



November 14, 2016


Securities & Exchange Commission
SEC Building, EDSA
Mandaluyong City

Attention: Mr. Vicente Graciano P. Felizmenio, Jr.
Director – Markets and Securities Regulation Dept.

Gentlemen:

In accordance with Section 17.1(b) of the Securities Regulation Code and SRC Rule 17.1.1.1.2, we submit herewith two (2) copies of SEC Form 17-Q with Management's Discussion and Analysis and accompanying unaudited consolidated financial statements for the nine (9) months ended September 30, 2016.

Very truly yours,


MA. LOURDES C. RAUSA-CHAN
Corporate Secretary



November 14, 2016

Philippine Stock Exchange
3/F Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: Mr. Jose Valeriano B. Zuño III
OIC - Head, Disclosure Department

Gentlemen:

In accordance with Section 17.1(b) of the Securities Regulation Code and SRC Rule 17.3, we submit herewith a copy of SEC Form 17-Q with Management's Discussion and Analysis and accompanying unaudited consolidated financial statements for the nine (9) months ended September 30, 2016.

Very truly yours,


MA. LOURDES C. RAUSA-CHAN
Corporate Secretary

SEC Number
File Number

PW-55

PLDT INC.

(Company's Full Name)

**Ramon Cojuangco Building
Makati Avenue, Makati City**

(Company's Address)

(632) 816-8556

(Telephone Number)

Not Applicable

(Fiscal Year Ending)
(month & day)

SEC Form 17-Q

Form Type

Not Applicable

Amendment Designation (if applicable)

September 30, 2016

Period Ended Date

Not Applicable

(Secondary License Type and File Number)

COVER SHEET

SEC Registration Number

P	W	-	5	5				
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Company Name

P	L	D	T	.														
(F	O	R	M	E	R	L	Y		P	H	I	L	I	P	P	I	N	E
D	I	S	T	A	N	C	E		T	E	L	E	P	H	O	N	E	

Principal Office (No./Street/Barangay/City/Town/Province)

R	A	M	O	N		C	O	J	U	A	N	G	C	O		B	U	I	L	D	I	N	G			
M	A	K	A	T	I		A	V	E	N	U	E		M	A	K	A	T	I		C	I	T	Y		

Form Type

I	7	-	Q
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Department requiring the report

M	S	R	D
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Secondary License Type, If
Applicable

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COMPANY INFORMATION

Company's Email Address

jacabal@pldt.com.ph

Company's Telephone Number/s

(02) 816-8534

Mobile Number

--

No. of Stockholders

11,781 as at September 30, 2016
--

Annual Meeting
Month/Day

Every 2nd Tuesday in June

Fiscal Year
Month/Day

December 31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

June Cheryl A. Cabal-Revilla

Email Address

jacabal@pldt.com.ph

Telephone Number/s

(02) 816-8534

Mobile Number

--

Contact Person's Address

11/F Ramon Cojuangco Bldg. Makati Ave., Makati City
--

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE ("SRC") AND
SRC 17 (2) (b) THEREUNDER

1. For the quarterly period ended **September 30, 2016**
2. SEC Identification Number **PW-55** 3. BIR Tax Identification No. **000-488-793**
4. **PLDT Inc.**
Exact name of registrant as specified in its charter
5. **Republic of the Philippines**
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **Ramon Cojuangco Building, Makati Avenue, Makati City** **0721**
Address of registrant's principal office Postal Code
8. **(632) 816-8556**
Registrant's telephone number, including area code
9. **Not Applicable**
Former name, former address, and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Capital Stock, Php5 par value	216,055,775 shares as at September 30, 2016
11. Are any or all of these securities listed on the Philippine Stock Exchange?
Yes [] No []
12. Check whether the registrant
 - (a) has filed all reports required to be filed by Section 17 of the SRC during the preceding ten months (or for such shorter period that the registrant was required to file such reports):
Yes [] No []
 - (b) has been subject to such filing requirements for the past 90 days.
Yes [] No []

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Our consolidated financial statements as at September 30, 2016 (unaudited) and December 31, 2015 (audited) and for the nine months ended September 30, 2016 and 2015 (unaudited) and related notes (pages F-1 to F-148) are filed as part of this report on Form 17-Q.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

In the following discussion and analysis of our financial condition and results of operations, unless the context indicates or otherwise requires, references to “we,” “us,” “our” or “PLDT Group” mean PLDT Inc. and its consolidated subsidiaries, and references to “PLDT” mean PLDT Inc., not including its consolidated subsidiaries (please see Note 2 – Summary of Significant Accounting Policies to the accompanying unaudited consolidated financial statements for the list of these subsidiaries, including a description of their respective principal business activities and PLDT’s direct and/or indirect equity interest).

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying unaudited consolidated financial statements and the related notes. Our unaudited consolidated financial statements, and the financial information discussed below, have been prepared in accordance with Philippine Financial Reporting Standards, or PFRS, which is virtually converged with International Financial Reporting Standards as issued by the International Accounting Standards Board. PFRS differs in certain significant respects from generally accepted accounting principles, or GAAP, in the U.S.

The financial information appearing in this report and in the accompanying unaudited consolidated financial statements is stated in Philippine pesos. All references to “Philippine pesos,” “Php” or “pesos” are to the lawful currency of the Philippines; all references to “U.S. dollars,” “US\$” or “dollars” are to the lawful currency of the United States; all references to “Japanese yen,” “JP¥” or “yen” are to the lawful currency of Japan and all references to “Euro” or “€” are to the lawful currency of the European Union. Unless otherwise indicated, translations of Philippine peso amounts into U.S. dollars in this report and in the accompanying unaudited consolidated financial statements were made based on the exchange rate of Php48.48 to US\$1.00, the exchange rate as at September 30, 2016 quoted through the Philippine Dealing System.

Some information in this report may contain forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current beliefs, expectations and intentions as to facts, actions and events that will or may occur in the future. Such statements generally are identified by forward-looking words such as “believe,” “plan,” “anticipate,” “continue,” “estimate,” “expect,” “may,” “will” or other similar words.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We have chosen these assumptions or bases in good faith, and we believe that they are reasonable in all material respects. However, we caution you that forward-looking statements and assumed facts or bases almost always vary from actual results, and the differences between the results implied by the forward-looking statements and assumed facts or bases and actual results can be material, depending on the circumstances. When considering forward-looking statements, you should keep in mind the description of risks and cautionary statements in this report. You should also keep in mind that any forward-looking statement made by us in this report or elsewhere speaks only as at the date on which we made it. New risks and uncertainties come up from time to time, and it is impossible for us to predict these events or how they may affect us. We have no duty to, and do not intend to, update or revise the forward-looking statements in this report after the date hereof. In light of these risks and uncertainties, actual results may differ materially from any forward-looking statement made in this report or elsewhere might not occur.



Financial Highlights and Key Performance Indicators

	Nine months ended September 30,		Increase (Decrease)	
	2016	2015	Amount	%
(in millions, except for EBITDA margin, earnings per common share, net debt to equity ratio and operational data)				
(Unaudited)				
Consolidated Income Statement				
Revenues	Php125,386	Php127,871	(Php2,485)	(2)
Expenses	108,474	95,797	12,677	13
Other income	5,248	619	4,629	748
Income before income tax	22,160	32,693	(10,533)	(32)
Net income for the period	15,900	25,355	(9,455)	(37)
Core income	21,736	27,077	(5,341)	(20)
EBITDA	45,717	54,066	(8,349)	(15)
EBITDA margin ⁽¹⁾	38%	44%	-	-
Reported earnings per common share:				
Basic	73.22	117.07	(43.85)	(37)
Diluted	73.22	117.07	(43.85)	(37)
Core earnings per common share ⁽²⁾ :				
Basic	100.42	125.11	(24.69)	(20)
Diluted	100.42	125.11	(24.69)	(20)
	September 30,	December 31,	Increase (Decrease)	
	2016	2015	Amount	%
(Unaudited)				
Consolidated Statements of Financial Position				
Total assets	Php452,943	Php455,095	(Php2,152)	-
Property and equipment	198,495	195,782	2,713	1
Cash and cash equivalents and short-term investments	28,065	47,884	(19,819)	(41)
Total equity attributable to equity holders of PLDT	104,531	113,608	(9,077)	(8)
Long-term debt, including current portion	160,881	160,892	(11)	-
Net debt ⁽³⁾ to equity ratio	1.27x	0.99x	-	-
	Nine months ended September 30,		Increase (Decrease)	
	2016	2015	Amount	%
(Unaudited)				
Consolidated Statements of Cash Flows				
Net cash provided by operating activities	Php33,277	Php47,796	(14,519)	(30)
Net cash used in investing activities	(17,673)	(18,451)	778	(4)
Capital expenditures	26,131	23,297	2,834	12
Net cash used in financing activities	(35,947)	(22,596)	(13,351)	59
Operational Data				
Number of cellular subscribers	61,810,521	67,002,843	(5,192,322)	(8)
Number of fixed line subscribers	2,404,893	2,285,952	118,941	5
Number of broadband subscribers:	5,244,275	5,014,389	229,886	5
Fixed Line	1,407,122	1,224,735	182,387	15
Wireless	3,837,153	3,789,654	47,499	1
Number of employees:	17,808	17,133	675	4
Fixed Line	10,462	9,523	939	10
LEC	7,152	6,966	186	3
Others	3,310	2,557	753	29
Wireless	7,346	7,610	(264)	(3)

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

(2) Core earnings per common share, or EPS, for the period is measured as core income divided by the weighted average number of outstanding common shares for the period.

(3) Net debt is derived by deducting cash and cash equivalents and short-term investments from total debt (long-term debt, including current portion and notes payable).

Exchange Rates – per US\$	Month end rates		Weighted average rates during the period
	September 30, 2016	December 31, 2015	
September 30, 2016	Php48.48		Php46.95
December 31, 2015	47.12		45.51
September 30, 2015	46.83		45.07
December 31, 2014	44.74		44.40

Performance Indicators

We use a number of non-GAAP performance indicators to monitor financial performance. These are summarized below and discussed later in this report.

EBITDA

EBITDA for the period 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 – net. EBITDA is monitored by management for each business unit separately for purposes of making decisions about resource allocation and performance assessment. EBITDA is presented also as a supplemental disclosure because our management believes that it is widely used by investors in their analysis of the performance of PLDT and to assist them in their comparison of PLDT's performance with that 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, 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, and 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, cash flows from operations and cash flow data. 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.

Core Income

Core income for the period is measured as net income attributable to equity holders of PLDT (net income less net income attributable to noncontrolling interests), excluding foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net (excluding hedge costs), asset impairment on noncurrent assets, other non-recurring 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. The core income results are monitored by management for each business unit separately for purposes of making decisions about resource allocation and performance assessment. Also, core income is used by management as a basis of determining the level of dividend payouts to shareholders and basis of 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 income before income tax, core income does not include foreign exchange gains and losses, gains and losses on derivative financial instruments, asset impairments and other 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.



Overview

We are the largest and most diversified telecommunications company in the Philippines which delivers data and multi-media services in the Philippines. 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* — wireless telecommunications services provided by Smart Communications, Inc., or Smart, and Digital Mobile Philippines, Inc., or DMPI, which owns the *Sun Cellular* business and is a wholly-owned subsidiary of Digital Telecommunications Philippines, Inc., or Digitel, our cellular service providers; Voyager Innovations, Inc., or Voyager, and certain subsidiaries, our mobile applications and digital platforms developers and mobile financial services provider; Smart Broadband, Inc., or SBI, and subsidiary and Primeworld Digital Systems, Inc., or PDSI, our wireless broadband service providers; ACeS Philippines Cellular Satellite Corporation, or ACeS Philippines, our satellite information and messaging services provider; WiFun, Inc., our WiFi-enabler; 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., SBI, PDSI, Bonifacio Communications Corporation, PLDT Global and certain subsidiaries and Digitel, all of which together account for approximately 3% of our consolidated fixed line subscribers; data center, cloud, big data, managed ICT 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* — PLDT Communications and Energy Ventures, Inc., or PCEV, PLDT Global Investment Holdings, Inc., Mabuhay Investments Corporation, PLDT Global Investments Corporation, PLDT Digital Investments Pte. Ltd., or PLDT Digital, and its subsidiary, our investment companies.

As at September 30, 2016, our chief operating decision maker, or our Management Committee, views our business activities in three business units: Wireless, Fixed Line and Others.

On June 13, 2016, we unveiled the new PLDT and Smart logos which are shaped like a triangle and embody what we value most: our Customers, our People and Innovation. The logos represent our thrust to decisively shift our businesses toward data-driven services, in line with our digital pivot which aims to transform our organization, processes and networks into the most data-capable infrastructure, and reflective of our desire to bring relevant innovations to empower our customers who are increasingly embracing digital services into their daily lives. These symbolize the start of a new journey: *#ANewDay* to create a better tomorrow for Filipino consumers. With practical innovations that focus on our consumers' needs, coupled with human-centered services, we aspire to empower Filipinos to enjoy a digital-centered life without barriers.



Management's Financial Review

In addition to consolidated net income, we use EBITDA and core income to assess our operating performance. The reconciliation of our consolidated EBITDA and our consolidated core income to our consolidated net income for the nine months ended September 30, 2016 and 2015 are set forth below.

The following table shows the reconciliation of our consolidated EBITDA to our consolidated net income for the nine months ended September 30, 2016 and 2015:

	2016	2015
	(in millions)	
Consolidated EBITDA	Php45,717	Php54,066
Add (deduct) adjustments:		
Depreciation and amortization	(22,603)	(21,187)
Provision for income tax	(6,260)	(7,338)
Financing costs – net	(5,430)	(4,550)
Asset impairment	(5,381)	–
Foreign exchange losses – net	(1,434)	(2,523)
Amortization of intangible assets	(821)	(805)
Gains on derivative financial instruments – net	511	447
Interest income	743	590
Equity share in net earnings of associates and joint ventures	1,477	2,668
Other income – net	9,381	3,987
Total adjustments	(29,817)	(28,711)
Consolidated net income	Php15,900	Php25,355

The following table shows the reconciliation of our consolidated core income to our consolidated net income for the nine months ended September 30, 2016 and 2015:

	2016	2015
	(in millions)	
Consolidated core income	Php21,736	Php27,077
Add (deduct) adjustments:		
Asset impairment	(5,381)	–
Foreign exchange losses – net	(1,434)	(2,523)
Core adjustment on equity share in net gains (losses) of associates and joint ventures	25	(87)
Net income attributable to noncontrolling interests	35	16
Gains on derivative financial instruments – net, excluding hedge costs	916	687
Net tax effect of aforementioned adjustments	3	185
Total adjustments	(5,836)	(1,722)
Consolidated net income	Php15,900	Php25,355



Results of Operations

The table below shows the contribution by each of our business segments to our consolidated revenues, expenses, other income (expenses), income before income tax, provision for income tax, net income/segment profit, EBITDA, EBITDA margin and core income for the nine months ended September 30, 2016 and 2015. In each of the nine months ended September 30, 2016 and 2015, we generated majority of our revenues from operations within the Philippines.

	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
	(in millions)				
For the nine months ended September 30, 2016					
Revenues	Php80,557	Php54,071	Php-	(Php9,242)	Php125,386
Expenses	69,519	43,912	5,406	(10,363)	108,474
Other income (expenses)	(1,618)	(861)	8,848	(1,121)	5,248
Income before income tax	9,420	9,298	3,442	-	22,160
Provision for income tax	3,486	2,681	93	-	6,260
Net income/Segment profit	5,934	6,617	3,349	-	15,900
EBITDA	24,309	20,312	(25)	1,121	45,717
EBITDA margin ⁽¹⁾	32%	40%	-	-	38%
Core income	6,302	6,353	9,081	-	21,736
For the nine months ended September 30, 2015					
Revenues	86,755	50,922	-	(9,806)	127,871
Expenses	63,888	42,657	52	(10,800)	95,797
Other income (expenses)	(1,792)	(1,934)	5,339	(994)	619
Income before income tax	21,075	6,331	5,287	-	32,693
Provision for income tax	5,253	1,965	120	-	7,338
Net income/Segment profit	15,822	4,366	5,167	-	25,355
EBITDA	35,196	17,928	(52)	994	54,066
EBITDA margin ⁽¹⁾	42%	37%	-	-	44%
Core income	16,835	4,582	5,660	-	27,077
Increase (Decrease)					
Revenues	(6,198)	3,149	-	564	(2,485)
Expenses	5,631	1,255	5,354	437	12,677
Other income (expenses)	174	1,073	3,509	(127)	4,629
Income before income tax	(11,655)	2,967	(1,845)	-	(10,533)
Provision for income tax	(1,767)	716	(27)	-	(1,078)
Net income/Segment profit	(9,888)	2,251	(1,818)	-	(9,455)
EBITDA	(10,887)	2,384	27	127	(8,349)
Core income	(10,533)	1,771	3,421	-	(5,341)

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

On a Consolidated Basis

Revenues

We reported consolidated revenues of Php125,386 million in the first nine months of 2016, a decrease of Php2,485 million, or 2%, as compared with Php127,871 million in the same period in 2015, primarily due to lower revenues from cellular business and digital platforms and mobile financial services as a result of the deconsolidation of ePay Investments Pte. Ltd., or ePay, for the period February to July 2016 and lower revenues from international and national long distance services from our fixed line business, partially offset by higher revenues from data and other network, local exchange and miscellaneous services from our fixed line business, higher wireless broadband revenues, and an increase in our non-service revenues.

The following table shows the breakdown of our consolidated revenues by business segment for the nine months ended September 30, 2016 and 2015:

	2016	%	2015	%	Change	
					Amount	%
	(in millions)					
Wireless	Php80,557	64	Php86,755	68	(Php6,198)	(7)
Fixed line	54,071	43	50,922	40	3,149	6
Inter-segment transactions	(9,242)	(7)	(9,806)	(8)	564	(6)
Consolidated	Php125,386	100	Php127,871	100	(Php2,485)	(2)

Expenses

Consolidated expenses increased by Php12,677 million, or 13%, to Php108,474 million in the first nine months of 2016 from Php95,797 million in the same period in 2015, as a result of higher expenses related to asset impairment, cost of sales, depreciation and amortization, and operating expenses related to professional and other contracted services, rent, taxes and licenses, and repairs and maintenance, partially offset by lower expenses related to compensation and employee benefits, selling and promotions, and other operating expenses, as well as lower interconnection costs.

The following table shows the breakdown of our consolidated expenses by business segment for the nine months ended September 30, 2016 and 2015:

	2016	%	2015	%	Change	
					Amount	%
(in millions)						
Wireless	Php69,519	64	Php63,888	67	Php5,631	9
Fixed line	43,912	41	42,657	44	1,255	3
Others	5,406	5	52	–	5,354	10,296
Inter-segment transactions	(10,363)	(10)	(10,800)	(11)	437	(4)
Consolidated	Php108,474	100	Php95,797	100	Php12,677	13

Other Income (Expenses)

Consolidated other income amounted to Php5,248 million in the first nine months of 2016, an increase of Php4,629 million from Php619 million in the same period in 2015, primarily due to the combined effects of the following: (i) an increase in other income by Php5,394 million due to the higher gain on sale of Beacon Electric Asset Holdings, Inc., or Beacon, shares by PCEV in 2016 as compared with the gain on sale of Meralco shares by Beacon in 2015 and a higher gain on sale of property; (ii) lower foreign exchange losses by Php 1,089 million on account of revaluation of net foreign currency-denominated liabilities due to the lower depreciation of the Philippine peso relative to the U.S. dollar to Php48.48 as at September 30, 2016 from Php47.12 as at December 31, 2015 as against the depreciation of the Philippine peso relative to the U.S. dollar to Php46.83 as at September 30, 2015 from Php44.74 as at December 31, 2014; (iii) higher interest income by Php153 million due to higher weighted average interest rate and the depreciation of the Philippine peso relative to the U.S. dollar in the first nine months of 2016, partly offset by the decrease in principal amount of temporary cash investments; (iv) higher gain on derivative financial instruments by Php64 million on account of mark-to-market gains on forward purchase contracts due to the depreciation of the Philippine peso relative to the U.S. dollar, partly offset by narrower dollar and peso interest rate differentials in the first nine months of 2016; (v) higher net financing costs by Php880 million due to higher outstanding loan balance, higher weighted average interest rate, higher financing charges and the depreciation of the Philippine peso relative to the U.S. dollar in the first nine months of 2016, partly offset by higher capitalized interest; and (vi) a decrease in equity share in net earnings of associates by Php1,191 million due to lower share in net earnings of Beacon, equity share in the net losses of Vega Telecom, Inc., or VTI, Philippines Internet Holding S.à.r.l., or PHIH, and ECommerce Pay Holding S.à.r.l., or ECommerce Pay, and higher share in net losses of AF Payments, Inc., or AFPI, for the nine months ended September 30, 2016, partly offset by higher share in net earnings of Asia Outsourcing Beta Limited, or Beta, and Hastings Holdings, Inc., or Hastings.

The following table shows the breakdown of our consolidated other income (expenses) by business segment for the nine months ended September 30, 2016 and 2015:

	2016	2015	Change	
			Amount	%
(in millions)				
Wireless	(Php1,618)	(Php1,792)	Php174	(10)
Fixed line	(861)	(1,934)	1,073	(55)
Others	8,848	5,339	3,509	66
Inter-segment transactions	(1,121)	(994)	(127)	13
Consolidated	Php5,248	Php619	Php4,629	748

Net Income

Consolidated net income decreased by Php9,455 million, or 37%, to Php15,900 million in the first nine months of 2016, from Php25,355 million in the same period in 2015. The decrease was mainly due to the combined effects of the following: (i) an increase in consolidated expenses by Php12,677 million; (ii) a decrease in consolidated revenues by Php2,485 million; (iii) an increase in consolidated other income – net by Php4,629 million; and (iv) a decrease in consolidated provision for income tax by Php1,078 million. Our consolidated basic and diluted EPS decreased to Php73.22 in the first nine months of 2016 from consolidated basic and diluted EPS of Php117.07 in the same period in 2015. Our weighted average number of outstanding common shares was approximately 216.06 million in each of the nine months ended September 30, 2016 and 2015.

The following table shows the breakdown of our consolidated net income by business segment for the nine months ended September 30, 2016 and 2015:

	2016	%	2015	%	Change	
					Amount	%
(in millions)						
Wireless	Php5,934	37	Php15,822	63	(Php9,888)	(62)
Fixed line	6,617	42	4,366	17	2,251	52
Others	3,349	21	5,167	20	(1,818)	(35)
Consolidated	Php15,900	100	Php25,355	100	(Php9,455)	(37)

EBITDA

Our consolidated EBITDA amounted to Php45,717 million in the first nine months of 2016, a decrease of Php8,349 million, or 15%, as compared with Php54,066 million in the same period in 2015, primarily due to lower consolidated revenues, higher provisions for doubtful accounts and inventory obsolescence, as well as an increase in cost of sales, partially offset by lower consolidated cash operating expenses mainly driven by compensation and employee benefits, selling and promotions, and interconnection costs.

The following table shows the breakdown of our consolidated EBITDA by business segment for the nine months ended September 30, 2016 and 2015:

	2016	%	2015	%	Change	
					Amount	%
(in millions)						
Wireless	Php24,309	53	Php35,196	65	(Php10,887)	(31)
Fixed line	20,312	44	17,928	33	2,384	13
Others	(25)	–	(52)	–	27	(52)
Inter-segment transactions	1,121	3	994	2	127	13
Consolidated	Php45,717	100	Php54,066	100	(Php8,349)	(15)

Core Income

Our consolidated core income amounted to Php21,736 million in the first nine months of 2016, a decrease of Php5,341 million, or 20%, as compared with Php27,077 million in the same period in 2015 primarily due to higher consolidated operating expenses and lower consolidated revenues, partially offset by higher other income and lower provision for income tax. Our consolidated basic and diluted core EPS, decreased to Php100.42 in the first nine months of 2016 from Php125.11 in the same period in 2015.

The following table shows the breakdown of our consolidated core income by business segment for the nine months ended September 30, 2016 and 2015:

	2016	%	2015	%	Change	
					Amount	%
(in millions)						
Wireless	Php6,302	29	Php16,835	62	(Php10,533)	(63)
Fixed line	6,353	29	4,582	17	1,771	39
Others	9,081	42	5,660	21	3,421	60
Consolidated	Php21,736	100	Php27,077	100	(Php5,341)	(20)

On a Business Segment Basis

Wireless

Revenues

We generated revenues of Php80,557 million from our wireless business in the first nine months of 2016, a decrease of Php6,198 million, or 7%, from Php86,755 million in the same period in 2015.

The following table summarizes our total revenues from our wireless business for the nine months ended September 30, 2016 and 2015 by service:

	2016	%	2015	%	Increase (Decrease)	
					Amount	%
	(in millions)					
Service Revenues:						
Cellular	Php67,608	84	Php73,594	85	(Php5,986)	(8)
Wireless broadband and others						
Wireless broadband	8,468	10	8,046	9	422	5
Others	486	1	733	1	(247)	(34)
Digital platforms and mobile financial services	424	1	861	1	(437)	(51)
	76,986	96	83,234	96	(6,248)	(8)
Non-Service Revenues:						
Sale of cellular handsets, cellular subscriber identification module, or SIM-packs and broadband data modems	3,571	4	3,521	4	50	1
Total Wireless Revenues	Php80,557	100	Php86,755	100	(Php6,198)	(7)

Service Revenues

Our wireless service revenues in the first nine months of 2016 decreased by Php6,248 million, or 8%, to Php76,986 million as compared with Php83,234 million in the same period in 2015, mainly as a result of lower revenues from voice and text messaging services, partially offset by higher revenues from mobile internet and broadband services. As a percentage of our total wireless revenues, service revenues accounted for 96% in each of the first nine months of 2016 and 2015.

Cellular Service

Our cellular service revenues in the first nine months of 2016 amounted to Php67,608 million, a decrease of Php5,986 million, or 8%, from Php73,594 million in the same period in 2015. Cellular service revenues accounted for 88% of our wireless service revenues in each of the first nine months of 2016 and 2015.

We have focused on segmenting the market by offering sector-specific, value-driven packages for our subscribers. Our cellular services include a variety of data and multi-media services that cater to the growing use of smartphones by our subscribers, as well as voice and text services. We offer a variety of packages that include load buckets which provide a fixed number of messages, calls of preset duration and data allowance with prescribed validity. Smart and *Sun Cellular* also provide buckets which offer voice, text and hybrid bundles available to all networks, as well as packages with unlimited on-net voice, text, volume-based data, and combinations thereof, denominations of which depend on the duration and nature of the packages.

In order to fulfill its goal of providing its subscribers with the best digital experience, Smart committed to improving its overall customer data experience. Smart launched its network roadmap geared towards improving quality, coverage and internet speeds. The network improvement integrates and synergizes Smart and *Sun Cellular* networks to improve coverage and quality for subscribers of both brands. Smart was also the first to introduce Long-Term Evolution, or LTE,-Advanced in Boracay on April 13, 2016 which achieved breakthrough LTE speeds of up to 250 Mbps. The program also boosted 3G data service behind an enhanced 3G/high speed packet access, or HSPA/HSPA+ coverage and capacity.

Since July 2016, PLDT and Smart have rolled-out carrier-grade Smart WiFi in key transport hubs, identified by the Department of Transportation, in line with the PLDT Group's commitment to make available to the public internet at world-class speeds for a seamless digital experience. Apart from the Ninoy Aquino International Airport, the country's biggest airport, Smart WiFi is now in key airports all over the country, including Davao City's Francisco Bangoy International Airport, Laguindingan Airport in Misamis Oriental, Bacolod-Silay International Airport and Iloilo International Airport, Roxas Airport, Zamboanga Airport, Clark



International Airport, Dumaguete-Sibulan Airport, Laoag International Airport, General Santos International Airport, Kalibo International Airport and Puerto Princesa Airport.

Smart WiFi was also installed in the sea ports of Batangas City and Calapan in Mindoro. It is scheduled for rollout in more regional airports, sea ports, and the rail-based MRT and LRT lines 1 and 2 in Metro Manila in the coming months.

In October 2016, we have also completed our spectrum refarming in Davao which aimed to extend coverage and increase our data services in terms of speed and quality. As a result of capacity enhancements, the average download speeds of Smart's 3G service in Metro Davao have increased nearly six times to about 6 Mbps while that of LTE has gone up more than 4.5 times to over 17 Mbps, based on internal field tests.

In conjunction with the drive to boost our 3G/LTE data services, we introduced on July 1, 2016, *Giga Surf 50* with 1GB of open access data allowance plus 300 MB for access to *iflix*, *Spinnr*, *YouTube*, and other streaming services for Php50 valid for three days. This promo is open to *Smart Postpaid*, *Smart Prepaid*, *Smart Bro Postpaid* and *Smart Bro Prepaid* subscribers and can also be shared through Smart's *PasaData*.

Smart also released the enhanced version of its *My Smart* application, allowing subscribers to manage their postpaid and prepaid accounts virtually anywhere, view their account usage in real-time, and buy load and add-ons directly on the app. To further enhance the Filipino's digital life, Smart also continued to provide exclusive content available through its other app, *Smartlife*. It streamed live and for free the 2016 Rio Olympics last August 2016, as well as launched new videos, music and daily live streaming of TV5 and FOX Sports.

The following table shows the breakdown of our cellular service revenues for the nine months ended September 30, 2016 and 2015:

	2016	2015	Increase (Decrease)	
			Amount	%
			(in millions)	
Cellular service revenues	Php67,608	Php73,594	(Php5,986)	(8)
<i>By service type</i>				
Prepaid	66,028	72,072	(6,044)	(8)
Postpaid	47,787	54,483	(6,696)	(12)
Postpaid	18,241	17,589	652	4
<i>By component</i>				
Data	66,028	72,072	(6,044)	(8)
Voice	37,750	37,531	219	1
Voice	28,278	34,541	(6,263)	(18)
<i>Others⁽¹⁾</i>	1,580	1,522	58	4

⁽¹⁾ Refers to other non-subscriber-related revenues consisting primarily of inbound international roaming fees, share in revenues from Smart Money, PLDT's WeRoam and PLDT Landline Plus, or PLP, services, a small number of leased line contracts, and revenues from and other Smart subsidiaries.



The following table shows other key measures of our cellular business as at and for the nine months ended September 30, 2016 and 2015:

	2016	2015	Increase (Decrease)	
			Amount	%
Cellular subscriber base	61,810,521	67,002,843	(5,192,322)	(8)
Prepaid	59,116,807	64,082,775	(4,965,968)	(8)
<i>Smart</i>	20,911,897	23,390,886	(2,478,989)	(11)
TNT	29,851,572	27,708,831	2,142,741	8
<i>Sun Cellular</i>	8,353,338	12,983,058	(4,629,720)	(36)
Postpaid	2,693,714	2,920,068	(226,354)	(8)
<i>Sun Cellular</i>	1,431,461	1,736,072	(304,611)	(18)
<i>Smart</i>	1,262,253	1,183,996	78,257	7
Systemwide traffic volumes (in million minutes)				
Calls				
Domestic	49,034	40,894	8,140	20
<i>Inbound</i>	47,569	38,985	8,584	22
<i>Outbound</i>	658	754	(96)	(13)
International	46,911	38,231	8,680	23
<i>Inbound</i>	1,465	1,909	(444)	(23)
<i>Outbound</i>	1,261	1,643	(382)	(23)
<i>Outbound</i>	204	266	(62)	(23)
Text/Data count (in million hits)				
Text messages	229,321	289,065	(59,744)	(21)
Domestic	227,742	287,629	(59,887)	(21)
Bucket-Priced/Unlimited	227,239	286,972	(59,733)	(21)
Standard	201,228	260,576	(59,348)	(23)
International	26,011	26,396	(385)	(1)
International	503	657	(154)	(23)
Value-Added Services	1,579	1,436	143	10

Prepaid Revenues

Revenues generated from our prepaid cellular services amounted to Php47,787 million in the first nine months of 2016, a decrease of Php6,696 million, or 12%, as compared with Php54,483 million in the same period in 2015. Prepaid cellular service revenues accounted for 72% and 76% of cellular voice and data revenues in the first nine months of 2016 and 2015, respectively. The decrease in revenues from our prepaid cellular services was primarily driven by lower prepaid cellular subscriber base resulting to lower voice and text messaging revenues, partially offset by an increase in mobile internet revenues.

Smart Prepaid continues to push its “smartphone-for-all” strategy. On June 17, 2016, *Smart Prepaid* introduced *Starmobile Play Click*, a five-inch screen Android smartphone. For a one-time payment of Php1,288 plus a purchase of a Php100 *Smart Prepaid* load card, the smartphone kit comes with free 100MB mobile data and Php30 load reward per month for 12 months, if the subscriber reaches an accumulated top-up of Php100 per month. The package also includes a free TNT SIM that comes with free *Facebook*, *Twitter* and *Viber* for seven days and two days of unlimited text to all-networks.

In July 2016, *Smart Prepaid* relaunched its Smart Prepaid LTE SIM to target data users, with free 50MB mobile data per month for six months and a 100MB monthly data reward for an accumulated top-up of Php100 per month for six months.

In August 2016, *Smart Prepaid* also launched the *All-Out Surf* bundle, which combines volume-based data, unlimited all-net texts and capped on-net minutes starting at Php30 valid for two days. This was designed for heavy text users who are transitioning into mobile data users.

Smart Prepaid continued to engage the digital Filipino youth with “*Smart Launchpad*”, a first-of-its-kind online talent search that aims to discover and nurture the next generation of *YouTube* content creators. From 1,537 entries, the top 100 advanced to the workshop where they were mentored by industry experts and top online stars. Three finalists were ultimately named the Next Big Pinoy Creators. They won Samsung gadgets and an all-expense paid trip to Los Angeles to collaborate with international star and *YouTube* creator, The Filharmonic.

In October 15, 2016, *Smart Prepaid* also introduced the *O+ Presto 700 LTE*, an LTE 700MHz-capable device, giving subscribers a faster digital experience. For a one-time payment of Php2,199 plus a purchase of a Php300 *Smart Prepaid* load card, the smartphone kit comes with free 100MB mobile data and Php30 load reward per month for 12 months, if the subscriber reaches an accumulated top-up of Php100 per month, plus an additional free Php300 smart load card.

Smart’s value brand, *TNT*, launched its new logo, brand ambassadors and theme song “*It’s a Tropa Thing*” on June 8, 2016. *TNT* continues to offer the *Alden & Maine load* or *AM15* that allows *Katropas* to keep up with their favorite couple, Alden and Maine, and all updates online. With Php15 per day, a *TNT* subscriber can enjoy 100MB of mobile data that can be used to access any of their favorite apps like *Facebook*, *Viber*, *Twitter*, *Clash of Clans* and *Dubsmash*, one day of unlimited texts to all networks and 60 minutes of calls to *TNT*, *Smart* and *Sun*.

On September 17, 2016, *TNT* launched *Babad Apps* which give subscribers access to their favorite mobile applications at Php5 per day or Php10 for three days, per app. *Babad Apps* that subscribers can choose from include *Facebook*, *Instagram*, *Twitter*, *Viber*, *WeChat*, *Clash of Clans*, *Wattpad*, *Boom Beach*, *Hay Day*, *Clash Royale*, *Youtube* and *Google*.

Postpaid Revenues

Revenues generated from postpaid cellular service amounted to Php18,241 million in the first nine months of 2016, an increase of Php652 million, or 4%, as compared with Php17,589 million in the same period in 2015, and accounted for 28% and 24% of cellular voice and data revenues in the first nine months of 2016 and 2015, respectively. The increase in our postpaid cellular service revenues was primarily driven by the continuous growth of our Smart postpaid subscriber base.

We continue to offer a wide array of choices for postpaid subscription plans. *Smart All-in Plans*, which are offered at Plan 500 up to Plan 2500, enable subscribers to avail of call, text and data services, mix and match services or create their own plan using various *flexibundles*, all charged within the subscriber’s monthly service fee. Top picks for *Flexibundles* are *Tri-net Plus 399*, *Unli Call and Text 599* and *SurfMax 995* while the newest bundles include *App On*, *Giga Surf* and *Shared Data* bundles.

Smart Postpaid also offers the *Smart Surf Plus Plans* with bigger data allocations, call and text credits, and a free VAS subscription of choice, starting at *Plan 399* with 100MB of data, up to *Plan 2999* with 10GB, plus free calls and texts bundles. Meanwhile, *Smart iPhone Plans* ranges from *Plan 799* to *Plan 2499*, inclusive of *All Month Surf* browsing which allows subscribers to do regular online activities such as web searches, social media posts, email and chat messaging, and a monthly data volume allowance which can be used for heavier internet activities like music or video streaming, downloading/uploading, peer-to-peer file-sharing, VoIP calls and the likes.

Smart Infinity offers premium postpaid plans that complement every lifestyle, with exclusive access to *Infinity Lifestyle App*, *Infinity* relationship officer, a dedicated hotline, worldwide concierge, VIP network access and latest handsets. Best suited for frequent flyers, *Roaming Plan 5000* and *Plan 8000* offer lower roaming rates, complimentary roaming SMS and 15 GB data allocation. *Consumable Plan 3500*, *Plan 5000* and *Plan 8000* offer flexibility to fit subscribers’ ever-changing needs and comes with 30 GB volume allocation. *Infinity* also offers unlimited calls to Smart, Sun and *TNT* thru its *Tri-Net Plan* and unlimited *Family Plan* calling circle with free data allocation.

Data Services

Cellular revenues from our data services, which include all text messaging-related services, as well as VAS, mobile internet and other data revenues, increased by Php219 million, or 1%, to Php37,750 million in the first nine months of 2016 from Php37,531 million in the same period in 2015 primarily due to higher mobile internet revenues, partially offset by lower text messaging revenues. Cellular data services accounted for 56% and 51% of our cellular service revenues in the first nine months of 2016 and 2015, respectively.

The following table shows the breakdown of our cellular data service revenues for the nine months ended September 30, 2016 and 2015:

	2016	2015	Increase (Decrease)	
			Amount	%
	(in millions)			
Text messaging				
Domestic	Php22,865	Php25,699	(Php2,834)	(11)
<i>Bucket-Priced/Unlimited</i>	15,881	17,440	(1,559)	(9)
<i>Standard</i>	6,984	8,259	(1,275)	(15)
International	1,410	1,963	(553)	(28)
	24,275	27,662	(3,387)	(12)
Mobile internet ⁽¹⁾	12,539	8,667	3,872	45
Value-added services ⁽²⁾	936	1,202	(266)	(22)
Total	Php37,750	Php37,531	Php219	1

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

(2) Includes revenues, net of allocated discounts and content provider costs, from Smart Pasa Load, Sun Cellular Give-a-load and Dial*SOS; Music (Spinnr and Deezer, music subscription mainly ring back tunes and music downloads); Gaming (games subscriptions, downloads, and purchases); Videos (video subscriptions, downloads and video and movie streaming via iflix and Fox); Infotainment (subscriptions and downloads of broadcast materials that are intended both to entertain and to inform, as well as info-on-demand); financial services (revenues from Smart Money Clicks via Smart Menu and mobile banking); Communicate, (revenues from group chat, text and voice messaging services); and Other VAS (includes revenues from application program interface (API) downloads, info-on-demand and voice text services).

Text messaging-related services contributed revenues of Php24,275 million in the first nine months of 2016, a decrease of Php3,387 million, or 12%, as compared with Php27,662 million in the same period in 2015, and accounted for 64% and 74% of our total cellular data service revenues in the first nine months of 2016 and 2015, respectively. The decrease in revenues from text messaging-related services resulted mainly from lower outbound standard and bucket-priced/unlimited text, as well as lower international text messaging revenues. Text messaging revenues from various bucket-priced/unlimited text offers totaled Php15,881 million in the first nine months of 2016, a decrease of Php1,559 million, or 9%, as compared with Php17,440 million in the same period in 2015. Bucket-priced/unlimited text messages decreased by 59,348 million, or 23%, to 201,228 million in the first nine months of 2016 from 260,576 million in the same period in 2015.

Mobile internet service revenues increased by Php3,872 million, or 45%, to Php12,539 million in the first nine months of 2016 from Php8,667 million in the same period in 2015 as a result of the increase in smartphone ownership and greater data adoption among our subscriber base leading to an increase in mobile internet browsing and prevalent use of mobile apps, social networking sites and other over-the-top, or OTT, services. Data offerings such as *Smart Big Bytes Barkada*, *Shared Data*, *Giga Surf* and *App on Flexibundles* were also introduced during the year to boost data usage.

Voice Services

Cellular revenues from our voice services, which include all voice traffic, decreased by Php6,263 million, or 18%, to Php28,278 million in the first nine months of 2016 from Php34,541 million in the same period 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*, etc. Cellular voice services accounted for 42% and 47% of our cellular service revenues in the first nine months of 2016 and 2015, respectively.



The following table shows the breakdown of our cellular voice revenues for the nine months ended September 30, 2016 and 2015:

	2016	2015	Decrease	
			Amount	%
			(in millions)	
Voice services:				
Domestic				
Inbound	Php2,562	Php2,928	(Php366)	(13)
Outbound	19,270	23,188	(3,918)	(17)
	21,832	26,116	(4,284)	(16)
International				
Inbound	5,732	7,340	(1,608)	(22)
Outbound	714	1,085	(371)	(34)
	6,446	8,425	(1,979)	(23)
Total	Php28,278	Php34,541	(Php6,263)	(18)

Domestic voice service revenues decreased by Php4,284 million, or 16%, to Php21,832 million in the first nine months of 2016 from Php26,116 million in the same period in 2015, due to lower domestic outbound and inbound voice service revenues by Php3,918 million and Php366 million, respectively.

International voice service revenues decreased by Php1,979 million, or 23%, to Php6,446 million in the first nine months of 2016 from Php8,425 million in the same period 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.

Cellular – Others

Revenues from our other cellular services, which include non-subscriber-related revenues consisting of inbound international roaming fees and share in revenues from *PLDT WeRoam* and *PLP*, increased by Php58 million, or 4%, to Php1,580 million in the first nine months of 2016 from Php1,522 million in the same period in 2015 primarily due to higher share of Smart in PayMaya's peer-to-peer (P2P) transaction fees and other subscriber-related income, partially offset by lower revenues from inbound roaming. Other cellular services accounted for 2% of our cellular service revenues in each of the first nine months of 2016 and 2015.

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

As at September 30, 2016, our cellular subscribers totaled 61,810,521 a decrease of 5,192,322, or 8%, from the cellular subscriber base of 67,002,843 as at September 30, 2015. Our cellular prepaid subscriber base decreased by 4,965,968, or 8%, to 59,116,807 as at September 30, 2016 from 64,082,775 as at September 30, 2015, and our cellular postpaid subscriber base decreased by 226,354, or 8%, to 2,693,714 as at September 30, 2016 from 2,920,068 as at September 30, 2015. The decrease in cellular subscriber base was primarily due to net decreases in Smart and *Sun Cellular* subscribers by 2,400,732 and 4,934,331, respectively, partly offset by higher *TNT* subscribers by 2,142,741. Prepaid subscribers accounted for 96% of our total subscriber base as at September 30, 2016 and 2015.

Our net subscriber activations (reductions) for the nine months ended September 30, 2016 and 2015 were as follows:

	2016	2015	Increase (Decrease)	
			Amount	%
Prepaid	(2,863,618)	(3,008,837)	145,219	(5)
Smart	(1,980,406)	(1,486,258)	(494,148)	33
TNT	1,797,412	(440,529)	2,237,941	(508)
Sun Cellular	(2,680,624)	(1,082,050)	(1,598,574)	148
Postpaid	(263,935)	154,620	(418,555)	(271)
Smart	32,527	143,775	(111,248)	(77)
Sun Cellular	(296,462)	10,845	(307,307)	(2,834)
Total	(3,127,553)	(2,854,217)	(273,336)	10



The following table summarizes our average monthly churn rates for the nine months ended September 30, 2016 and 2015:

	2016	2015
	(in %)	
Prepaid	7.0	6.9
Postpaid	5.7	3.6

The following table summarizes our average monthly cellular ARPUs for the nine months ended September 30, 2016 and 2015:

	Gross ⁽¹⁾		Increase (Decrease)		Net ⁽²⁾		Increase (Decrease)	
	2016	2015	Amount	%	2016	2015	Amount	%
Prepaid								
Smart	Php114	Php128	(Php14)	(11)	Php104	Php116	(Php12)	(10)
TNT	83	91	(8)	(9)	76	84	(8)	(10)
Sun Cellular	88	70	18	26	80	64	16	25
Postpaid								
Smart	1,021	1,054	(33)	(3)	1,007	1,042	(35)	(3)
Sun Cellular	441	438	3	1	435	435	–	–

(1) Gross monthly ARPU is calculated by dividing gross cellular service revenues for the month, gross of discounts, allocated 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 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.

Our average monthly prepaid and postpaid ARPUs per quarter of 2016 and 2015 were as follows:

	Prepaid						Postpaid			
	Smart		TNT		Sun Cellular		Smart		Sun Cellular	
	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾
2016										
First Quarter	Php119	Php109	Php87	Php80	Php85	Php78	Php1,018	Php999	Php463	Php459
Second Quarter	116	106	84	77	88	80	1,030	1,018	452	443
Third Quarter	108	99	77	71	89	83	1,016	1,004	409	404
2015										
First Quarter	130	118	93	85	68	63	1,049	1,039	452	449
Second Quarter	127	114	91	83	70	64	1,080	1,065	422	419
Third Quarter	127	115	90	82	71	65	1,034	1,021	439	436
Fourth Quarter	122	113	91	83	77	71	1,029	1,014	436	475

(1) Gross monthly ARPU is calculated based on the average of the gross monthly ARPUs for the quarter.

(2) Net monthly ARPU is calculated based on the average of the net monthly ARPUs for the quarter.

Wireless Broadband and Other Services

Our revenues from wireless broadband and other services consist mainly of wireless broadband service revenues from Smart, SBI and DMPI, charges for ACeS Philippines' satellite information and messaging services and service revenues generated by MVNOs of PLDT Global's subsidiaries.

Wireless Broadband

Revenues from our wireless broadband services increased by Php422 million, or 5%, to Php8,468 million in the first nine months of 2016 from Php8,046 million in the same period in 2015, primarily due to an increase in prepaid revenues by Php445 million, or 14%, to Php3,587 million in the first nine months of 2016 from Php3,142 million in the same period in 2015, partly offset by lower postpaid revenues by Php23 million to Php4,881 million in the first nine months of 2016 from Php4,904 million in the same period in 2015.



The following table shows information of our wireless broadband revenues for the nine months ended September 30, 2016 and 2015 and subscriber base as at September 30, 2016 and 2015:

	2016	2015	Increase (Decrease)	
			Amount	%
Wireless Broadband Revenues (in millions)	Php8,468	Php8,046	Php422	5
<i>By service type</i>				
Prepaid	3,587	3,142	445	14
Postpaid	4,881	4,904	(23)	-
<i>By brand</i>				
Smart Bro (Dongles/Pocket WiFi)	6,411	5,712	699	12
Home Bro (Fixed Wireless)	2,057	2,334	(277)	(12)
Wireless Broadband Subscribers	3,837,153	3,789,654	47,499	1
<i>Smart Bro (Dongles/Pocket WiFi)</i>	<i>3,565,581</i>	<i>3,518,159</i>	<i>47,422</i>	<i>1</i>
Prepaid	3,142,260	2,941,862	200,398	7
Postpaid	423,321	576,297	(152,976)	(27)
<i>Home Bro – Postpaid</i>	<i>271,572</i>	<i>271,495</i>	<i>77</i>	<i>-</i>

As at September 30, 2016, Smart and Sun wireless broadband had a total of 3,837,153 subscribers, a net increase of 47,499 subscribers, or 1%, as compared with 3,789,654 subscribers as at September 30, 2015, primarily due to an increase in Smart Bro subscribers by 47,422, or 1%. Our Smart Bro prepaid subscribers increased by 200,398 subscribers, or 7%, to 3,142,260 subscribers as at September 30, 2016 from 2,941,862 subscribers as at September 30, 2015, while our Smart Bro postpaid subscribers decreased by 152,976 subscribers, or 27%, to 423,321 subscribers as at September 30, 2016 from 576,297 subscribers as at September 30, 2015.

Smart Bro offers internet access through *Smart Bro Pocket WiFi*, a portable wireless router which can be shared by up to 10 users/gadgets at a time. It provides connectivity at varying speeds supported by Smart's network utilizing HSPA, 4G HSPA+ or LTE-technology. *Smart Bro Pocket WiFi* is available in both postpaid and prepaid variants.

Smart Bro continues to grow wireless broadband revenues through various prepaid and postpaid offers. Throughout the third quarter of 2016, *Smart Bro* bannered various packages both for new and existing subscribers. The *BRO-kada*, comprised of today's favorite millennial celebrities, went around the country to make data more accessible to its target market, offering the *Prepaid Pocket WiFi* at Php888 and the iPad Mini 2 at Plan 599. Furthermore, it has partnered with PLDT to offer the *Pocket WiFi* even to far-flung areas that can be served with the wireless broadband access that *Smart Bro* can provide. The brand closed the quarter strong with *Smart Bro's* free *Pocket WiFi* for all postpaid plans, loaded with more data and faster speed. These all-new Postpaid Plans were made available to *Smart Bro's* existing postpaid subscribers first. All these programs brought in more subscribers into the brand, driving growth in activations and creating buzz for the brand.

Smart Broadband also offers *PLDT HOME Bro*, a fixed wireless broadband service being offered under PLDT's *HOME* brand. *PLDT HOME Bro* is powered by Smart's wireless broadband base stations which allow subscribers to connect to the internet using indoor or outdoor customer premises equipment through various wireless technologies. *ULTERA*, our fixed wireless broadband offering designed for the home, utilizes the TD-LTE technology.

DMPI's *Sun Broadband* is an affordable high-speed wireless broadband service utilizing advanced 3.5G HSPA and LTE technology offering various plans and packages to internet users. *Sun Broadband* continues to grow the value broadband segment with its Non-Stop Surf Plans and Loads.

Others

Revenues from our other services decreased by Php247 million, or 34%, to Php486 million in the first nine months of 2016 from Php733 million in the same period 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 Php46.95 for the nine months ended September 30, 2016 from Php45.07 for the nine months ended September 30, 2015 on our U.S. dollar and U.S. dollar-linked other service revenues.

Digital Platforms and Mobile Financial Services

Revenues from digital platforms and mobile financial services, as reported by Voyager, decreased by Php437 million, or 51%, to Php424 million in the first nine months of 2016 from Php861 million in the same period in 2015 resulting from the deconsolidation of ePay, the holding company of PayMaya, for the period February to July 2016, with total service revenues of Php503 million during the said period. ePay was reconsolidated to Smart in August 2016 and posted revenues of Php247 million for the months of January, August and September 2016. Had we included PayMaya revenues for the period February to July 2016, revenues would have been Php927 million in the first nine months of 2016, an increase of 8%, from Php861 million in the same period in 2015.

Non-Service Revenues

Our wireless non-service revenues consist of sales of cellular handsets, cellular SIM-packs and broadband data modems, tablets and accessories. Our wireless non-service revenues increased by Php50 million, or 1%, to Php3,571 million in the first nine months of 2016 from Php3,521 million in the same period in 2015, primarily due to higher revenues from cellular prepaid attributed to *Smart Prepaid Android Phone Kits* Php888 and *Php1,288*.

Expenses

Expenses associated with our wireless business amounted to Php69,519 million in the first nine months of 2016, an increase of Php5,631 million, or 9%, from Php63,888 million in the same period in 2015. A significant portion of the increase was attributable to higher expenses related to asset impairment, cost of sales, depreciation and amortization, taxes and licenses, and professional and other contracted services, partially offset by lower selling and promotions, rent, compensation and employee benefits, interconnection costs, repairs and maintenance, insurance and security services, communications, training and travel, and other operating expenses. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 86% and 74% in the first nine months of 2016 and 2015, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the nine months ended September 30, 2016 and 2015 and the percentage of each expense item in relation to the total:

	2016	%	2015	%	Increase (Decrease)	
					Amount	%
	(in millions)					
Depreciation and amortization	Php12,450	18	Php11,524	18	Php926	8
Cost of sales	11,998	17	9,882	15	2,116	21
Rent	7,280	11	8,029	13	(749)	(9)
Asset impairment	6,519	9	1,759	3	4,760	271
Repairs and maintenance	6,295	9	6,549	10	(254)	(4)
Interconnection costs	6,022	9	6,300	10	(278)	(4)
Compensation and employee benefits	5,185	8	5,513	9	(328)	(6)
Selling and promotions	4,839	7	5,880	9	(1,041)	(18)
Professional and other contracted services	4,183	6	4,069	6	114	3
Taxes and licenses	2,152	3	1,629	3	523	32
Insurance and security services	850	1	889	1	(39)	(4)
Amortization of intangible assets	821	1	805	1	16	2
Communication, training and travel	677	1	707	1	(30)	(4)
Other expenses	248	-	353	1	(105)	(30)
Total	Php69,519	100	Php63,888	100	Php5,631	9

Depreciation and amortization charges increased by Php926 million, or 8%, to Php12,450 million primarily due to higher depreciable asset base.

Cost of sales increased by Php2,116 million, or 21%, to Php11,998 million primarily due to higher average costs and increased smartphone and data-capable device issuances for Smart Postpaid subscribers, and increased availments for *Smart Prepaid Android Phone Kits Php888* and *Php1,288*.

Rent expenses decreased by Php749 million, or 9%, to Php7,280 million primarily due to lower domestic fiber optic network rental charges.

Asset impairment increased by Php4,760 million to Php6,519 million primarily due to higher provisions for doubtful accounts and inventory obsolescence.

Repairs and maintenance expenses decreased by Php254 million, or 4%, to Php6,295 million mainly due to lower site and office electricity costs, lower maintenance costs on domestic cable and wire facilities, customer premises and telecoms equipment, partially offset by higher maintenance costs on site facilities and IT software as a result of our network expansion.

Interconnection costs decreased by Php278 million, or 4%, to Php6,022 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.

Compensation and employee benefits decreased by Php328 million, or 6%, to Php5,185 million primarily due to lower salaries and employee benefits, and provision for pension benefits, partly offset by higher MRP costs. Employee headcount decreased to 7,346 as at September 30, 2016 as compared with 7,610 as at September 30, 2015.

Selling and promotion expenses decreased by Php1,041 million, or 18%, to Php4,839 million primarily due to lower advertising and promotions, and public relations expenses, partially offset by higher commission expenses.

Professional and other contracted service fees increased by Php114 million, or 3%, to Php4,183 million primarily due to increase in managed services, facility usage costs and contracted services, partly offset by lower call center and consultancy fees.

Taxes and licenses increased by Php523 million, or 32%, to Php2,152 million due to higher real property taxes and other business-related taxes in the first nine months of 2016.

Insurance and security services decreased by Php39 million, or 4%, to Php850 million primarily due to lower site security expenses, partially offset by higher office security expenses.

Amortization of intangible assets increased by Php16 million, or 2%, to Php821 million primarily due to higher license fees.

Communication, training and travel expenses decreased by Php30 million, or 4%, to Php677 million primarily due to lower fuel costs for vehicles as a result of lower average fuel cost per liter and lower communication expenses, partially offset by higher travel expenses.

Other expenses decreased by Php105 million, or 30%, to Php248 million primarily due to lower various business and operational-related expenses.

Other Income (Expenses)

The following table summarizes the breakdown of our total wireless-related other income (expenses) for the nine months ended September 30, 2016 and 2015:

	2016	2015	Change	
			Amount	%
	(in millions)			
Other Income (Expenses):				
Financing costs – net	(Php1,838)	(Php1,308)	(Php530)	41
Foreign exchange losses – net	(892)	(1,292)	400	(31)
Equity share in net losses of associates	(206)	(47)	(159)	338
Gain on derivative financial instruments – net	275	14	261	1,864
Interest income	196	239	(43)	(18)
Other income – net	847	602	245	41
Total	(Php1,618)	(Php1,792)	Php174	(10)

Our wireless business' other expenses amounted to Php1,618 million in the first nine months of 2016, a decrease of Php174 million, or 10%, from Php1,792 million in the same period in 2015, primarily due to the combined effects of the following: (i) lower foreign exchange losses by Php400 million on account of the revaluation of net foreign currency-denominated liabilities due to the lower depreciation of the Philippine peso relative to the U.S. dollar in the first nine months of 2016 as against the same period in 2015; (ii) higher gains on derivative financial instruments by Php261 million on account of mark-to-market gains on forward purchase contracts due to the depreciation of the Philippine peso relative to the U.S. dollar; (iii) an increase in other income – net by Php245 million mainly due to higher income from consultancy services; (iv) lower interest income by Php43 million mainly due to lower weighted average interest rate and the decrease in principal amount of temporary cash investments; (v) higher equity share in net losses of associates by Php159 million due to equity share in net losses of PHIH and ECommerce Pay in the first nine months of 2016, and higher share in net losses of AFPI; and (vi) higher net financing costs by Php530 million due to higher outstanding loan balance, higher weighted average interest rate, higher financing charges and the depreciation of the Philippine peso relative to the U.S. dollar in the first nine months of 2016, partly offset by higher capitalized interest.

Provision for Income Tax

Provision for income tax decreased by Php1,767 million, or 34%, to Php3,486 million in the first nine months of 2016 from Php5,253 million in the same period in 2015 primarily due to lower taxable income. The effective tax rates for our wireless business were 37% and 25% in the first nine months of 2016 and 2015, respectively.

Net Income

As a result of the foregoing, our wireless business' net income decreased by Php9,888 million, or 62%, to Php5,934 million in the first nine months of 2016 from Php15,822 million in the same period in 2015.

EBITDA

Our wireless business' EBITDA decreased by Php10,887 million, or 31%, to Php24,309 million in the first nine months of 2016 from Php35,196 million in the same period in 2015.

Core Income

Our wireless business' core income decreased by Php10,533 million, or 63%, to Php6,302 million in the first nine months of 2016 from Php16,835 million in the same period in 2015 on account of higher operating expenses and lower revenues, partially offset by lower provision for income tax and lower other expenses.

Fixed Line

Revenues

Revenues generated from our fixed line business amounted to Php54,071 million in the first nine months of 2016, an increase of Php3,149 million, or 6%, from Php50,922 million in the same period in 2015.



The following table summarizes our total revenues from our fixed line business for the nine months ended September 30, 2016 and 2015 by service segment:

	2016	%	2015	%	Increase (Decrease)	
					Amount	%
(in millions)						
Service Revenues:						
Data and other network	Php27,783	52	Php24,872	49	Php2,911	12
Local exchange	13,268	25	12,750	25	518	4
International long distance	6,043	11	6,823	13	(780)	(11)
National long distance	2,872	5	3,028	6	(156)	(5)
Miscellaneous	1,221	2	1,098	2	123	11
	51,187	95	48,571	95	2,616	5
Non-Service Revenues:						
Sale of computers, phone units and SIM cards, and point-product sales	2,884	5	2,351	5	533	23
Total Fixed Line Revenues	Php54,071	100	Php50,922	100	Php3,149	6

Service Revenues

Our fixed line business provides data and other network services, local exchange service, national and international long distance services, and miscellaneous services. Our fixed line service revenues increased by Php2,616 million, or 5%, to Php51,187 million in the first nine months of 2016 from Php48,571 million in the same period in 2015 due to higher revenues from our data and other network, local exchange and miscellaneous services, partially offset by lower national and international long distance service revenues.

Data and Other Network Services

The following table shows information of our data and other network service revenues for the nine months ended September 30, 2016 and 2015:

	2016	2015	Increase (Decrease)	
			Amount	%
Data and other network service revenues (in millions)	Php27,783	Php24,872	Php2,911	12
Domestic	19,129	17,492	1,637	9
<i>Broadband</i>	13,905	11,887	2,018	17
<i>Leased Lines and Others</i>	5,224	5,605	(381)	(7)
International	6,496	5,482	1,014	18
<i>Leased Lines and Others</i>				
Data Center and ICT	2,158	1,898	260	14
Subscriber base				
<i>Broadband</i>	1,407,122	1,224,735	182,387	15

Our data and other network services posted revenues of Php27,783 million in the first nine months of 2016, an increase of Php2,911 million, or 12%, from Php24,872 million in the same period in 2015, primarily due to higher domestic data revenues from DSL, *Fibr*, Metro Ethernet and *Shops.Work*, international data revenues primarily from i-Gate, leased lines, and data center and ICT revenues, partly offset by lower Diginet revenues. The percentage contribution of this service segment to our fixed line service revenues was 54% and 51% in the first nine months of 2016 and 2015, respectively.

Domestic

Domestic data services contributed Php19,129 million in the first nine months of 2016, an increase of Php1,637 million, or 9%, as compared with Php17,492 million in the same period in 2015 mainly 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 Internet Protocol-Virtual Private Network, or IP-VPN, Metro Ethernet and *Shops.Work*. The percentage contribution of domestic data service revenues to total data and other network services were 69% and 70% in the first nine months of 2016 and 2015, respectively.

Broadband

Broadband data services include DSL broadband internet service, which is intended for individual internet users, small and medium enterprises, and large corporations with multiple branches, and *Fibr*, our most advanced broadband internet connection. Broadband data revenues amounted to Php13,905 million in the first nine months of 2016, an increase of Php2,018 million, or 17%, from Php11,887 million in the same period in 2015 as a result of the increase in the number of subscribers by 182,387, or 15%, to 1,407,122 subscribers as at September 30, 2016 from 1,224,735 subscribers as at September 30, 2015. Broadband revenues accounted for 50% and 48% of total data and other network service revenues in the first nine months of 2016 and 2015, respectively.

Leased Lines and Others

Leased lines and other data services include: (1) Diginet, our domestic private leased line service providing Smart's fiber optic and leased line data requirements; (2) IP-VPN, a managed corporate IP network that offers a secure means to access corporate network resources; (3) Metro Ethernet, our high-speed wide area networking services that enable mission-critical data transfers; and (4) *Shops.Work*, our connectivity solution for retailers and franchisers that links company branches to their head office. Leased lines and other data service revenues contributed Php5,224 million in the first nine months of 2016, a decrease of Php381 million, or 7%, from Php5,605 million in the same period in 2015 primarily due to lower Diginet revenues, partly offset by higher revenues from Metro Ethernet, IP-VPN and *Shops.Work*. The percentage contribution of leased lines and other data service revenues to the total data and other network services were 19% and 22% in the first nine months of 2016 and 2015, respectively.

International

Leased Lines and Others

International leased lines and other data services consist mainly of: (1) i-Gate, our premium dedicated internet access service that provides high speed, reliable and managed connectivity to the global internet, and is intended for enterprises and VAS providers; (2) Fibernet, which provides cost-effective and reliable bilateral point-to-point private networking connectivity, through the use of our extensive international alliances to offshore and outsourcing, banking and finance, and semiconductor industries; and (3) other international managed data services in partnership with other global service providers, which provide data networking services to multinational companies. International data service revenues increased by Php1,014 million, or 18%, to Php6,496 million in the first nine months of 2016 from Php5,482 million in the same period in 2015, primarily due to higher Fibernet and i-Gate revenues, and IP-VPN local access services, an increase in revenues from various global service providers and the favorable effect of a higher weighted average exchange rate of the Philippine peso relative to the U.S. dollar. The percentage contribution of international data service revenues to total data and other network service revenues were 23% and 22% in the first nine months of 2016 and 2015, respectively.

Data Center and ICT

Data centers provide colocation and related connectivity, disaster recovery, server hosting, cloud, big data and other data center services. As at September 30, 2016, ePLDT Group had a total of 6,787 rack capacity in seven locations covering Metro Manila, Subic and Cebu. On July 28, 2016, PLDT, through ePLDT, inaugurated VITRO Makati, the country's biggest data center with 3,600 racks at full capacity, and located in one of the country's premiere business districts. It is equipped with highly-resilient systems and facilities to guarantee continuous operations, ensuring that businesses can utilize robust and scalable digital infrastructure, as well as world-class 24/7 technical support capabilities. Data center revenues increased by Php260 million, or 14%, to Php2,158 million in the first nine months of 2016 from Php1,898 million in the same period in 2015 mainly due to higher revenues from colocation, cloud, big data and managed IT services. Cloud services include cloud contact center, cloud Infrastructure as a Service, cloud Software as a Service, managed security services and cloud professional services and accounted for 22% of data center revenues in each of the first nine months of 2016 and 2015. The percentage contribution of this service segment to our total data and other network service revenues was 8% in each of the first nine months of 2016 and 2015.



Local Exchange Service

The following table summarizes the key measures of our local exchange service business as at and for the nine months ended September 30, 2016 and 2015:

	2016	2015	Increase (Decrease)	
			Amount	%
Total local exchange service revenues (in millions)	Php13,268	Php12,750	Php518	4
Number of fixed line subscribers	2,404,893	2,285,952	118,941	5
Postpaid	2,370,809	2,245,748	125,061	6
Prepaid	34,084	40,204	(6,120)	(15)
Number of fixed line LEC employees	7,152	6,966	186	3
Number of fixed line subscribers per employee	336	328	8	2

Revenues from our local exchange service increased by Php518 million, or 4%, to Php13,268 million in the first nine months of 2016 from Php12,750 million in the same period in 2015, primarily due to an increase in subscribers. The percentage contribution of local exchange revenues to our total fixed line service revenues was 26% in each of the nine months ended September 30, 2016 and 2015.

International Long Distance Service

The following table shows our international long distance service revenues and call volumes for the nine months ended September 30, 2016 and 2015:

	2016	2015	Decrease	
			Amount	%
Total international long distance service revenues (in millions)	Php6,043	Php6,823	(Php780)	(11)
Inbound	5,325	6,021	(696)	(12)
Outbound	718	802	(84)	(10)
International call volumes (in million minutes, except call ratio)	1,011	1,195	(184)	(15)
Inbound	873	1,017	(144)	(14)
Outbound	138	178	(40)	(22)
Inbound-outbound call ratio	6.3:1	5.7:1	-	-

Our total international long distance service revenues decreased by Php780 million, or 11%, to Php6,043 million in the first nine months of 2016 from Php6,823 million in the same period in 2015, primarily due to lower call volumes for both inbound and outbound traffic as a result of the popularity of OTT service providers (e.g. *Facebook, Skype, Viber, WhatsApp*, etc.) over traditional long distance services, partially offset by the favorable effect of a higher weighted average exchange rate of the Philippine peso relative to the U.S. dollar to Php46.95 for the period ended September 30, 2016 from Php45.07 for the period ended September 30, 2015 and the net increase in average billing rates in dollar terms. The percentage contribution of international long distance service revenues to our total fixed line service revenues accounted for 12% and 14% in the first nine months of 2016 and 2015, respectively. Correspondingly, our total international long distance service revenues, net of interconnection costs, decreased by Php340 million, or 13%, to Php2,281 million in the first nine months of 2016 from Php2,621 million in the same period in 2015.

National Long Distance Service

The following table shows our national long distance service revenues and call volumes for the nine months ended September 30, 2016 and 2015:

	2016	2015	Decrease	
			Amount	%
Total national long distance service revenues (in millions)	Php2,872	Php3,028	(Php156)	(5)
National long distance call volumes (in million minutes)	554	577	(23)	(4)

Our national long distance service revenues decreased by Php156 million, or 5%, to Php2,872 million in the first nine months of 2016 from Php3,028 million in the same period in 2015, primarily due to a decrease in call volumes. The percentage contribution of national long distance revenues to our fixed line service revenues was 6% in each of the first nine months of 2016 and 2015. Our national long distance service

revenues, net of interconnection costs, decreased by Php76 million, or 3%, to Php2,296 million in the first nine months of 2016 from Php2,372 million in the same period in 2015.

Miscellaneous Services

Miscellaneous service revenues are derived mostly from rental, outsourcing and facilities management fees, and directory advertising. These service revenues increased by Php123 million, or 11%, to Php1,221 million in the first nine months of 2016 from Php1,098 million in the same period in 2015 mainly 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 were 2% and 3% in the first nine months of 2016 and 2015, respectively.

Non-service Revenues

Non-service revenues increased by Php533 million, or 23%, to Php2,884 million in the first nine months of 2016 from Php2,351 million in the same period in 2015, primarily due to higher sale of *PLP* units and *FabTAB* for *myDSL* retention, managed ICT equipment and Home IP Cameras, partially offset by lower sale of *UNO* equipment and several managed PABX.

Expenses

Expenses related to our fixed line business totaled Php43,912 million in the first nine months of 2016, an increase of Php1,255 million, or 3%, as compared with Php42,657 million in the same period in 2015. The increase was primarily due to higher expenses related to professional and other contracted services, rent, depreciation and amortization, cost of sales, repairs and maintenance, selling and promotions, asset impairment, communication, training and travel, and other operating expenses, partly offset by lower expenses related to compensation and employee benefits, interconnection costs, taxes and licenses, and insurance and security services. As a percentage of our total fixed line revenues, expenses associated with our fixed line business accounted for 81% and 84% in the first nine months of 2016 and 2015, respectively.

The following table shows the breakdown of our total fixed line-related expenses for the nine months ended September 30, 2016 and 2015 and the percentage of each expense item to the total:

	2016	%	2015	%	Increase (Decrease)	
					Amount	%
(in millions)						
Depreciation and amortization	Php10,153	23	Php9,663	23	Php490	5
Compensation and employee benefits	9,905	23	10,877	25	(972)	(9)
Repairs and maintenance	5,516	13	5,149	12	367	7
Interconnection costs	4,381	10	4,921	12	(540)	(11)
Professional and other contracted services	4,170	9	3,330	8	840	25
Rent	2,497	6	1,885	4	612	32
Cost of sales	2,282	5	1,831	4	451	25
Selling and promotions	1,615	4	1,500	4	115	8
Asset impairment	1,014	2	903	2	111	12
Taxes and licenses	880	2	1,170	3	(290)	(25)
Insurance and security services	521	1	541	1	(20)	(4)
Communication, training and travel	451	1	405	1	46	11
Other expenses	527	1	482	1	45	9
Total	Php43,912	100	Php42,657	100	Php1,255	3

Depreciation and amortization charges increased by Php490 million, or 5% to Php10,153 million due to a higher depreciable asset base.

Compensation and employee benefits expenses decreased by Php972 million, or 9%, to Php9,905 million primarily due to lower MRP costs by Php1,349 million, or 95%, to Php78 million in the first nine months of 2016, and lower provision for pension benefits, partially offset by higher salaries and employee benefits. Employee headcount increased to 10,462 as at September 30, 2016 as compared with 9,523 as at September 30, 2015.

Repairs and maintenance expenses increased by Php367 million, or 7%, to Php5,516 million primarily due to higher repairs and maintenance costs on cable and wire facilities, and higher maintenance costs on IT

hardware and software, and buildings, partially offset by lower office and site electricity charges.

Interconnection costs decreased by Php540 million, or 11%, to Php4,381 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 and other network interconnection/settlement costs, particularly Fibernet and Infonet.

Professional and other contracted service expenses increased by Php840 million, or 25%, to Php4,170 million primarily due to higher consultancy, contracted service, and technical service fees, partially offset by lower bill printing, collection agency and legal fees.

Rent expenses increased by Php612 million, or 32%, to Php2,497 million primarily due to higher international leased circuit, office building and pole rental charges.

Cost of sales increased by Php451 million, or 25%, to Php2,282 million primarily due to higher sale of *PLP* units, *FabTAB* for *myDSL* retention, and several managed ICT equipment.

Selling and promotion expenses increased by Php115 million, or 8%, to Php1,615 million primarily due to higher cost of events, and advertising and promotions expenses, partly offset by lower expenses on commissions and public relations.

Asset impairment increased by Php111 million, or 12%, to Php1,014 million mainly due to higher provision for doubtful accounts and inventory obsolescence.

Taxes and licenses decreased by Php290 million, or 25%, to Php880 million as a result of lower tax settlement and other business-related taxes.

Insurance and security services decreased by Php20 million, or 4%, to Php521 million primarily due to lower insurance and bond premiums, office security services and life insurance premiums.

Communication, training and travel expenses increased by Php46 million, or 11%, to Php451 million mainly due to higher training and travel, and communication charges.

Other expenses increased by Php45 million, or 9%, to Php527 million primarily due to higher various business and operational-related expenses.

Other Income (Expenses)

The following table summarizes the breakdown of our total fixed line-related other income (expenses) for the nine months ended September 30, 2016 and 2015:

	2016	2015	Change	
			Amount	%
			(in millions)	
Other Income (Expenses):				
Financing costs – net	(Php3,629)	(Php3,279)	(Php350)	11
Equity share in net losses of associates	(48)	(131)	83	(63)
Foreign exchange losses – net	(236)	(772)	536	(69)
Gains on derivative financial instruments – net	236	433	(197)	(45)
Interest income	534	448	86	19
Other income – net	2,282	1,367	915	67
Total	(Php861)	(Php1,934)	Php1,073	(55)

Our fixed line business' other expenses amounted to Php861 million in the first nine months of 2016, a decrease of Php1,073 million, or 55% from Php1,934 million in the same period in 2015 mainly due to the combined effects of the following: (i) an increase in other income – net by Php915 million due to gain on sale of property, fixed assets and materials, and higher gain on rental income; (ii) lower foreign exchange losses by Php536 million on account of revaluation of net foreign currency-denominated liabilities due to the lower depreciation of the Philippine peso relative to the U.S. dollar to Php48.48 as at September 30, 2016 from Php47.12 as at December 31, 2015 as against the depreciation of the Philippine peso relative to the U.S. dollar to Php46.83 as at September 30, 2015 from Php44.74 as at December 31, 2014; (iii) an increase in interest income by Php86 million due to higher weighted average interest rate and the depreciation of the Philippine

peso relative to the U.S. dollar in the first nine months of 2016, partly offset by the decrease in principal amount of temporary cash investments; (iv) lower equity share in net losses of associates by Php83 million mainly due to the lower share in net losses of Cignal TV and higher share in net earnings of Hastings; (v) lower gain on derivative financial instruments by Php197 million due to narrower dollar and peso interest rate differentials and the lower depreciation of the Philippine peso relative to the U.S. dollar in the first nine months of 2016; (vi) higher financing costs by Php350 million mainly due to higher outstanding loan balance, higher weighted average interest rate and the depreciation of the Philippine peso relative to the U.S. dollar in the first nine months of 2016, partially offset by lower financing charges and higher capitalized interest.

Provision for Income Tax

Provision for income tax amounted to Php2,681 million in the first nine months of 2016, an increase of Php716 million, or 36%, from Php1,965 million in the same period in 2015 primarily due to higher taxable income. The effective tax rates for our fixed line business was 31% in each of the first nine months of 2016 and 2015.

Net Income

As a result of the foregoing, our fixed line business registered a net income of Php6,617 million in the first nine months of 2016, an increase of Php2,251 million, or 52%, as compared with Php4,366 million in the same period in 2015.

EBITDA

Our fixed line business' EBITDA increased by Php2,384 million, or 13%, to Php20,312 million in the first nine months of 2016 from Php17,928 million in the same period in 2015. EBITDA margin increased to 40% in the first nine months of 2016 from 37% in the same period in 2015.

Core Income

Our fixed line business' core income increased by Php1,771 million, or 39%, to Php6,353 million in the first nine months of 2016 from Php4,582 million in the same period in 2015, primarily as a result of higher revenues and lower other expenses, partially offset by higher operating expenses and provision for income tax.

Others

Expenses

Expenses related to our other business totaled Php5,406 million in the first nine months of 2016, an increase of Php5,354 million as compared with Php52 million in the same period in 2015 primarily due to the recognition of the impairment loss on our investment in Rocket Internet SE (formerly Rocket Internet AG), or Rocket, resulting from the decline in Rocket's share price to €17.47 with a fair value of Php9,206 million as at June 30, 2016 as compared with €28.24 with a fair value of Php14,587 million as at December 31, 2015. As at September 30, 2016, Rocket's share price improved to €19.13 with a fair value of Php10,515 million.

Other Income

The following table summarizes the breakdown of other income – net for other business segment for the nine months ended September 30, 2016 and 2015:

	2016	2015	Change	
			Amount	%
			(in millions)	
Other Income (Expenses):				
Equity share in net earnings of associates and joint ventures	Php1,731	Php2,846	(Php1,115)	(39)
Interest income	189	72	117	163
Financing costs – net	(139)	(132)	(7)	5
Foreign exchange losses – net	(306)	(459)	153	(33)
Other income – net	7,373	3,012	4,361	145
Total	Php8,848	Php5,339	Php3,509	66

Other income increased by Php3,509 million, or 66%, to Php8,848 million in the first nine months of 2016 from Php5,339 million in the same period in 2015 primarily due to the combined effects of the following:

(i) higher other income – net by Php4,361 million 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; (ii) lower foreign exchange losses by Php153 million; (iii) an increase in interest income by Php117 million; (iv) an increase in financing costs by Php7 million; and (v) lower equity share in net earnings of associates by Php1,115 million mainly from Beacon and equity share net losses of VTI in the first nine months of 2016, partly offset by higher equity share in net earnings of Beta.

Net Income

As a result of the foregoing, our other business segment registered a net income of Php3,349 million in the first nine months of 2016, a decrease of Php1,818 million, or 35%, from Php5,167 million in the same period in 2015.

Core Income

Our other business segment's core income amounted to Php9,081 million in the first nine months of 2016, an increase of Php3,421 million, or 60%, as compared with Php5,660 million in the same period in 2015 mainly as a result of higher other income and lower cash operating expenses.

Liquidity and Capital Resources

The following table shows our consolidated cash flows for the nine months ended September 30, 2016 and 2015, as well as our consolidated capitalization and other consolidated selected financial data as at September 30, 2016 and December 31, 2015:

	For the nine months ended September 30,	
	2016	2015
	(in millions) (Unaudited)	
Cash Flows		
Net cash flows provided by operating activities	Php33,277	Php47,796
Net cash flows used in investing activities	(17,673)	(18,451)
<i>Capital expenditures</i>	26,131	23,297
Net cash flows used in financing activities	(35,947)	(22,596)
Net increase (decrease) in cash and cash equivalents	(20,060)	7,243
	September 30,	December 31,
	2016	2015
	(in millions)	
	(Unaudited)	(Audited)
Capitalization		
Long-term portion of interest-bearing financial liabilities – net of current portion:		
Long-term debt	Php128,120	Php143,982
Obligations under finance lease	1	–
	128,121	143,982
Current portion of interest-bearing financial liabilities:		
Long-term debt maturing within one year	32,761	16,910
Obligations under finance lease maturing within one year	–	1
	32,761	16,911
Total interest-bearing financial liabilities	160,882	160,893
Total equity attributable to equity holders of PLDT	104,531	113,608
	Php265,413	Php274,501
Other Selected Financial Data		
Total assets	Php452,943	Php455,095
Property and equipment	198,495	195,782
Cash and cash equivalents	26,395	46,455
Short-term investments	1,670	1,429

Our consolidated cash and cash equivalents and short-term investments totaled Php28,065 million as at September 30, 2016. Principal sources of consolidated cash and cash equivalents in the first nine months of 2016 were cash flows from operating activities amounting to Php33,277 million, proceeds from disposal of investment in associates and joint ventures amounting to Php17,000 million, proceeds from availment of long-term debt of Php14,869 million, dividends received of Php4,409 million, proceeds from disposal of property and equipment of Php1,357 million and interest received of Php748 million. These funds were used principally for: (1) capital expenditures, including capitalized interest, of Php26,131 million; (2) cash dividend payments of Php22,899 million; (3) debt principal and interest payments of Php16,549 million and Php5,184 million, respectively; (4) payment for purchase of investment in joint ventures and associates by Php13,451 million; (5) reductions to capital expenditures under long-term financing of Php5,397 million; and (6) payment for purchase of available-for-sale investments of Php1,000 million; and (7) settlement of derivative financial

instruments of Php676 million.

Our consolidated cash and cash equivalents and short-term investments totaled Php35,063 million as at September 30, 2015. Principal sources of consolidated cash and cash equivalents for the nine months ended September 30, 2015 were cash flows from operating activities amounting to Php47,796 million, proceeds from availment of long-term debt of Php30,867 million, dividends received of Php5,544 million, interest received of Php712 million and net proceeds from redemption of investments in debt securities of Php58 million. These funds were used principally for: (1) dividend payments of Php32,649 million; (2) capital outlays, including capitalized interest, of Php23,297 million; (3) debt principal and interest payments of Php13,550 million and Php4,223 million, respectively; (4) reductions to capital expenditures under long-term financing of Php2,208 million; (5) payment for purchase of investment in joint ventures and associates of Php955 million; (6) settlement of derivative financial instruments of Php535 million; and (7) net payment for purchase of short-term investments of Php465 million.

Operating Activities

Our consolidated net cash flows provided by operating activities decreased by Php14,519 million, or 30%, to Php33,277 million in the first nine months of 2016 from Php47,796 million in the same period in 2015, primarily due to higher level of settlement of accounts payable and other liabilities, lower collection efficiency, lower operating income and higher prepayments, partially offset by lower pension contribution and lower corporate taxes paid.

Cash flows provided by operating activities of our wireless business decreased by Php20,107 million, or 59%, to Php13,760 million in the first nine months of 2016 from Php33,867 million in the same period in 2015 primarily due to lower operating income, lower collection efficiency, higher level of settlement of accounts payable and other liabilities, and higher prepayments, partially offset by lower pension contribution and lower corporate taxes paid. Cash flows provided by operating activities of our fixed line business increased by Php6,338 million, or 44%, to Php20,745 million in the first nine months of 2016 from Php14,407 million in the same period in 2015, primarily due to higher operating income, lower level of settlement of accounts payable and other liabilities, and lower pension contribution, partly offset by lower collection efficiency. Cash flows used in operating activities of our other business amounted to Php858 million in the first nine months of 2016 from Php86 million in the same period in 2015 due to operating loss in the first nine months of 2016 and higher level of settlement of other liabilities, partially offset by higher collection efficiency.

Investing Activities

Consolidated net cash flows used in investing activities amounted to Php17,673 million in the first nine months of 2016, a decrease of Php778 million, or 4%, from Php18,451 million in the same period in 2015, primarily due to the combined effects of the following: (1) proceeds from disposal of PCEV's investment in Beacon by Php17,000 million; (2) higher proceeds from disposal of property and equipment by Php1,117 million; (3) lower net payment for purchase of short-term investments by Php318 million; (4) higher net payment for purchase of available-for-sale investments by Php998 million; (5) lower dividends received by Php1,135 million; (6) higher capital expenditures by Php2,834 million; and (7) higher payment for purchase of investment in joint ventures and associates by Php12,496 million specifically for the purchase of San Miguel Corporation, or SMC's, telecommunications business.

Our consolidated capital expenditures, including capitalized interest, in the first nine months of 2016 totaled Php26,131 million, an increase of Php2,834 million, or 12%, as compared with Php23,297 million in the same period in 2015, primarily due to Smart Group's and PLDT's higher capital spending. Smart Group's capital spending, increased by Php1,496 million, or 9%, to Php19,026 million in the first nine months of 2016 from Php17,530 million in the same period in 2015, primarily focused on expanding 3G, 4G and LTE coverage and reach, as well as capacity and service enhancements. PLDT's capital spending increased by Php565 million, or 11%, to Php5,619 million in the first nine months of 2016 from Php5,054 million in the same period in 2015. The capex spending was used to finance the continuous facility roll-out and expansion of our domestic fiber optic network, cable fortification and resiliency in various locations and acquisition of new platforms to complement introduction of new products and services, as well as the *Fibr* roll-out to several areas and expansion of our data center business. The balance represented other subsidiaries' capital spending.

As part of our growth strategy, we may continue to make acquisitions and investments in companies or businesses whenever we deem such acquisitions and investments will contribute to our growth.

Financing Activities

On a consolidated basis, cash flows used in financing activities amounted to Php35,947 million in the first nine months of 2016, an increase of Php13,351 million, or 59%, from Php22,596 million in the same period in 2015, resulting largely from the combined effects of the following: (1) lower proceeds from availment of long-term debt by Php15,998 million; (2) higher settlement of capital expenditures under long-term financing by Php3,189 million; (3) higher payments of long-term debt by Php2,999 million; (4) higher interest payments by Php961 million; (5) higher settlement of derivative financial instruments of Php141 million; and (6) lower cash dividends paid by Php9,750 million.

Debt Financing

Proceeds from availment of long-term debt for the nine months ended September 30, 2016 amounted to Php14,869 million, mainly from PLDT's and Smart's drawings related to the financing of our capital expenditure requirements and refinancing maturing loan obligations. Payments of principal and interest on our total debt amounted to Php16,549 million and Php5,184 million, respectively, for the nine months ended September 30, 2016.

Our consolidated long-term debt decreased by Php11 million to Php160,881 million as at September 30, 2016 from Php160,892 million as at December 31, 2015 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 September 30, 2016, the long-term debt levels of Smart increased by 7% to Php66,193 million and PLDT's long-term debt level increased to Php94,240 million, while DMPI's decreased by 91% to Php448 million, as compared with December 31, 2015.

On March 22, 2016, PLDT signed a US\$25 million term loan facility agreement with NTT Finance Corporation, to finance capital expenditures and/or refinance existing loan obligations, the proceeds of which were utilized for network expansion and improvement programs. The loan was fully drawn on March 30, 2016. The amount of US\$25 million, or Php1,202 million, net of unamortized debt issuance cost remained outstanding as at September 30, 2016.

On July 1, 2016, PLDT signed a Php6,000 million term loan facility with Metropolitan Bank and Trust Company, or Metrobank, to partially finance capital expenditures and/or refinance its existing loan obligations, the proceeds of which will be utilized for its service improvements and expansion programs. The amount of Php3,000 million was partially drawn on August 30, 2016. The amount of Php2,985 million, net of debt issuance cost remained outstanding as at September 30, 2016. The remaining Php3,000 million was fully drawn on November 10, 2016.

On July 1, 2016, PLDT signed a Php3,000 million term loan facility with Metrobank to partially finance capital expenditures and/or refinance its existing loan obligations, the proceeds of which will be utilized for its service improvements and expansion programs.

On July 14, 2016, PLDT signed a Php8,000 million term loan facility with Security Bank Corporation to partially finance capital expenditures and/or refinance its existing loan obligations, the proceeds of which will be utilized for its service improvements and expansion programs.

On September 20, 2016, PLDT signed a Php6,500 million term loan facility with Bank of the Philippine Islands to partially finance capital expenditures and/or refinance its existing loan obligations, the proceeds of which will be utilized for its service improvements and expansion programs. The amount of Php3,500 million was partially drawn on November 2, 2016.

On September 28, 2016, Smart signed a Php3,000 million term loan facility with Banco De Oro to partially finance capital expenditures and/or refinance its existing loan obligations, the proceeds of which will be utilized for its service improvements and expansion programs. The amount of Php3,000 million was fully

drawn on October 5, 2016.

On September 28, 2016, Smart signed a Php5,400 million term loan facility with Union Bank of the Philippines to partially finance capital expenditures and/or refinance its existing loan obligations, the proceeds of which will be utilized for its service improvements and expansion programs. The amount of Php2,400 million was partially drawn on October 24, 2016.

On October 14, 2016, PLDT signed a Php5,300 million term loan facility agreement with the Bank of the Philippine Islands to finance capital expenditures and/or refinance existing loan obligations, the proceeds of which will be utilized for its service improvements and expansion programs.

On October 27, 2016, Smart signed a Php2,500 million term loan facility agreement with China Banking Corporation to finance its capital expenditures.

On October 28, 2016, Smart signed a Php4,000 million term loan facility agreement with Security Bank Corporation to finance capital expenditures and refinance maturing debt.

Approximately Php87,279 million principal amount of our consolidated outstanding long-term debt as at September 30, 2016 is scheduled to mature over the period from 2016 to 2020. Of this amount, Php49,829 million is attributable to PLDT, Php37,002 million to Smart and Php448 million to DMPI.

For a complete discussion of our long-term debt, see *Note 21 – Interest-bearing Financial Liabilities – Long-term Debt* to the accompanying unaudited consolidated financial statements.

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. Furthermore, certain of DMPI's debt instruments contain provisions wherein DMPI may be declared in default in case of a change in control in DMPI.

As at September 30, 2016 and 2015, we are in compliance with all of our debt covenants.

See *Note 21 – Interest-bearing Financial Liabilities – Debt Covenants* to the accompanying unaudited consolidated financial statements for a detailed discussion of our debt covenants.

Financing Requirements

We believe that our available cash, including cash flow from operations, will provide sufficient liquidity to fund our projected operating and debt service requirements for the next 12 months.

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 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 and 75% of our core earnings for 2015. In view of our current elevated capital expenditures to support build-out of 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 transaction with SMC, we have lowered our regular dividend payout to 60% of core income. In the event no investment opportunities arise, we may consider the option of returning additional cash to our shareholders in the form of special dividends or share buybacks. 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.

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 in the first nine months of 2016 amounted to Php22,899 million as compared with Php32,649 million paid to shareholders in the same period in 2015.

The following table shows the dividends declared to shareholders from the earnings for the nine months ended September 30, 2016 and 2015:

Earnings	Date			Amount	
	Approved	Record	Payable	Per share	Total Declared
(in millions, except per share amount)					
2016					
Common					
Regular Dividend	August 2, 2016	August 16, 2016	September 1, 2016	49.00	10,587
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock ⁽¹⁾	January 26, 2016	February 24, 2016	March 15, 2016	–	12
	May 3, 2016	May 24, 2016	June 15, 2016	–	12
	August 2, 2016	August 18, 2016	September 15, 2016	–	12
10% Cumulative Convertible Preferred Stock	Various	Various	Various	1.00	–
Voting Preferred Stock	February 29, 2016	March 30, 2016	April 15, 2016	–	3
	June 14, 2016	June 30, 2016	July 15, 2016	–	3
	August 30, 2016	September 20, 2016	October 15, 2016	–	2
Charged to Retained Earnings					Php10,631
2015					
Common					
Regular Dividend	August 4, 2015	August 27, 2015	September 25, 2015 ⁽²⁾	65.00	14,044
Preferred					
10% Cumulative Convertible Preferred Stock	May 5, 2015	May 19, 2015	May 30, 2015	1.00	–
Series IV Cumulative Non-convertible Redeemable Preferred Stock ⁽¹⁾	January 27, 2015	February 26, 2015	March 15, 2015	–	12
	May 5, 2015	May 26, 2015	June 15, 2015	–	12
	August 4, 2015	August 20, 2015	September 15, 2015	–	13
Voting Preferred Stock	March 3, 2015	March 19, 2015	April 15, 2015	–	2
	June 9, 2015	June 26, 2015	July 15, 2015	–	3
	August 25, 2015	September 15, 2015	October 15, 2015	–	2
Charged to Retained Earnings					Php14,088

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

⁽²⁾ Payment was moved to September 28, 2015 in view of Proclamation No. 1128, Series of 2015, dated September 15, 2015, declaring September 25, 2015 a regular holiday.

See Note 20 – Equity to the accompanying unaudited consolidated financial statements for further details.

Contractual Obligations and Commercial Commitments

Contractual Obligations

For a discussion of our consolidated contractual undiscounted obligations as at September 30, 2016 and 2015, see *Note 28 – Financial Assets and Liabilities – Liquidity Risks* to the accompanying unaudited consolidated financial statements.

Commercial Commitments

Our outstanding consolidated commercial commitments, in the form of letters of credit, amounted to Php13,376 million and Php46 million as at September 30, 2016 and December 31, 2015, respectively. These commitments will expire within one year. The amount of Php13,376 million as at September 30, 2016 includes standby letters of credit issued in relation with PLDT's acquisition of the telecommunications business of SMC.

Quantitative and Qualitative Disclosures about Market Risks

Our operations are exposed to various risks, including liquidity risk, foreign currency exchange risk, interest rate risk, credit risk and capital management risk. The importance of managing these risks has significantly increased in light of considerable change and continuing volatility in both the Philippine and international financial markets. With a view to managing these risks, we have incorporated financial risk management functions in our organization, particularly in our treasury operations, equity issuances and sale of certain assets.

For further discussions of these risks, see *Note 28 – Financial Assets and Liabilities* to the accompanying unaudited consolidated financial statements.

The following table sets forth the estimated consolidated fair values of our financial assets and liabilities recognized as at September 30, 2016 and June 30, 2016 other than those whose carrying amounts are reasonable approximations of fair values:

	Fair Values	
	September 30, 2016	June 30, 2016
	(Unaudited) (in millions)	
Noncurrent Financial Assets		
Investments in debt securities and other long-term investments – net of current portion	Php751	Php972
Advances and other noncurrent assets – net of current portion	7,855	7,797
Total noncurrent financial assets	8,606	8,769
Noncurrent Financial Liabilities		
Interest-bearing financial liabilities	131,650	132,250
Customers' deposits	1,956	1,936
Deferred credits and other noncurrent liabilities	14,259	14,757
Total noncurrent financial liabilities	Php147,865	Php148,943

The following table sets forth the amount of gains (losses) recognized for the financial assets and liabilities for the nine months ended September 30, 2016 and the six months ended June 30, 2016:

	September 30, 2016	June 30, 2016
		(Unaudited) (in millions)
Profit and Loss		
Interest income	Php743	Php472
Gains (losses) on derivative financial instruments – net	511	(178)
Accretion on financial liabilities	(176)	(127)
Interest on loans and other related items	(5,507)	(3,672)
Other Comprehensive Income		
Net fair value losses on cash flow hedges – net of tax	(281)	(328)
Net gains available-for-sale financial investments – net of tax	1,317	5

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 was 1.6% in each of the nine months ended September 30, 2016 and 2015. Moving forward, we currently expect inflation to remain low.

PART II – OTHER INFORMATION

Arbitration Case between Smart and Harris Caprock Communications, Inc. (U.S.A.), or HCC, and Caprock Communications International Limited (United Kingdom), or CCI, together Claimants

In December 2011, Smart engaged the services of HCC and CCI for the expansion of its SmartLink GSM. Subsequently, the parties executed three agreements: (i) Agreement for Bandwidth and Teleport Services with CCI, a wholly-owned subsidiary of HCC, dated May 21, 2012, or the Bandwidth Agreement; (ii) Agreement for Warehousing and Installation Services with CCI dated August 27, 2012, or the Installation Agreement; and (iii) Agreement for the Sale and Purchase of Equipment with HCC dated September 27, 2012.

HCC failed to deliver the equipment in accordance with the delivery schedule and delivered defective equipment. Claimants also failed to activate Phase 1 of the satellite beams and installed only 13 units of antennas and beams. Thus, Smart issued a Termination Notice dated December 15, 2012 for all the three agreements. In their letter dated December 18, 2012, Claimants requested Smart to keep the contracts alive. Thus, Smart issued its commercial response on December 29, 2012. Claimants requested Smart to withdraw the termination notice; otherwise, they will claim damages, premised on their position that Smart cannot terminate the contracts for convenience. Smart did not withdraw the termination notice. The parties failed to reach an amicable settlement with Claimants claiming US\$35 million in damages, while Smart wanted reimbursement of its deposit.

On October 19, 2016, a Singapore International Arbitration Center – Arbitral Tribunal issued a Final Partial Award adjudging Smart liable to the Claimants in the amount of US\$6.5 million, consisting of equipment delivered to Smart, liability to third parties, performance bond, monthly service fees, loss of profit, installation fees, and interest.

The Arbitral Award does not yet include costs. Based on their submission, Claimants demand payment of approximately US\$1.6 million for costs which include legal fees, professional fees for experts, fees for party witnesses, and other expenses relating to the arbitration. Management is still evaluating available legal options.

Amendments to the By-Laws of PLDT

On August 30, 2016, the Board of Directors, exercising its own power, and the authority duly delegated to it by the stockholders of PLDT to amend the By-Laws, authorized and approved the following amendments: (i) change in the name of the Company from Philippine Long Distance Telephone Company to PLDT Inc. both in the heading and Section 1, Article XV of the By-Laws; and (ii) change in the logo of the Company as stated in Section 1, Article XV of the By-Laws from desk telephone to the current triangle-shaped logo of the corporation. The Certificate of Amendment and Amended By-Laws have been filed with the Philippine SEC on November 8, 2016.

Transfer of DMPI's Sun Postpaid cellular and broadband assets to Smart

On August 1, 2016, the BOD of Smart and DMPI approved the sale/transfer of DMPI's trademark and subscribers including all of DMPI's assets, rights and obligations directly or indirectly connected to its postpaid cellular and broadband operations. The transfer is in line with the group's objective to integrate the wireless business into a simplified business operation that will provide flexibility to offer new bundled/converged products and enhanced customer experience. The effective date of the transfer was November 1, 2016.

Sale of Customer Relationship Management business by Asia Outsourcing Gamma Limited, or AOGL

On July 22, 2016, AOGL entered into a Sale and Purchase Agreement, or SPA, with Relia Inc., one of the largest BPO companies in Japan, relating to the acquisition of AOGL's Customer Relationship Management business under the legal entity, SPi CRM, Inc. and Infocom Technologies, Inc., wholly-owned subsidiaries of SPi Technologies, Inc., for an enterprise value of US\$181 million. The transaction was completed on September 30, 2016. AOGL is a wholly-owned subsidiary of Beta which is, in turn, owned 73.29% by CVC Capital Partners, one of the world's leading private equity and investment advisory firms, and 18.32% by PLDT through its indirect subsidiary, PLDT Global Investments Corporation, or PGIC.

Investments of PLDT in VTI, Bow Arken Holdings Company, or Bow Arken, and Brightshare Holdings, Inc., or Brightshare

On May 30, 2016, the PLDT Board approved the Company's acquisition of 50% equity interest, including outstanding advances, in the telecommunications business of SMC with Globe Telecom Inc., or Globe, acquiring the remaining 50% interest. On the same date, PLDT and Globe executed: (i) a SPA with SMC to acquire the entire outstanding capital, including outstanding advances, in VTI (and the other subsidiaries of VTI), which holds SMC's telecommunications assets through its subsidiaries, or the VTI Transaction; and (ii) separate SPAs with the owners of two other entities, Bow Arken (parent company of New Century Telecoms, Inc.) and Brightshare (parent company of eTelco, Inc.), which separately hold additional spectrum frequencies through their respective subsidiaries, or the Bow Arken Transaction and Brightshare Transaction, respectively.

Total consideration for the acquisition is Php52.8 billion representing the purchase price for the equity interest and advances of previous owners to VTI, Bow Arken and Brightshare. The consideration will be paid in three tranches: 50% was paid upon signing of the SPAs on May 30, 2016, 25% is payable on December 1, 2016 and the final 25% is payable on May 30, 2017, subject to the fulfillment of certain conditions. The second and final payments are secured by irrevocable standby letters of credit. The SPAs contain a price adjustment mechanism wherein an adjustment to the consideration for the acquisition will be agreed among PLDT, Globe and previous owners based on the results of confirmatory due diligence procedures to be jointly performed by PLDT and Globe after May 30, 2016. Discussion on the result of the due diligence procedure is ongoing as at September 30, 2016.

PLDT and Globe caused the relevant subsidiaries of the acquired companies to relinquish certain radio frequencies in the 700MHz, 850MHz, 2500MHz and 3500MHz bands and return these radio frequencies to the government through the National Telecommunications Commission, or NTC. PLDT, Globe and Bell Telecommunications Philippines, Inc., or Belltel, a subsidiary of VTI, also requested for NTC's approval of their co-use of certain frequency bands assigned to Belltel. Both the relinquishment/return of certain frequencies and separate co-use arrangements between Smart and Belltel and Globe and Belltel each covering specific frequencies assigned to Belltel have been approved by the NTC, which has regulatory and supervisory powers over the parties to the transactions and with mandate to ensure a healthy competitive environment in the telecommunications industry.

Notice of Transaction filed with the Philippine Competition Commission, or the Commission

On May 30, 2016, each of PLDT, Globe and SMC submitted notices of VTI, Bow Arken and Brightshare Transactions (respectively, the VTI Notice, the Bow Arken Notice and the Brightshare Notice and collectively, the Notices) to the Commission pursuant to the Philippine Competition Act, or PCA, and Circular No. 16-001 and Circular No. 16-002 issued by the Commission, or the Circulars. As stated in the Circulars, upon receipt by the Commission of the requisite notices, each of the said transactions shall be deemed approved in accordance with the Circulars.

Subsequently, on June 7, 2016, PLDT and the other parties to the said transactions received separate letters dated June 6 and 7, 2016 from the Commission which essentially stated, that: (a) with respect to VTI Transaction, the VTI Notice is deficient and defective in form and substance, therefore, the VTI Transaction is not "deemed approved" by the Commission, and that the missing key terms of the transaction are critical since the Commission considers certain agreements as prohibited and illegal; and (b) with respect to the Bow Arken

and Brightshare Transactions, the compulsory notification under the Circulars does not apply and that even assuming the Circulars apply, the Bow Arken Notice and the Brightshare Notice are deficient and defective in form and substance.

On June 10, 2016, PLDT submitted its response to the Commission's letter articulating its position that the VTI Notice is adequate, complete and sufficient and compliant with the requirement under the Circulars, and does not contain false material information; as such, the VTI Transaction enjoys the benefit of Section 23 of the PCA. Therefore, the VTI Transaction is deemed approved and cannot be subject to retroactive review by the Commission. Moreover, the parties have taken all necessary steps, including the relinquishment/return of certain frequencies and co-use of the remaining frequencies by Smart and Belltel and Globe and Belltel as discussed above, to ensure that the VTI Transaction will not substantially prevent, restrict or lessen competition to violate the PCA. Nevertheless, in the spirit of cooperation and for transparency, the parties voluntarily submitted to the Commission, among others, copies of the SPAs for the Commission's information and reference.

In a letter dated June 17, 2016, the Commission required the parties to further submit additional documents relevant to the co-use arrangement and the frequencies subject thereto, as well as other definitive agreements relating to the VTI Transaction. It also disregarded the deemed approved status of the VTI Transaction in violation of the Circulars which the Commission itself issued, and insisted that it will conduct a full review, if not investigation of the said transaction under the different operative provisions of the PCA.

Legal Recourse to the Court of Appeals, or the CA

On July 12, 2016, PLDT filed before the CA a Petition for Certiorari and Prohibition (With Urgent Application for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction), or the Petition, against the Commission. The Petition seeks to enjoin the Commission from proceeding with the review of the acquisition by PLDT and Globe of the telecommunications business of SMC and performing any act which challenges or assails the "deemed approved" status of the transaction. On July 19, 2016, the 12th Division of the CA issued a Resolution directing the Office of the Solicitor General, or the OSG, to file its Comment within a non-extensible period of 10 days from notice and show cause why the Petition should not be granted. On August 11, 2016, the Commission through the OSG, filed its Comment to the Petition (With Opposition to Petitioner's Application for a Writ of Preliminary Injunction.) On August 19, 2016, PLDT filed its Reply to Respondent Commission's Comment. On August 26, 2016, the CA 12th Division issued a Writ of Preliminary Injunction enjoining and directing the respondent Commission, their officials and agents, or persons acting for and in their behalf, to cease and desist from conducting further proceedings for the pre-acquisition review and/or investigation of the subject acquisition based on its Letters dated June 7, 2016 and June 17, 2016 during the effectivity hereof and until further orders are issued by the Court. On September 20, 2016, the Commission through the OSG, filed a Motion for Reconsideration of the CA's Resolution dated July 19, 2016. PLDT filed an Opposition to the Commission's Motion for Reconsideration on October 24, 2016. In a Resolution promulgated on October 19, 2016, the CA's 12th Division: (i) accepted the consolidation of Globe's petition versus the Commission (CA G.R. SP No. 146538) into PLDT's petition versus the Commission (CA G.R. SP No. 146528) with the right of replacement; (ii) admitted the Comment dated October 4, 2016 filed by the Commission; (iii) referred to the Commission for Comment (within 10 days from notice) PLDT's Urgent Motion for the Issuance of a Gag Order dated September 30, 2016; and (iv) ordered all parties to submit simultaneous memoranda within a non-extendible period of 15 days from notice. Thereafter, with or without their respective memorandum, the instant cases shall be submitted for decision.

VTI's Tender Offer for the Minority Stockholders' Shares in Liberty Telecom Holdings, Inc.

On August 18, 2016, the Board of Directors of VTI approved the voluntary tender offer to acquire the common shares of LIB, a subsidiary of VTI, which are held by the remaining minority shareholders, and the intention to delist the shares of LIB from the PSE.

On August 24, 2016, VTI, owner of 87.12% of the outstanding common shares of LIB, undertook the tender offer to purchase up to 165.88 million common shares owned by the remaining minority shareholders, representing 12.82% of LIB's common stock, at a price of Php2.20 per share. The tender offer period ended on October 20, 2016, the extended expiration date, with over 107 million shares tendered, representing

approximately 8.3% of LIB's issued and outstanding common shares. The tendered shares were crossed at the PSE on November 4, 2016, with the settlement on November 9, 2016.

Following the conclusion of the tender offer, VTI now owns more than 95% of the issued and outstanding common shares, and 99.1% of the total issued and outstanding capital stock of LIB.

The tender offer was undertaken in compliance with the PSE's requirements for the voluntary delisting of LIB common shares from the PSE. The voluntary delisting of LIB is expected to occur on November 21, 2016.

Sale of PCEV's Beacon Shares to Metro Pacific Investment Corporation, or MPIC

On May 30, 2016, as approved by the Board, PCEV entered into a Share Purchase Agreement with MPIC to sell its 646 million shares of common stock and 458 million shares of preferred stock of Beacon, representing approximately 25% equity interest in Beacon, to MPIC for a total consideration of Php26,200 million. MPIC settled a portion of the consideration amounting to Php17,000 million immediately upon signing of the agreement and the balance of Php9,200 million will be paid in annual installments until June 2020. Consequently, PCEV realized a portion of the deferred gain amounting to Php4,962 million. After the sale, PCEV's equity ownership in Beacon was reduced from 50% to 25% while MPIC's interest increased to 75%. MPIC agreed that for as long as: (i) PCEV owns at least 20% of the outstanding capital stock of Beacon; or (ii) the purchase price has not been fully paid by MPIC, PCEV shall retain the right to vote 50% of the outstanding capital stock of Beacon.

PCEV's effective interest in Meralco, through Beacon, was reduced to 8.74%, while MPIC's effective interest in Meralco, through its direct ownership in Meralco shares and through Beacon, increased to 41.22%. There is no change in the aggregate joint interest of MPIC and Beacon in Meralco which remains at 49.96%.

Beacon effectively owns 394 million Meralco common shares representing approximately 34.96% effective ownership in Meralco with a carrying value of Php83,657 million and market value of Php122,316 million based on quoted price of Php310 per share as at June 30, 2016 and carrying value of Php87,831 million and market value of Php126,099 million based on quoted price of Php320 per share as at December 31, 2015.

PCEV's Additional Investment in Beacon Class "B" Preferred Shares

On May 30, 2016, the Board of Directors of Beacon approved the increase in authorized capital stock of Beacon from Php5,000 million to Php6,000 million divided into 3,000 million common shares with a par value of Php1.00 per share, 2,000 million Class "A" preferred shares with a par value of Php1.00 per share and 1,000 million new Class "B" preferred shares with a par value of Php1.00 per share. On August 10, 2016, the SEC approved the increase in Beacon's authorized capital and issuance of new class of preferred shares.

Class "B" preferred shares of Beacon are non-voting, not convertible to common shares or any shares of any class of Beacon and have no pre-emptive rights to subscribe to any share or convertible debt, securities or warrants issued or sold by Beacon. The Class "B" preferred shares are entitled to liquidation preference and yearly cumulative dividends at the rate of 6% of the issue value subject to: (a) availability of unrestricted retained earnings; and (b) dividend payment will not violate any dividend restrictions imposed by Beacon's bank creditors.

PCEV subscribed to 277 million Beacon Class "B" preferred shares for a total cash consideration of Php3,500 million. MPIC likewise subscribed to 277 million Beacon Class "B" preferred shares for a total cash consideration of Php3,500 million.

The amount raised from the subscription was used to fund the subscription to shares of common stock of Global Business Power Corporation, or Global Power, through Beacon Powergen Holdings, Inc., or Beacon Powergen, a wholly-owned subsidiary of Beacon.

On September 9, 2016, the Board of Directors of Beacon approved the redemption of 198 million Class "B" preferred shares held by PCEV at an aggregate redemption price equal to the aggregate issue price of

Php2,500 million. On the same date, Beacon also declared cash dividends on the said preferred shares amounting to Php21 million. The redemption price and cash dividend were paid on September 30, 2016.

Beacon's Acquisition of 56% of Global Business Power Corporation

On May 27, 2016, Beacon, through a wholly owned subsidiary Beacon Powergen, entered into a Share Purchase Agreement with GT Capital Holdings, Inc., to acquire an aggregate 56% of the issued share capital of Global Power for a total consideration of Php22,058 million. Beacon Powergen settled Php11,029 million upon closing and the balance via a vendor financing facility, which was replaced with a long-term bank debt in August 2016.

Global Power is the leading power supplier in Visayas with 852 MW of coal and diesel powered generating capacity at present, including 150 MW to commence operations later this year, and 670MW for further expansion.

After the acquisition, PCEV's effective interest in Global Power, through Beacon, is 14%, while MPIC's effective interest in Global Power, through Beacon, is 42%.

Amendments to the Articles of Incorporation of PLDT

On April 12, 2016 and June 14, 2016, the Board of Directors and stockholders, respectively, approved the following actions: (i) change in the name of the Company from Philippine Long Distance Telephone Company to PLDT Inc.; (ii) expansion of the purpose clause to expressly provide for such other purposes and powers incidental to or in furtherance of the primary purpose, including the power to do or engage in such activities required, necessary or expedient in the pursuit of lawful businesses or for the protection or benefit of the Company; and (iii) corresponding amendments to the First Article and Second Article of the Articles of Incorporation of the Company.

On July 29, 2016, the Amended Articles of Incorporation of the Company containing the aforementioned amendments was approved by the Philippine SEC.

Joint Venture Agreement between PLDT Capital and Hopscotch

On April 15, 2016, PLDT Capital Pte. Ltd., or PLDT Capital, and Gohopscotch, Inc., or Hopscotch, a Delaware corporation, entered into a Joint Venture Agreement, or JVA, to market and exclusively distribute Hopscotch's mobile solutions in Southeast Asia. The Hopscotch mobile-platform technology allows for the rapid development of custom mobile applications for sports teams, live events, and brands to not only create a memorable and monetizable fan experience but also increase mobile advertising revenue. As a vehicle to execute the JVA, PLDT Capital incorporated Gohopscotch Southeast Asia Pte. Ltd., a Singapore company, on March 1, 2016.

eInnovations' Investment in ECommerce Pay (formerly mePay Global)

On January 6, 2015, PLDT, through eInnovations Holdings Pte. Ltd, or eInnovations, entered into a JVA with Rocket, pursuant to which the two parties agreed to form ECommerce Pay, of which each partner holds a 50% equity interest. ECommerce Pay is a global joint venture company for payment services with a focus on emerging markets.

On July 30, 2015, eInnovations became a 50% shareholder of ECommerce Pay and invested €1.2 million into ECommerce Pay on August 11, 2015.

On February 3, 2016, eInnovations further contributed its subsidiary ePay Investments Pte. Ltd., or ePay, including the intellectual property, platforms and business operations of its mobile-first platform, PayMaya, as had been agreed in the JVA. Rocket contributed, among other things, its equity in Paymill Holding GmbH and Payleven Holding GmbH, which operated via its subsidiaries, payment platforms for high growth, small-and-medium sized e-commerce businesses.

Consequently, in February 2016, the ownership of ePay and its subsidiaries, or the ePay Group, was transferred from eInnovations to ECommerce Pay and PLDT ceased to recognize the ePay Group as its subsidiary.

On July 29, 2016, Rocket and PLDT via eInnovations agreed to end the joint venture. eInnovations agreed to give up its 50% ownership and all claims in connection with Ecommerce Pay, in return regaining complete control of ePay, including the intellectual property, platforms and business operations of its mobile-first platform, PayMaya.

PLDT and Rocket have decided to unwind the joint venture to better focus on their respective areas of operation and current priorities. Both continue to explore areas of possible future collaboration.

PLDT Online's Investment in iFlix Limited, or iFlix

On April 23, 2015, PLDT Online Investments Pte. Ltd., or PLDT Online, subscribed to a convertible note of iFlix, an internet TV service provider in Southeast Asia, for US\$15 million, or Php686 million. The convertible note was issued and paid on August 11, 2015. iFlix will use the funds to continue to roll out the iFlix subscription video-on-demand services across the Southeast Asian region, acquire rights to new content, and produce original programming to market to potential customers.

This investment is in line with our strategy to develop new revenue streams and to complement our present business by participating in the digital world beyond providing access and connectivity.

On March 10, 2016, the US\$15 million convertible notes held by PLDT Online were converted into 20.7 million ordinary shares of iFlix after it completed a new round of funding led by Sky Plc, Europe's leading entertainment company and the Indonesian company, Emtek Group, through its subsidiary, PT Surya Citra Media Tbk, or SCMA. PLDT Online's shares account for the 7.5% of the total equity stock of iFlix.

Related Party Transactions

For a detailed discussion of the related party transactions, see *Note 25 – Related Party Transactions* to the accompanying unaudited consolidated financial statements.

ANNEX I – AGING OF ACCOUNTS RECEIVABLE

The following table shows the aging of our consolidated receivables as at September 30, 2016:

Type of Accounts Receivable	Total	Current	31–60 Days	61–90 Days	Over 91 Days
	(in millions)				
Retail subscribers	Php21,580	Php5,251	Php1,384	Php303	Php14,642
Corporate subscribers	10,920	2,318	1,573	832	6,197
Foreign administrations	5,995	933	575	460	4,027
Domestic carriers	789	334	54	69	332
Dealers, agents and others	8,042	3,456	810	434	3,342
Total	47,326	Php12,292	Php4,396	Php2,098	Php28,540
Less: Allowance for doubtful accounts	21,188				
Total Receivables - net	Php26,138				

ANNEX II – FINANCIAL SOUNDNESS INDICATORS

The following table shows our financial soundness indicators as at September 30, 2016 and 2015:

	2016	2015
Current Ratio ⁽¹⁾	0.40:1.0	0.52:1.0
Net Debt to Equity Ratio ⁽²⁾	1.27:1.0	1.05:1.0
Net Debt to EBITDA Ratio ⁽³⁾	2:15:1.0	1.56:1.0
Total Debt to EBITDA Ratio ⁽⁴⁾	2:60:1.0	2.04:1.0
Asset to Equity Ratio ⁽⁵⁾	4.33:1.0	3.93:1.0
Interest Coverage Ratio ⁽⁶⁾	3.20:1.0	7.62:1.0
Profit Margin ⁽⁷⁾	13%	20%
Return on Assets ⁽⁸⁾	3%	7%
Return on Equity ⁽⁹⁾	12%	26%
EBITDA Margin ⁽¹⁰⁾	38%	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 and notes payable) 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 and notes payable) less cash and cash equivalent and short-term investments divided by EBITDA for the 12 months average period.

⁽⁴⁾ Total Debt to EBITDA ratio is measured as total debt (long-term debt, including current portion and notes payable) divided by EBITDA for the 12 months average period.

⁽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 period, divided by total financing cost for the period.

⁽⁷⁾ Profit margin is derived by dividing net income for the period with total revenues for the period.

⁽⁸⁾ Return on assets is measured as net income for the period divided by average total assets.

⁽⁹⁾ Return on Equity is measured as net income for the period divided by average total equity attributable to equity holders of PLDT.

⁽¹⁰⁾ EBITDA margin is measured as EBITDA divided by service revenues for the 12 months average period.


EBITDA for the period is measured as net income excluding depreciation and amortization, amortization of intangible assets, asset impairment on noncurrent assets, financing cost, 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 for the period.

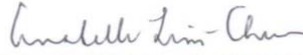


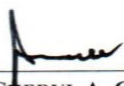
SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report for the first nine months of 2016 to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: **PLDT Inc.**

Signature and Title: 
MANUEL V. PANGILINAN
President and Chief Executive Officer

Signature and Title: 
ANABELLE LIM-CHUA
Senior Vice President
(Principal Financial Officer)

Signature and Title: 
JUNE CHERYL A. CABAL-REVILLA
First Vice President
(Principal Accounting Officer)

Date: November 14, 2016