consolidated net cash flows used in investing activities amounted to Php21,060 million in 2017, a decrease of Php20,922 million, or 50%, from Php41,982 million in 2016, primarily due to the combined effects of the following: (1) lower net payment for purchase of investments in associates and joint ventures by Php15,891 million, primarily due to the purchase of investment in VTI, Bow Arken and Brightshare in 2016; (2) lower payment for purchase of property and equipment by Php5,393 million; (3) higher net proceeds from maturity of short-term investments by Php3,007 million; (4) collection of receivables of Php2,001 million in 2017, mainly from MPIC; (5) net proceeds from disposal of investments available-for-sale of Php924 million in 2017 as against net payment for the purchase of available-for-sale investments of Php998 million in 2016; (6) proceeds from disposal of investment properties of Php290 million; (7) lower proceeds from disposal of property and equipment by Php1,405 million; (8) lower proceeds from disposal of investment in associates and joint ventures by Php2,116 million primarily due to lower proceeds from disposal of remaining Beacon shares by Php5,000 million, offset by proceeds from repurchase of a portion of Beta's ordinary shares of Php2,884 million in 2017; and (9) lower dividends received by Php3,576 million.

Our consolidated payment for purchase of property and equipment, including capitalized interest, in 2018 totaled Php48,771 million, an increase of Php11,339 million as compared with Php37,432 million in 2017. Smart Group's capital spending increased by Php7,579 million, or 31%, to Php31,884 million in 2018 from Php24,305 million in 2017. Smart Group's capex spending was primarily focused on expansion of LTE (4G) coverage and capacity. PLDT's capital spending increased by Php4,118 million, or 37%, to Php15,252 million in 2018 from Php11,134 million in 2017. PLDT's capex spending was used to finance the modernization program and the continuous facility roll-out and expansion of our domestic fiber optic network, as well as expansion of our data center business. The balance represents other subsidiaries' capital spending.

Our payment for purchase of property and equipment, including capitalized interest, in 2017 totaled Php37,432 million, a decrease of Php5,393 million, or 13%, as compared with Php42,825 million in 2016. Smart Group's capital spending decreased by Php7,784 million, or 24%, to Php24,305 million in 2017 from Php32,089 million in 2016. Smart Group's capex spending was primarily focused on expanding 3G capacity and improving LTE (4G) coverage and reach across the nation. PLDT's capital spending increased by Php3,076 million, or 38%, to Php11,134 million in 2017 from Php8,058 million in 2016. The capex spending was used to finance the continuous facility roll-out and expansion of our domestic fiber optic network, as well as expansion of our data center business. The balance represents other subsidiaries' capital spending.

As part of our growth strategy, we may from time to time, continue to make acquisitions and investments in companies or businesses.

Financing Activities

On a consolidated basis, cash flows used in financing activities amounted to Php18,144 million in 2018, a decrease of Php22,175 million, or 55%, from Php40,319 million in 2017, resulting largely from the combined effects of the following: (1) lower payments of long-term debt and interest by Php20,459 million and Php462 million, respectively; (2) net settlement of capital expenditures under long-term financing of Php7,735 million in 2017; (3) lower cash dividend payments by Php2,689 million; (4) proceeds from issuance of perpetual notes of Php4,165 million in 2017; and (5) lower proceeds from availment of long-term debt by Php5,755 million.

On a consolidated basis, cash flows used in financing activities amounted to Php40,319 million in 2017, an increase of Php24,978 million, or 163%, from Php15,341 million in 2016, resulting largely from the combined effects of the following: (1) higher payments of long-term debt and interest by Php19,549 million and Php564 million, respectively; (2) lower proceeds from availment of long-term debt by Php14,314 million (3) higher net settlement of capital expenditures under long-term financing by Php1,695 million; (4) higher collections from derivatives by Php759 million; (5) proceeds from issuance of perpetual notes of Php4,165 million in 2017; and (6) lower cash dividend payments by Php6,370 million.

Debt Financing

Proceeds from availment of long-term debt for the year ended December 31, 2018 amounted to Php20,500 million, mainly from PLDT's and Smart's drawings related to the financing of capital expenditure requirements and refinancing of maturing loan obligations. Payments of principal and interest on our total debt amounted to Php18,740 million and Php6,614 million, respectively, for the year ended December 31, 2018.

Proceeds from availment of long-term debt for the year ended December 31, 2017 amounted to Php26,255 million, mainly from PLDT's drawings related to the financing of our capital expenditure requirements and refinancing of maturing loan obligations. Payments of principal and interest on our total debt amounted to Php39,199 million and Php7,076 million, respectively, for the year ended December 31, 2017.

Our consolidated long-term debt increased by Php3,665 million, or 2%, to Php176,276 million as at December 31, 2018 from Php172,611 million as at December 31, 2017, primarily due to drawings from our long-term facilities and the depreciation of the Philippine peso relative to the U.S. dollar, partly offset by debt amortizations. As at December 31, 2018, the long-term debt level of Smart increased by 6% to Php65,996 million from Php62,388 as at December 31, 2017, and PLDT's long-term debt level increased to Php110,280 million from Php110,223 million as at December 31, 2017.

Our consolidated long-term debt decreased by Php12,421 million, or 7%, to Php172,611 million as at December 31, 2017 from Php185,032 million as at December 31, 2016, primarily due to debt amortizations and prepayments, partly offset by drawings from our long-term facilities and the depreciation of the Philippine peso relative to the U.S. dollar. As at December 31, 2017, the long-term debt level of Smart decreased by 17% to Php62,388 million from Php74,851 as at December 31, 2016, while PLDT's increased to Php110,223 million from Php109,867 million as at December 31, 2016. DMPI loans, with a balance of Php314 million as at December 31, 2016, have been fully paid as at December 31, 2017.

See *Note 20 – Interest-bearing Financial Liabilities – Long-term Debt* to the accompanying audited consolidated financial statements for a more detailed discussion of our long-term debt.

Debt Covenants

Our consolidated debt instruments contain restrictive covenants, including covenants that require us to comply with specified financial ratios and other financial tests, calculated in conformity with PFRS, at relevant measurement dates, principally at the end of each quarterly period. We have complied with all of our maintenance financial ratios as required under our loan covenants and other debt instruments.

As at December 31, 2018 and 2017, we are in compliance with all of our debt covenants.

See *Note 20 – Interest-Bearing Financial Liabilities – Compliance with Debt Covenants* to the accompanying audited consolidated financial statements for a more detailed discussion of our debt covenants.

Financing Requirements

We believe that our available cash, including cash flow from operating activities, will provide sufficient liquidity to fund our projected operating, investment, capital expenditures and debt service requirements for the next 12 months; however, we may finance a portion of these costs from external sources if we consider it prudent to do so.

The following table shows the dividends declared to common and preferred shareholders from the earnings for the years ended December 31, 2018 and 2017:

	Date			Amount	
Earnings	Approved[(1)]	Record	Payable	Per share	Total Declared
				(in millions, except per share amount)	
2018					
Common Stock					
Regular Dividend	August 9, 2018	August 28, 2018	September 11, 2018	36	7,778
	March 21, 2019	April 4, 2019	April 23, 2019	36	7,778
Preferred					
Series IV Cumulative Non-convertible					
Redeemable Preferred Stock[(1)]	August 9, 2018	August 28, 2018	September 15, 2018	—	13
	November 8, 2018	November 23, 2018	December 15, 2018	—	12
	January 29, 2019	February 22, 2019	March 15, 2019	—	12
Voting Preferred Stock	September 25, 2018	October 9, 2018	October 15, 2018	—	2
	December 4, 2018	December 19, 2018	January 15, 2019	—	3
	March 7, 2019	March 27, 2019	April 15, 2019	—	3
Charged to Retained Earnings					15,601
2017					
Common Stock					
Regular Dividend	August 10, 2017	August 25, 2017	September 8, 2017	48	10,371
	March 27, 2018	April 13, 2018	April 27, 2018	28	6,049
Preferred Stock					
Series IV Cumulative Non-convertible					
Redeemable Preferred Stock[(1)]	August 10, 2017	August 25, 2017	September 15, 2017	—	13
	November 9, 2017	November 28, 2017	December 15, 2017	—	12
	January 22, 2018	February 21, 2018	March 15, 2018	—	12
	May 10, 2018	May 25, 2018	June 15, 2018	—	12
Voting Preferred Stock	September 26, 2017	October 10, 2017	October 15, 2017	—	2
	December 5, 2017	December 20, 2017	January 15, 2018	—	3
	March 8, 2018	March 28, 2018	April 15, 2018	—	3
	June 13, 2018	June 29, 2018	July 15, 2018	—	2
Charged to Retained Earnings					16,479

(1) *Dividends were declared based on total amount paid up.*

See Item 5. "Market for Registrant's Common Equity and Related Stockholder Matters – Dividends" and *Note 19 – Equity* to the accompanying audited consolidated financial statements for a detailed discussion of our dividend payments.

Credit Ratings

None of our existing indebtedness contains provisions under which credit rating downgrades would trigger a default, changes in applicable interest rates or other similar terms and conditions.

PLDT's current credit ratings are as follows:

Rating Agency	Credit Rating		Outlook
Standard & Poor's Rating Services,or S&P	Long-term Foreign Issuer Credit	BBB+	Stable
	ASEAN regional scale	axA+	
Moody's Investor Service, or Moody's	Foreign Currency Senior Unsecured Debt Rating	Baa2	Stable
	Local Currency Issuer Rating	Baa2	Stable
Fitch Ratings, or Fitch	Long-term Foreign Currency Issuer Default Rating	BBB	Stable
	Long-term Local Currency Issuer Default Rating	BBB	Stable
	National Long-term Rating	AAA(ph1)	Stable
CRISP	Issuer rating	AAA	Stable

On September 3, 2018, Moody's affirmed PLDT's foreign currency bond rating and local currency issuer rating at "Baa2". Both ratings are considered "investment grade." The outlook in both ratings is stable.

On August 28, 2018, Fitch downgraded PLDT's long-term foreign currency issuer default rating and long-term local currency issuer default rating to "BBB" from "BBB+", with a stable outlook. Fitch affirmed its National Rating at "AAA (phl)".

On May 24, 2017, S&P affirmed our long-term foreign issuer credit rating at "BBB+", with a stable outlook. This rating is considered as "investment grade." On the S&P ASEAN regional scale, PLDT's rating affirmed at "axA+".

On January 6, 2014, CRISP rated PLDT's inaugural peso retail bonds as "AAA" issuer rating with a "stable" outlook, the highest on the scale. CRISP cited PLDT's market leadership, strong historical financial performance and excellent management and governance as key considerations for providing their rating. As at March 21, 2019, there has been no change in the credit rating issued by CRISP.

Changes in Financial Conditions

Our total assets amounted to Php482,750 million as at December 31, 2018, an increase of Php23,306 million, or 5%, from Php459,444 million as at December 31, 2017, primarily due to higher cash and cash equivalents, property and equipment, and investment in associates and joint ventures, mainly due to investment in VIH and Multisys, partially offset by lower financial assets at fair value through profit and loss, mainly due to sale of Rocket Internet shares, and lower financial assets at fair value through other comprehensive income, mainly on account of sale of MPIC receivables. Starting 2018, available-for-sale financial investments are presented as financial assets at fair value through profit or loss according to PFRS 9.

Our total assets amounted to Php459,444 million as at December 31, 2017, a decrease of Php15,675 million, or 3%, from Php475,119 million as at December 31, 2016, primarily due to lower property and equipment, investments in associates and joint ventures, mainly resulting from the sale of the remaining Beacon shares to MPIC, and cash and cash equivalents, partially offset by higher trade and other receivables, and advances and other noncurrent assets.

Our total liabilities amounted to Php366,084 million as at December 31, 2018, an increase of Php17,823 million, or 5%, from Php348,261 million as at December 31, 2017 significantly due to higher accounts payable, and accrued expenses and other liabilities, combined with higher interest-bearing financial liabilities.

Our total liabilities amounted to Php348,261 million as at December 31, 2017, a decrease of Php18,321 million, or 5%, from Php366,582 million as at December 31, 2016 significantly due to lower interest-bearing financial liabilities of Php172,611 million as at December 31, 2017 from Php185,032 million as at December 31, 2016.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements that have or are reasonably likely to have any current or future effect on our financial position, results of operations, cash flows, changes in stockholders' equity, liquidity, capital expenditures or capital resources that are material to investors.

Equity Financing

On August 5, 2014, the PLDT Board of Directors approved the amendment of our dividend policy, increasing the dividend payout rate to 75% from 70% of our core earnings per share as regular dividends. In 2016, in view of our elevated capital expenditures to support the build-out of a resilient and reliable data network, lower EBITDA primarily due to higher subsidies to grow the data business and defend market share and the resources required to support the acquisition of SMC's telecommunications business, we have lowered our regular dividend payout to 60% of our core income. In declaring dividends, we take into consideration the interest of our shareholders, as well as our working capital, capital expenditures and debt servicing requirements. The retention of earnings may be necessary to meet the funding requirements of our business expansion and development programs. However, in the event that no investment opportunities arise, we may consider the option of returning additional cash to our shareholders in the form of special dividends of up to the balance of our core earnings or to undertake share buybacks. We were able to pay out approximately 100% of our core earnings for seven consecutive years from 2007 to 2013, approximately 90% of our core earnings for 2014, 75% of our core earnings for 2015 and 60% of our core earnings in 2016, 2017 and 2018. The accumulated equity in the net earnings of our subsidiaries, which form part of our retained earnings, are not available for distribution unless realized in the form of dividends from such subsidiaries. Dividends are generally paid in Philippine pesos. In the case of shareholders residing outside the Philippines, PLDT's transfer agent in Manila, Philippines, as the dividend-disbursing agent, converts the Philippine peso dividends into U.S. dollars at the prevailing exchange rates and remits the dollar dividends abroad, net of any applicable withholding tax.

Our subsidiaries pay dividends subject to the requirements of applicable laws and regulations and availability of unrestricted retained earnings, without any restriction imposed by the terms of contractual agreements. Notwithstanding the foregoing, the subsidiaries of PLDT may, at any time, declare and pay such dividends depending upon the results of operations and future projects and plans, the respective subsidiary's earnings, cash flow, financial condition, capital investment requirements and other factors.

Consolidated cash dividend payments paid to shareholders amounted to Php13,928, Php16,617 million and Php22,987 million as at December 31, 2018, 2017 and 2016, respectively.

Market Information

Common Capital Stock and ADSs

The shares of common stock of PLDT are listed and traded on the PSE. On October 19, 1994, an ADR facility was established, pursuant to which Citibank, N.A., as the depositary, issued ADRs evidencing ADSs with each ADS representing one PLDT common share with a par value of Php5.00 per share. Effective February 10, 2003, PLDT appointed JP Morgan Chase Bank as successor depositary of PLDT's ADR facility. The ADSs are listed on the NYSE and are traded on the NYSE under the symbol of "PHI".

The public ownership level of PLDT common shares listed on the PSE as at January 31, 2019 is 53.72%.

As at January 31, 2019, 10,154 stockholders were Philippine persons and held approximately 50.21% of PLDT's common capital stock. In addition, as at January 31, 2019, there were a total of approximately 25.8 million ADSs outstanding, substantially all of which PLDT believes were held in the United States by 249 holders.

For the period from January 1 to January 31, 2019, a total of 2.49 million shares of PLDT's common capital stock were traded on the PSE. During the same period, the volume of trading was 4.98 million ADSs on the NYSE.

High and low sales prices for PLDT's common shares on the PSE and ADSs on the NYSE for each of the full quarterly period during 2018 and 2017 and for the first two months of 2019 were as follows:

	Philippine Stock Exchange		New York Stock Exchange	
	High	Low	High	Low
2019				
First Quarter	Php1,386.00	Php1,015.00	US$26.33	US$19.36
January	1,386.00	1,128.00	26.33	20.78
February	1,329.00	1,015.00	25.08	19.86
Through March 20	1,165.00	1,025.00	22.14	19.36
2018				
First Quarter	1,601.00	1,384.00	32.66	26.97
Second Quarter	1,536.00	1,100.00	29.07	21.58
Third Quarter	1,447.00	1,252.00	27.65	23.34
Fourth Quarter	1,448.00	1,125.00	27.00	20.49
2017				
First Quarter	1,655.00	1,360.00	32.59	27.60
Second Quarter	1,944.00	1,602.00	38.54	31.49
Third Quarter	1,796.00	1,603.00	35.05	30.71
Fourth Quarter	1,762.00	1,437.00	34.38	28.09

Holders

As at January 31, 2019, there were 11,653 holders of record of PLDT's common shares. Listed below were the top 20 common shareholders, including their nationalities, the number of shares held, the amount of their holdings, and the approximate percentages of their respective shareholdings to PLDT's total outstanding common stocks:

Name of Holder of Record	Nationality	Number of Shares Held	Amount of Holding	Approximate % to Total Outstanding Common Stock
1. PCD Nominee Corporation	Various – Foreign	48,764,717	Php243,823,585	
	Various – Filipino	31,520,019	157,600,095	37.16
2. Philippine Telecommunications Investment Corporation	Filipino	26,034,263	130,171,315	12.05
3. NTT DOCOMO, Inc.	Japanese	22,796,902	113,984,510	10.55
4. J. P. Morgan Hong Kong Nominees Limited	Chinese	22,690,669	113,453,345	10.50
5. Metro Pacific Resources, Inc.	Filipino	21,556,676	107,783,380	9.98
6. JG Summit Holdings, Inc.	Filipino	17,208,753	86,043,765	7.96
7. NTT Communications Corporation	Japanese	12,633,487	63,167,435	5.85
8. Social Security System, or SSS	Filipino	8,338,378	41,691,890	3.86
9. Pan-Malayan Management & Inv Corp.	Filipino	781,124	3,905,620	0.36
10. Manuel V. Pangilinan	Filipino	253,450	1,267,250	0.12
11. Malayan Insurance Co., Inc.	Filipino	253,000	1,265,000	0.12
12. James L. Go	Filipino	135,914	679,570	0.06
13. Alfonso T. Yuchengco	Filipino	118,458	592,290	0.05
14. Albert F. &/or Margaret Gretchen V. del Rosario	Filipino	106,780	533,900	0.05
15. Edward A. Tortorici &/or Anita R. Tortorici	American	96,874	484,370	0.04
16. Express Holdings, Inc.	Filipino	86,723	433,615	0.04
17. Enrique T. Yuchengco, Inc.	Filipino	59,868	299,340	0.03
18. Mechatrends Contractors Corporation	Filipino	50,000	250,000	0.02
19. JDC Investment Realty Enterprises, Inc.	Filipino	47,708	238,540	0.02
20. Hare & Company	American	34,511	172,555	0.02
		213,568,274	Php1,067,841,370	

Recent Sale of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

On June 8, 2015, 870 shares of Series JJ 10% Cumulative Convertible Preferred Stock were issued in a transaction exempt from the registration requirement under Section 6 of the Revised Securities Act/Section 10 of the SRC. See *Note 19 – Equity* to the accompanying audited consolidated financial statements for further discussion.

Dividends

The following table shows the dividends declared to common shareholders from the earnings for the years ended December 31, 2016, 2017 and 2018:

Earnings	Date: Approved	Date: Record	Date: Payable	Amount: Per share	Amount: Total Declared (in millions)
2016	August 2, 2016	August 16, 2016	September 1, 2016	Php49	Php10,587
2016	March 7, 2017	March 21, 2017	April 6, 2017	28	6,049
				77	16,636
2017	August 10, 2017	August 25, 2017	September 8, 2017	48	10,371
2017	March 27, 2018	April 13, 2018	April 27, 2018	28	6,050
				76	16,421
2018	August 9, 2018	August 28, 2018	September 11, 2018	36	7,778
2018	March 21, 2019	April 4, 2019	April 23, 2019	36	7,778
				Php72	Php15,556

Contractual Obligations and Commercial Commitments

Contractual Obligations

For a detailed discussion of our consolidated contractual undiscounted obligations as at December 31, 2018 and 2017, see *Note 27 – Financial Assets and Liabilities* to the accompanying audited consolidated financial statements.

Commercial Commitments

Our outstanding consolidated commercial commitments, in the form of letters of credit, amounted to Php20 million and Php88 million as at December 31, 2018 and 2017, respectively. These commitments will expire within one year.

Quantitative and Qualitative Disclosures about Market Risks

The main risks arising from our financial instruments are liquidity risk, foreign currency exchange risk, interest rate risk and credit risk. The importance of managing those risks has significantly increased in light of the considerable change and volatility in both the Philippine and international financial markets. Our Board of Directors reviews and approves policies for managing each of these risks. We also monitor the market price risk arising from all financial instruments.

See *Note 27 – Financial Assets and Liabilities – Financial Risk Management Objectives and Policies* to the accompanying consolidated financial statements for a detailed discussion.

Impact of Inflation and Changing Prices

Inflation can be a significant factor in the Philippine economy, and we are continually seeking ways to minimize its impact. The average inflation rate in the Philippines for the years ended December 31, 2018 and 2017 were 5.2% and 2.9%, respectively. We expect inflation to ease given BSP's outlook that it will be within the target range of 2% to 4% in 2019.

Independent Auditors' Fees and Services

The following table summarizes the fees paid or accrued for services rendered by SGV & Co., our independent auditors for the years ended December 31, 2018 and 2017:

	2018	2017
	(in millions)	
Audit Fees	Php48	Php48
All Other Fees	21	24
Total	**Php69**	**Php72**

Audit Fees. This category includes the audit of our annual financial statements and services that are normally provided by the independent auditors in connection with statutory and regulatory filings or engagements for those fiscal years.

Audit-Related Fees. Other than the audit fees, we did not have any other audit-related fees for the years ended December 31, 2018 and 2017.

Tax Fees. We did not have any tax fees for the years ended December 31, 2018 and 2017.

All Other Fees. This category consists primarily of fees with respect to our Sarbanes-Oxley Act 404 assessment in 2018 and 2017, and other non-audit engagements.

The fees presented above includes out-of-pocket expenses incidental to our independent auditors' work, amount of which do not exceed 5% of the agreed-upon engagement fees.

Our AC pre-approved all audit and non-audit services as these are proposed or endorsed before these services are performed by our independent auditors.

Changes in and Disagreements with Independent Auditors on Accounting and Financial Disclosure

We have no disagreements with our independent auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

PLDT INC. AND SUBSIDIARIES
Schedule A. Financial Assets
December 31, 2018

Name of Issuing Entity and Association of Each Issue	Number of Shares	Amount Shown in the Balance Sheet	Valued Based on Market Quotation at Balance Sheet Date	Income Received and Accrued
			(In millions)	
Financial assets at fair value through profit or loss				
Listed equity securities	various	Php3,779	Php–	Php–
Others	various	984	N/A	–
	–	**Php4,763**	**N/A**	**Php–**

PLDT INC. AND SUBSIDIARIES

Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of Financial Statements
December 31, 2018

	December 31, 2017	Additions	Collections	December 31, 2018
		(In Millions)		
ACeS Philippines Cellular Corporation	Php –	Php –	Php –	Php –
BayanTrade	2	8	(8)	2
Bonifacio Communications Corporation	9	29	(33)	5
Chikka Holdings Limited	1	–	–	1
CruzTelco (SBI-CC3)	–	–	–	–
Curo Teknika, Inc.	2	20	(19)	3
Datelco Global Communications, Inc.	–	–	–	–
Digital Telecommunications Phils., Inc.	29,341	(4,043)	(38)	25,260
Digitel Mobile Philippines, Inc.	12	3,033	(3,045)	–
eInnovations Holdings	–	–	–	–
ePay Investments Pte. Ltd.	–	–	–	–
ePDS, Inc.	6	1	(1)	6
ePLDT, Inc.	352	256	(189)	419
iCommerce Pte. Ltd.	–	1	–	1
I-Contacts Corporation	4	29	(26)	7
IP Converge Data Services, Inc.	27	269	(293)	3
Mabuhay Satellite Corporation	–	–	–	–
PLDT-Maratel, Inc.	98	229	(253)	74
Metro Kidapawan Telephone Corporation	–	–	–	–
Netgames, Inc.	–	–	–	–
Pacific Global One Aviation Co., Inc.	645	45	(8)	682
PayMaya Philippines, Inc.	75	132	(207)	–
PGNL Canada	–	–	–	–
PGNL (ROHQ) Phils.	65	24	–	89
PGNL US	–	–	–	–
Philcom Corporation	2,099	(121)	(22)	1,956
PLDT Inc.	2,157	9,651	(10,552)	1,256
Pilipinas Global Network Limited	–	–	–	–
PLDT (HK) Limited	5	12	(12)	5
PLDT (SG) Pte Ltd	–	–	–	–
PLDT SG Retail Service Pte Ltd.	–	–	–	–
PLDT (UK) Limited	–	–	–	–
PLDT 1528 Unlimited	1	–	–	1
PLDT (US) Limited	24	173	(149)	48
PLDT Capital Pte Ltd	–	–	–	–
PLDT-ClarkTel	22	52	(27)	47
PLDT Digital Investments Pte. Ltd.	987	183	(1,093)	77
PLDT Global (Phils.) Corporation	394	246	(168)	472
PLDT Global Corporation	404	302	(22)	684
PLDT Global Investments Holdings Inc	–	500	–	500
PLDT Malaysia Sdn Bhd	–	–	–	–
PLDT Online Investments Pte. Ltd	25	–	(25)	–
Primeworld Digital Systems, Inc.	–	–	–	–
SmartBroadband, Inc.	750	3,501	(818)	3,433
Smart Communications, Inc.	5,118	16,167	(9,016)	12,269
PLDT Subic Telecom, Inc.	29	38	(30)	37
Talas Data Intelligence, Inc.	81	–	(40)	41
Voyager Innovations, Inc.	26	16	(42)	–
Wifun, Inc.	–	–	–	–
Wolfpac Mobile Inc.	–	–	–	–
	Php42,761	**Php30,753**	**(Php26,136)**	**Php47,378**

All receivables eliminated during the consolidation of financial statements are classified as current. There were no receivables written off during the year.

PLDT INC. AND SUBSIDIARIES
Schedule D. Goodwill and Intangible Assets
December 31, 2018

Description	Beginning Balances[1]	Additions At Cost	Charged to Cost and Expenses[2]	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
			(In Millions)			
Intangible Assets with definite life						
Customer list	Php1,446	Php–	(Php510)	Php–	Php–	Php936
Franchise	1,869	–	(187)	–	–	1,682
Spectrum	134	–	(81)	–	–	53
Licenses	35	–	(7)	–	–	28
Others	215	21	(107)	–	(129)	–
Intangible Assets with indefinite life						
Trademark	4,505	–	–	–	–	4,505
	8,204	21	(892)	–	(129)	7,204
Goodwill	61,379	–	–	–	–	61,379
	Php69,583	Php21	(Php892)	Php–	(Php129)	Php68,583

(1) *Net of accumulated amortization.*
(2) *Represents amortization of intangible assets.*

PLDT INC. AND SUBSIDIARIES

Schedule E. Interest-bearing Financial Liabilities

December 31, 2018

Name of Issuer and Type of Obligation	Total Outstanding Balance	Amount shown as Current		Amount shown as Non-Current	
		Gross Amount	Debt Discount/ Debt Issuance Cost	Gross Amount	Debt Discount/ Debt Issuance Cost
		(In Millions)			
U.S. Dollar Debts:					
Export Credit Agencies-Supported Loans:					
Exportkreditnamnden, or EKN					
SEK Nordea US$45.5M	103	103	–	–	–
	103	103	–	–	–
Others:					
BTMU US$200M	5,492	1,577	(14)	3,943	(14)
Mizuho Corporate Bank Ltd. (Mizuho) $200M	3,490	2,336	(13)	1,168	(1)
Philippine National Bank (PNB) US$100M	5,046	53	–	4,993	–
Mizuho US$100M	3,198	808	(15)	2,426	(21)
Metropolitan Bank & Trust Company (Metrobank) US$50M	2,536	26	–	2,510	–
BTMU US$100M	583	584	(1)	–	–
NTT Finance Corporation US$25M	1,307	–	(1)	1,314	(6)
NTT Finance Corporation US$25M (2017)	1,306	–	(1)	1,314	(7)
Mizuho Bank Ltd. SG, Branch US$50M	291	292	(1)	–	–
	23,249	**5,676**	**(46)**	**17,668**	**(49)**
Philippine Peso Debts:					
Corporate Notes:					
PLDT Fixed Rate Corporate Notes (2012) Php8.8B	6,340	2,741	–	3,599	–
PLDT Fixed Rate Corporate Notes (2012) Php6.2B	5,828	3,573	–	2,255	–
PLDT Fixed Rate Corporate Notes (2013) Php2.055B	1,932	1,634	–	298	–
PLDT Fixed Rate Corporate Notes (2013) Php1.188B	1,129	1,129	–	–	–
PLDT Fixed Rate Corporate Notes (2012) Php1.5B	282	282	–	–	–
	15,511	**9,359**	**–**	**6,152**	**–**
Fixed Rate Retail Bonds:					
Php15B Fixed Rate Retail Bonds	14,943	–	(22)	15,000	(35)
	14,943	**–**	**(22)**	**15,000**	**(35)**

Name of Issuer and Type of Obligation	Total Outstanding Balance	Amount shown as Current		Amount shown as Non-Current	
		Gross Amount	Debt Discount/ Debt Issuance Cost	Gross Amount	Debt Discount/ Debt Issuance
	(In Millions)				
Term Loans:					
Unsecured Term Loans					
Rizal Commercial Banking Corporation Php2B	1,960	20	–	1,940	–
Land Bank of the Philippines (Landbank) Php3B	2,820	2,820	–	–	–
Manufacturers Life Insurance Co. (Phils.), Inc. Php200M	200	200	–	–	–
Union Bank of the Philippines (Unionbank) Php1B	950	10	–	940	–
Philippine American Life and General Insurance (Philam Life) Php1B	1,000	–	–	1,000	–
Bank of the Philippine Islands (BPI) Php2B	1,900	20	–	1,880	–
Metrobank Php3B	1,497	300	(2)	1,200	(1)
BPI Php3B	2,846	30	(2)	2,820	(2)
Landbank Php3B	2,875	30	(3)	2,850	(2)
Landbank Php500M	480	5	–	475	–
Unionbank Php2B	1,920	20	–	1,900	–
Philam Life Php1.5B	1,500	–	–	1,500	–
BDO Unibank, Inc. (BDO) 500M	480	5	–	475	–
Philam Life Php1B	1,000	–	–	1,000	–
Landbank Php1B	960	10	–	950	–
Unionbank Php1.5B	1,440	15	–	1,425	–
BPI Php2B	1,940	20	–	1,920	–
BPI Php3B	2,910	30	–	2,880	–
Metrobank Php5B	4,850	50	–	4,800	–
Metrobank Php5B	4,833	50	(2)	4,800	(15)
BPI Php5B	4,832	50	(2)	4,800	(16)
Metrobank Php5B	4,831	50	(2)	4,800	(17)
Chinabank Php7B	6,289	700	(4)	5,600	(7)
Metrobank Php6B	5,859	60	(4)	5,820	(17)
BPI Php6.5B	6,346	65	(5)	6,305	(19)
BDO Php3B	2,940	30	–	2,910	–
Unionbank Php5.4B	5,281	54	(2)	5,238	(9)
BPI Php5.3B	5,175	53	(3)	5,141	(16)
Chinabank Php2.5B	2,500	250	–	2,250	–
Metrobank Php3B	2,957	30	(2)	2,940	(11)
Security Bank Corporation (Security Bank) Php8B	7,807	160	(4)	7,680	(29)
Landbank Php3.5B	3,450	35	(2)	3,430	(13)
Security Bank Php2B	1,970	20	–	1,950	–
Landbank Php3.5B	3,465	35	–	3,430	–
Security Bank Php2B	1,953	20	(2)	1,950	(15)
PNB Php1B	990	10	–	980	–
PNB Php1.5B	1,500	15	–	1,485	–
Landbank Php2B	2,000	20	–	1,980	–

Name of Issuer and Type of Obligation	Total Outstanding Balance	Amount shown as Current		Amount shown as Non-Current	
		Gross Amount	Debt Discount/ Debt Issuance Cost	Gross Amount	Debt Discount/ Debt Issuance
Unionbank Php1B	1,000	10	–	990	–
BPI Php2B	1,986	20	(3)	1,980	(11)
Development Bank of the Philippines Php1.5B	1,500	–	–	1,500	–
BPI Php3B	2,978	30	(2)	2,970	(20)
Landbank Php1.5B	1,500	15	–	1,485	–
Landbank Php2B	2,000	20	–	1,980	–
Landbank Php1B	1,000	10	–	990	–
BPI Php2B	2,000	20	–	1,980	–
	122,470	**5,417**	**(46)**	**117,319**	**(220)**
Total Long-Term Debt	176,276	20,555	(112)	156,139	(306)
Obligations under Finance Lease	–	–	–	–	–
Total Debt	**176,276**	**20,555**	**(112)**	**156,139**	**(306)**

PLDT INC.

Schedule F. Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies)
December 31, 2018

Name of Issuer and Type of Obligation	Total Outstanding Balance	Amount shown as Current		Amount shown as Non-Current	
		Gross Amount	Debt Discount/ Debt Issuance Cost	Gross Amount	Debt Discount/ Debt Issuance Cost
		(In Millions)			
NTT Finance Corporation US$25M (2016)	Php1,307	Php–	(Php1)	Php1,314	(Php6)
NTT Finance Corporation US$25M (2017)	1,306	–	(1)	1,314	(7)

PLDT INC.
Schedule H. Capital Stock
December 31, 2018

Title of Issue	Number of Shares Authorized	Number of Shares Issued And Outstanding	Number of Shares Reserved For Options, Warrants, Conversion and Other Rights	Number of Shares Held By Related Parties	Directors and Executive Officers[1]	Others
			(In Millions)			
Preferred Stock	538	450	–	450	–	–
Non-Voting Preferred Stock (Php10 par value)	388	300	–	300	–	–
Cumulative Convertible Series HH to II	88	–		–	–	–
Cumulative Nonconvertible Series IV	300	300[2]		300[2]	–	–
Voting Preferred Stock(Php1 par value)	150	150		150	–	–
Common Stock (Php5 par value)	234	216	–	99[3]	1	116

(1) *Consists of 733,241 common shares directly and indirectly owned by directors and executive officers as at January 31, 2019.*
(2) *Includes 300,000,000 shares subscribed for Php3,000,000,000, of which Php360,000,000 has been paid.*
(3) *Represents 25.57% beneficial ownership of First Pacific Group and its Philippine affiliates, and 20.35% beneficial ownership of NTT Group in PLDT's outstanding shares.*

PLDT INC.
Schedule I. Schedule of all the Effective Standards and Interpretations
December 31, 2018

		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		x		
PFRSs Practice Statement Management Commentary			x	
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	x		x
	Amendments to PFRS 1, Definition of Short-Term Exemptions for First-Time Adopters	x		x
PFRS 2 (Amended)	Share-based Payment	x		
PFRS 3 (Revised)	Business Combinations	x		
	Amendments to PFRS 3 and PFRS 11, Previously Held Interest in a Joint Operation*		x	
	Amendments to PFRS 3, Definition of a Business*		x	
PFRS 4	Insurance Contracts	x		x
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contract	x		x
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	x		x
PFRS 6	Exploration for and Evaluation of Mineral Resources	x		x
PFRS 7 (Amended)	Financial Instruments: Disclosures	x		
PFRS 8	Operating Segments	x		
PFRS 9 (2014)	Financial Instruments	x		
	Amendments to PFRS 9, Prepayment Features with Negative Compensation*		x	
PFRS 10	Consolidated Financial Statements	x		
	Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*		x	
PFRS 11	Joint Arrangements	x		
	Amendments to PFRS 3 and PFRS 11, Previously Held Interest in a Joint Operation*		x	
PFRS 12	Disclosure of Interests in Other Entities	x		
PFRS 13	Fair Value Measurement	x		
PFRS 14	Regulatory Deferral Accounts	x		x
PFRS 15	Revenue from Contracts with Customers	x		
PFRS 16	Leases*		x	
PFRS 17	Insurance Contracts*		x	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	x		

	Amendments to PAS 1 and PAS 8, Definition of Materials*		x	
PAS 2	Inventories	x		
PAS 7 (Amended)	Statement of Cash Flows	x		
		Adopted	**Not Adopted**	**Not Applicable**
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	x		
	Amendments to PAS 1 and PAS 8, Definition of Material*		x	
PAS 10	Events after the Reporting Period	x		
PAS 12	Income Taxes	x		
	Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity*		x	
PAS 16 (Amended)	Property, Plant and Equipment	x		
PAS 17	Leases	x		
PAS 19 (Revised)	Employee Benefits	x		
	Amendments to PAS 19, Plan Amendment, Curtailment and Settlement*		x	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	x		x
PAS 21	The Effects of Changes in Foreign Exchange Rates	x		
PAS 23 (Revised)	Borrowing Costs	x		
	Amendments to PAS 23, Borrowing Costs Eligible for Capitalization*		x	
PAS 24 (Revised)	Related Party Disclosures	x		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	x		x
PAS 27 (Amended)	Separate Financial Statements	x		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	x		
	Amendments to PAS 28, Measuring an Associate of Joint Venture at Fair Value	x		
	Amemdments to PAS 28, Long-term Interests in Associates and Joint Ventures*		x	
	Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*		x	
PAS 29	Financial Reporting in Hyperinflationary Economies	x		x
PAS 32	Financial Instruments: Presentation	x		
PAS 33	Earnings per Share	x		
PAS 34	Interim Financial Reporting	x		x
PAS 36	Impairment of Assets	x		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	x		
PAS 38 (Amended)	Intangible Assets	x		
PAS 40	Investment Property	x		
	Amendments to PAS 40, Transfers of Investment Property	x		
PAS 41 (Amended)	Agriculture	x		x
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	x		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments	x		x

IFRIC 4	Determining Whether an Arrangement Contains a Lease	x		
IFRIC 5	Rights to Interests arising from Decommissioning,Restoration and Environmental Rehabilitation Funds	x		x
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	x		x
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies	x		x
IFRIC 9	Reassessment of Embedded Derivatives	x		
		Adopted	**Not Adopted**	**Not Applicable**
IFRIC 10	Interim Financial Reporting and Impairment	x		x
IFRIC 12	Service Concession Arrangements	x		x
IFRIC 14	PAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	x		x
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	x		x
IFRIC 17	Distributions of Non-cash Assets to Owners	x		x
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	x		x
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	x		x
IFRIC 21	Levies	x		x
IFRIC 22	Foreign Currency Transactions and Advance Consideration	x		
IFRIC 23	Uncertainty over Income Tax Treatments*		x	
SIC-7	Introduction of the Euro	x		x
SIC-10	Government Assistance - No Specific Relation to Operating Activities	x		x
SIC-15	Operating Leases - Incentives	x		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	x		x
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	x		
SIC-29	Service Concession Arrangements: Disclosures	x		x
SIC-32	Intangible Assets - Web Site Costs	x		

** Standards or amendments which will become effective subsequent to December 31, 2018.*

Note: Standards and interpretations tagged as "Not Applicable" are those standards and interpretations which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2018.

PLDT INC.

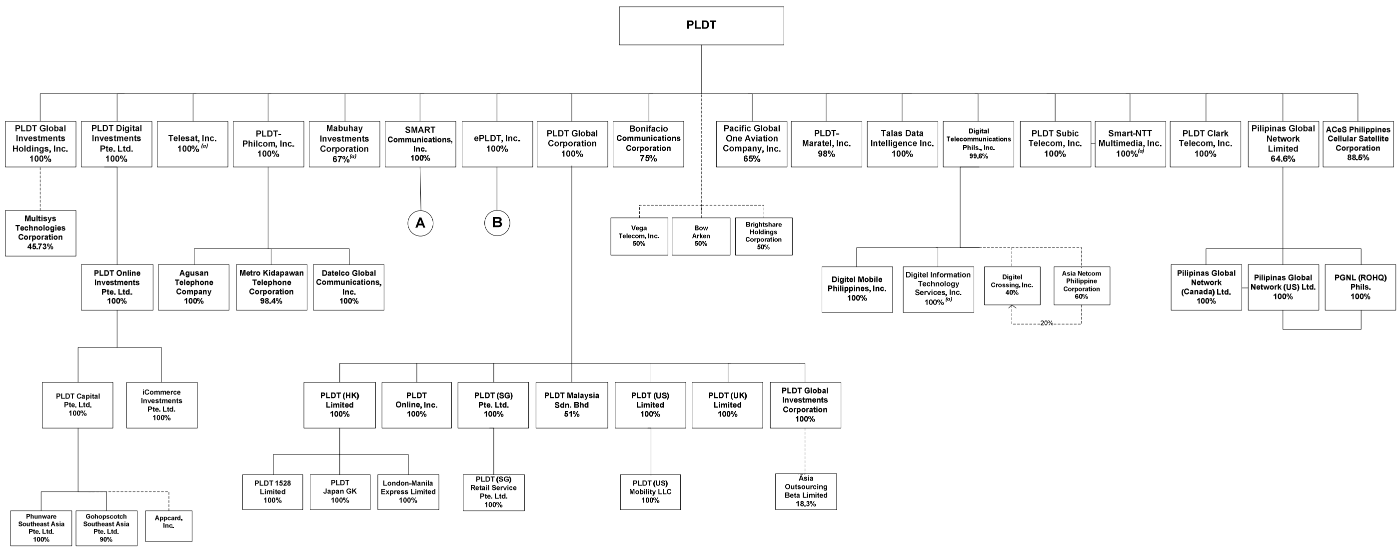
Schedule J. Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2018

	(in million pesos)
Consolidated unappropriated retained earnings as at December 31, 2017 (Audited)	1,157
Effect of PAS 27 Adjustments	33,995
Effect of adoption of PFRS 9 and 15	129
Parent Company's unappropriated retained earnings at beginning of the year	35,281
Less: Cumulative unrealized income – net of tax:	
Unrealized foreign exchange gains – net (except those attributable to cash and cash equivalents)	(523)
Fair value adjustments of investment property resulting to gain	(778)
Fair value adjustments (mark-to-market gains)	(3,182)
Parent Company's unappropriated retained earnings available for dividends as at January 1, 2017	30,798
Parent Company's net income for the year	11,159
Less: Fair value adjustment of investment property resulting to gain	(110)
Fair value adjustments (mark-to-market gains)	(258)
	10,791
Less: Cash dividends declared during the year	
Preferred stock	(59)
Common stock	(13,828)
Charged to retained earnings	(13,887)
Parent Company's unappropriated retained earnings available for dividends as at December 31, 2018	**27,702**

As at December 31, 2018, our consolidated retained earnings amounted to Php12,081 million while the Parent Company's unappropriated retained earnings amounted to Php32,553 million. The difference of Php20,472 million pertains to the effect of PAS 27 in our investments in subsidiaries, associates and joint ventures accounted for under the equity method.

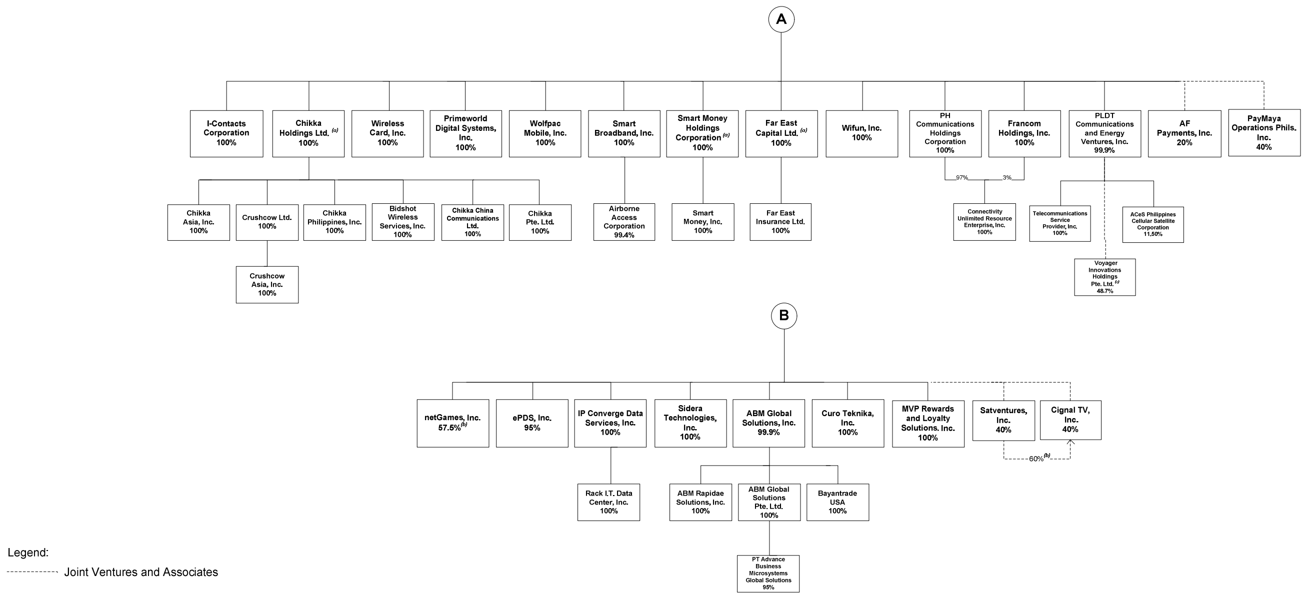
PLDT INC.

Schedule K. Map of the Relationships of the Companies within the Group
December 31, 2018



Legend:

------------ Joint Ventures and Associates



(a) Ceased commercial operations.
(b) Ceased commercial operations and under liquidation due to shortened corporate life to August 31, 2015.
(c) On July 11, 2017, the Accounting and Corporate Regulatory Authority, or ACRA, of Singapore approved the change in business name of eInnovations Holdings Pte. Ltd. to Voyager Innovations Holdings Pte. Ltd. On April 16, 2018, the ACRA of Singapore approved the transfer of VIH to PCEV. On November 28, 2018, upon closing of the subscription agreement of PLDT, Tencents Holding Limited, or Tencents, and KKR & Co., Inc., or KKR, PCEV's ownership in VIH was reduced to 53.87% and with only two board seats in the investee, the transaction resulted to a loss of control. On December 10, 2018, PCEV's ownership in VIH was further reduced to 48.74% upon receipt of the investments from International Finance Corp., or IFC, and IFC Emerging Asia Fund, or IFC EAF.

PLDT INC.

Schedule L. Financial Soundness Indicators

December 31, 2018 and 2017

	December 31,	
	2018	**2017**
Current Ratio[1]	0.52:1.0	0.53:1.0
Net Debt to Equity Ratio[2]	1.10:1.0	1.30:1.0
Net Debt to EBITDA Ratio[3]	1.93:1.0	2.09:1.0
Total Debt to EBITDA Ratio[4]	2.75:1.0	2.61:1.0
Asset to Equity Ratio[5]	4.30:1.0	4.30:1.0
Interest Coverage Ratio[6]	4.19:1.0	2.93:1.0
Profit Margin[7]	12%	8%
Return on Assets[8]	4%	3%
Return on Equity[9]	17%	13%
EBITDA Margin[10]	42%	44%

(1) *Current ratio is measured as current assets divided by current liabilities (including current portion – LTD, unearned revenues and mandatory tender option liability.)*
(2) *Net Debt to equity ratio is measured as total debt (long-term debt, including current portion) less cash and cash equivalent and short-term investments divided by total equity attributable to equity holders of PLDT.*
(3) *Net Debt to EBITDA ratio is measured as total debt (long-term debt, including current portion) less cash and cash equivalent and short-term investments divided by EBITDA for the year.*
(4) *Total Debt to EBITDA ratio is measured as total debt (long-term debt, including current portion) divided by EBITDA for the year.*
(5) *Asset to equity ratio is measured as total assets divided by total equity attributable to equity holders of PLDT.*
(6) *Interest coverage ratio is measured by EBIT, or earnings before interest and taxes for the year, divided by total financing cost for the year.*
(7) *Profit margin is derived by dividing net income for the year with total revenues for the year.*
(8) *Return on assets is measured as net income for the year divided by average total assets.*
(9) *Return on Equity is measured as net income for the year divided by average total equity attributable to equity holders of PLDT.*
(10) *EBITDA margin for the year is measured as EBITDA divided by service revenues for the year.*
EBITDA for the year is measured as net income for the year excluding depreciation and amortization, amortization of intangible assets, asset impairment on noncurrent assets, financing cost, interest income, equity share in net earnings (losses) of associated and joint ventures, foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net, provision for (benefit from) income tax and other income (expenses) – net for the year.