

SEC Number  
File Number

PW-55

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**PHILIPPINE LONG DISTANCE  
TELEPHONE COMPANY**

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(Company's Full Name)

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

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(Company's Address)

**(632) 816-8556**

---

(Telephone Number)

**Not Applicable**

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(Fiscal Year Ending)  
(month & day)

**SEC Form 17-Q**

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Form Type

**Not Applicable**

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Amendment Designation (if applicable)

**June 30, 2015**

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Period Ended Date

**Not Applicable**

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(Secondary License Type and File Number)



August 4, 2015

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

Attention: Ms. Janet A. Encarnacion  
Head, Disclosure Department

Gentlemen:

In accordance with Section 17.1(b) of the Securities Regulation Code and SRC Rule 17.1, we submit herewith a copy of SEC Form 17-Q with Management's Discussion and Analysis and accompanying unaudited consolidated financial statements for the six (6) months ended June 30, 2015.

Very truly yours,

  
**MA. LOURDES C. RAUSA-CHAN**  
Corporate Secretary 



August 4, 2015

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, 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 six (6) months ended June 30, 2015.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Lourdes C. Rausa-Chan".

**MA. LOURDES C. RAUSA-CHAN**  
Corporate Secretary

## COVER SHEET

SEC Registration Number

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Company Name

|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |  |  |  |  |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|--|--|--|--|--|
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| T | E | L | E | P | H | O | N | E |   | C | O | M | P | A | N | Y |   |   |   |   |   |   |   |  |  |  |  |  |
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|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |  |  |  |  |

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

|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |   |   |   |   |   |   |   |   |  |  |  |  |  |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|--|---|---|---|---|---|---|---|---|--|--|--|--|--|
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| M | A | K | A | T | I |   | A | V | E | N | U | E |   |   |  |   |   |   |   |   |   |   |   |  |  |  |  |  |
| M | A | K | A | T | I |   | C | I | T | Y |   |   |   |   |  |   |   |   |   |   |   |   |   |  |  |  |  |  |
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Department requiring the report

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Secondary License Type, If Applicable

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### COMPANY INFORMATION

Company's Email Address

|  |
|--|
|  |
|--|

Company's Telephone Number/s

|         |
|---------|
| 8168534 |
|---------|

Mobile Number

|  |
|--|
|  |
|--|

No. of Stockholders

|                               |
|-------------------------------|
| 11,845<br>As of June 30, 2015 |
|-------------------------------|

Annual Meeting  
Month/Day

|                                       |
|---------------------------------------|
| Every 2 <sup>nd</sup> Tuesday of 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 C. Revilla |
|------------------------|

Email Address

|                     |
|---------------------|
| jacabal@pldt.com.ph |
|---------------------|

Telephone Number/s

|         |
|---------|
| 8168534 |
|---------|

Mobile Number

|  |
|--|
|  |
|--|

Contact Person's Address

|   |
|---|
| MGO Building, Legaspi St. corner Dela Rosa St., 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.

# COVER SHEET

SEC Registration Number

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Company Name

|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |
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| P | H | I | L | I | P | P | I | N | E | L | O | N | G | D | I | S | T | A | N | C | E |  |
| T | E | L | E | P | H | O | N | E | C | O | M | P | A | N | Y |   |   |   |   |   |   |  |
|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |
|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |

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 |
|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
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Department requiring the report

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Secondary License Type, If Applicable

|  |  |  |  |
|--|--|--|--|
|  |  |  |  |
|--|--|--|--|

### COMPANY INFORMATION

Company's Email Address

|                            |
|----------------------------|
| <b>jacabal@pldt.com.ph</b> |
|----------------------------|

Company's Telephone Number/s

|                      |
|----------------------|
| <b>(02) 816-8534</b> |
|----------------------|

Mobile Number

|  |
|--|
|  |
|--|

No. of Stockholders

|                                       |
|---------------------------------------|
| <b>11,845<br/>as at June 30, 2015</b> |
|---------------------------------------|

Annual Meeting  
Month/Day

|   |
|---|
| <b>Every 2<sup>nd</sup> Tuesday in June</b> |
|---|

Fiscal Year  
Month/Day

|                    |
|--------------------|
| <b>December 31</b> |
|--------------------|

### CONTACT PERSON INFORMATION

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

Name of Contact Person

|                                     |
|-------------------------------------|
| <b>June Cheryl A. Cabal-Revilla</b> |
|-------------------------------------|

Email Address

|                            |
|----------------------------|
| <b>jacabal@pldt.com.ph</b> |
|----------------------------|

Telephone Number/s

|                      |
|----------------------|
| <b>(02) 816-8534</b> |
|----------------------|

Mobile Number

|  |
|--|
|  |
|--|

Contact Person's Address

|  |
|--|
| <b>11/F Ramon Cojuangco Bldg. Makati Ave., Makati City</b> |
|--|

**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 **June 30, 2015**
2. SEC Identification Number **PW-55**
3. BIR Tax Identification No. **000-488-793**
4. **Philippine Long Distance Telephone Company**  
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  |
|---|---|
| <b>Common Capital Stock, Php5 par value</b> | <b>216,055,775 shares as at June 30, 2015</b> |
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 June 30, 2015 (unaudited) and December 31, 2014 (audited) and for the six months ended June 30, 2015 and 2014 (unaudited) and related notes (pages F-1 to F-162) 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 the Philippine Long Distance Telephone Company and its consolidated subsidiaries, and references to “PLDT” mean the Philippine Long Distance Telephone Company, 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 Php45.14 to US\$1.00, the volume weighted average exchange rate as at June 30, 2015 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

|  | Six Months ended June 30, |                     | Increase (Decrease) |      |
|--|---------------------------|---------------------|---------------------|------|
|  | 2015                      | 2014 <sup>(1)</sup> | Amount              | %    |
| <i>(in millions, except for EBITDA margin, earnings per common share, net debt to equity ratio and operational data)</i> |                           |                     |                     |      |
| <b>Consolidated Income Statement</b>   |                           |                     |                     |      |
| Revenues   | Php85,191                 | Php85,461           | (Php270)            | –    |
| Expenses   | 64,158                    | 62,423              | 1,735               | 3    |
| Other income   | 3,140                     | 3,198               | (58)                | (2)  |
| Income before income tax   | 24,173                    | 26,236              | (2,063)             | (8)  |
| Net income for the period  | 18,749                    | 20,001              | (1,252)             | (6)  |
| Core income  | 18,928                    | 19,834              | (906)               | (5)  |
| EBITDA   | 35,520                    | 38,329              | (2,809)             | (7)  |
| EBITDA margin <sup>(2)</sup>   | 44%                       | 46%                 | –                   | –    |
| Reported earnings per common share:  |                           |                     |                     |      |
| Basic  | 86.55                     | 92.54               | (5.99)              | (6)  |
| Diluted  | 86.55                     | 92.54               | (5.99)              | (6)  |
| Core earnings per common share <sup>(3)</sup> :  |                           |                     |                     |      |
| Basic  | 87.48                     | 91.66               | (4.18)              | (5)  |
| Diluted  | 87.48                     | 91.66               | (4.18)              | (5)  |
|  | June 30,                  | December 31,        | Increase (Decrease) |      |
|  | 2015                      | 2014                | Amount              | %    |
| <b>Consolidated Statements of Financial Position</b>   |                           |                     |                     |      |
| Total assets   | Php438,098                | Php436,295          | Php1,803            | –    |
| Property, plant and equipment  | 190,790                   | 191,984             | (1,194)             | (1)  |
| Cash and cash equivalents and short-term investments   | 38,753                    | 27,302              | 11,451              | 42   |
| Total equity attributable to equity holders of PLDT  | 124,398                   | 134,364             | (9,966)             | (7)  |
| Long-term debt, including current portion  | 143,735                   | 130,123             | 13,612              | 10   |
| Net debt <sup>(4)</sup> to equity ratio  | 0.84x                     | 0.77x               | –                   | –    |
|  | Six Months ended June 30, |                     | Increase (Decrease) |      |
|  | 2015                      | 2014                | Amount              | %    |
| <b>Consolidated Statements of Cash Flows</b>   |                           |                     |                     |      |
| Net cash provided by operating activities  | Php30,946                 | Php31,656           | (Php710)            | (2)  |
| Net cash used in investing activities  | (8,916)                   | (10,241)            | 1,325               | (13) |
| Capital expenditures   | 13,877                    | 8,104               | 5,773               | 71   |
| Net cash used in financing activities  | (11,610)                  | (10,362)            | (1,248)             | 12   |
| <b>Operational Data</b>  |                           |                     |                     |      |
| Number of cellular subscribers   | 68,862,264                | 68,897,106          | (34,842)            | –    |
| Number of fixed line subscribers   | 2,257,266                 | 2,157,114           | 100,152             | 5    |
| Number of broadband subscribers:   | 4,861,483                 | 3,636,794           | 1,224,689           | 34   |
| Fixed Line   | 1,185,319                 | 1,037,874           | 147,445             | 14   |
| Wireless   | 3,676,164                 | 2,598,920           | 1,077,244           | 41   |
| Number of employees:   | 16,929                    | 17,310              | (381)               | (2)  |
| Fixed Line   | 9,448                     | 9,667               | (219)               | (2)  |
| LEC  | 7,066                     | 7,510               | (444)               | (6)  |
| Others   | 2,382                     | 2,157               | 225                 | 10   |
| Wireless   | 7,481                     | 7,643               | (162)               | (2)  |

(1) Certain comparative information for the six months ended June 30, 2014 were reclassified to conform with the current presentation.

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

(3) 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.

(4) 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      |
| June 30, 2015             | Php45.14        | Php44.55               |
| December 31, 2014         | 44.74           | 44.40                  |
| June 30, 2014             | 43.65           | 44.50                  |
| December 31, 2013         | 44.40           | 42.44                  |

## 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 the 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 or financing costs and, therefore, does not reflect current or future capital expenditures or the cost of capital. We compensate for these limitations by using EBITDA as only one of several comparative tools, together with PFRS-based measurements, to assist in the evaluation of operating performance. Such PFRS-based measurements include income before income tax, net income, 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 the management for each business unit separately for purposes of making decisions about resource allocation and performance assessment. Also, core income is used by the management as a basis 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. We have organized our business into business units based on our products and services and have three reportable operating segments which serve as the basis 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 developers and mobile payment services provider; Smart Broadband, Inc., or SBI, and subsidiary and Primeworld Digital Systems, Inc., or PDSI, our wireless broadband service providers; Chikka Holdings Limited, or Chikka, and its subsidiaries, or Chikka Group, our wireless content operators; ACeS Philippines Cellular Satellite Corporation, or ACeS Philippines, our satellite operator; WiFun, Inc., our portal enabler company; and certain subsidiaries of 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 Corporation, or PLDT Global, and certain subsidiaries and Digitel, all of which together account for approximately 5% of our consolidated fixed line subscribers; and information and communications infrastructure and services for internet applications, internet protocol, or IP-based solutions and multimedia content delivery provided by ePLDT, Inc., or ePLDT, IP Converge Data Services, Inc., or IPCDSI, ABM Global Solutions, Inc., or AGS, and its subsidiaries, or AGS Group, and Curo Teknika, Inc.; 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 provided by Pilipinas Global Network Limited and its subsidiaries; air transportation services provided by Pacific Global One Aviation Co., Inc.; and bills printing and other value-added services, or VAS, related services provided by ePDS, Inc., or ePDS; and
- *Others* — PLDT Global Investment Holdings, Inc., Mabuhay Investments Corporation, PLDT Global Investments Corporation, PLDT Communications and Energy Ventures, Inc., or PCEV, PLDT Digital Pte. Ltd., or PLDT Digital, and its subsidiary, our investment companies.

As at June 30, 2015, our chief operating decision maker, or our Management Committee, views our business activities in three business units: Wireless, Fixed Line and Others.

## 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 six months ended June 30, 2015 and 2014 are set forth below.

The following table shows the reconciliation of our consolidated EBITDA to our consolidated net income for the six months ended June 30, 2015 and 2014:

|   | 2015             | 2014 <sup>(1)</sup> |
|---|------------------|---------------------|
|   | (in millions)    |                     |
| <b>EBITDA</b>   | <b>Php35,520</b> | <b>Php38,329</b>    |
| Add (deduct) adjustments:                                     |                  |                     |
| Equity share in net earnings of associates and joint ventures | 2,234            | 2,083               |
| Interest income   | 364              | 395                 |
| Gains (losses) on derivative financial instruments – net      | 89               | (164)               |
| Asset impairment  | –                | (227)               |
| Foreign exchange gains (losses) – net                         | (439)            | 459                 |
| Amortization of intangible assets                             | (542)            | (574)               |
| Financing costs – net   | (2,937)          | (2,498)             |
| Provision for income tax                                      | (5,424)          | (6,235)             |
| Depreciation and amortization                                 | (13,945)         | (14,490)            |
| Other income – net  | 3,829            | 2,923               |
| <b>Total adjustments</b>                                      | <b>(16,771)</b>  | <b>(18,328)</b>     |
| <b>Consolidated net income</b>                                | <b>Php18,749</b> | <b>Php20,001</b>    |

<sup>(1)</sup> Certain comparative information for the six months ended June 30, 2014 were reclassified to conform with the current presentation.

The following table shows the reconciliation of our consolidated core income to our consolidated net income for the six months ended June 30, 2015 and 2014:

|  | 2015             | 2014 <sup>(1)</sup> |
|--|------------------|---------------------|
|  | (in millions)    |                     |
| <b>Consolidated core income</b>  | <b>Php18,928</b> | <b>Php19,834</b>    |
| Add (deduct) adjustments:  |                  |                     |
| Foreign exchange gains (losses) – net  | (439)            | 459                 |
| Asset impairment   | –                | (227)               |
| Core income (loss) adjustment on equity share in net losses of associates and joint ventures | 8                | (4)                 |
| Net income (loss) attributable to noncontrolling interests                                   | 20               | (22)                |
| Gains (losses) on derivative financial instruments – net, excluding hedge costs              | 243              | (10)                |
| Net tax effect of aforementioned adjustments   | (11)             | (29)                |
| <b>Total adjustments</b>   | <b>(179)</b>     | <b>167</b>          |
| <b>Consolidated net income</b>   | <b>Php18,749</b> | <b>Php20,001</b>    |



## 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 six months ended June 30, 2015 and 2014. In each of the six months ended June 30, 2015 and 2014, we generated majority of our revenues from our operations within the Philippines.

|   | Wireless  | Fixed Line | Others | Inter-segment Transactions | Consolidated |
|---|-----------|------------|--------|----------------------------|--------------|
| (in millions)   |           |            |        |                            |              |
| <b>For the six months ended June 30, 2015</b>               |           |            |        |                            |              |
| Revenues  | Php58,087 | Php33,683  | Php-   | (Php6,579)                 | Php85,191    |
| Expenses  | 42,425    | 28,964     | 49     | (7,280)                    | 64,158       |
| Other income (expenses)                                     | (325)     | (999)      | 5,165  | (701)                      | 3,140        |
| Income before income tax                                    | 15,337    | 3,720      | 5,116  | -                          | 24,173       |
| Provision for income tax                                    | 4,219     | 1,168      | 37     | -                          | 5,424        |
| Net income/Segment profit                                   | 11,118    | 2,552      | 5,079  | -                          | 18,749       |
| EBITDA  | 23,764    | 11,104     | (49)   | 701                        | 35,520       |
| EBITDA margin <sup>(1)</sup>                                | 43%       | 35%        | -      | (11%)                      | 44%          |
| Core income   | 11,207    | 2,550      | 5,171  | -                          | 18,928       |
| <b>For the six months ended June 30, 2014<sup>(2)</sup></b> |           |            |        |                            |              |
| Revenues  | 59,883    | 32,708     | -      | (7,130)                    | 85,461       |
| Expenses  | 42,665    | 27,511     | 2      | (7,755)                    | 62,423       |
| Other income (expenses)                                     | (277)     | 425        | 3,675  | (625)                      | 3,198        |
| Income before income tax                                    | 16,941    | 5,622      | 3,673  | -                          | 26,236       |
| Provision for income tax                                    | 4,738     | 1,471      | 26     | -                          | 6,235        |
| Net income/Segment profit                                   | 12,203    | 4,151      | 3,647  | -                          | 20,001       |
| EBITDA  | 25,637    | 12,069     | (2)    | 625                        | 38,329       |
| EBITDA margin <sup>(1)</sup>                                | 44%       | 38%        | -      | (9%)                       | 46%          |
| Core income   | 12,080    | 4,104      | 3,650  | -                          | 19,834       |
| <b>Increase (Decrease)</b>                                  |           |            |        |                            |              |
| Revenues  | (1,796)   | 975        | -      | 551                        | (270)        |
| Expenses  | (240)     | 1,453      | 47     | 475                        | 1,735        |
| Other income (expenses)                                     | (48)      | (1,424)    | 1,490  | (76)                       | (58)         |
| Income before income tax                                    | (1,604)   | (1,902)    | 1,443  | -                          | (2,063)      |
| Provision for income tax                                    | (519)     | (303)      | 11     | -                          | (811)        |
| Net income/Segment profit                                   | (1,085)   | (1,599)    | 1,432  | -                          | (1,252)      |
| EBITDA  | (1,873)   | (965)      | (47)   | 76                         | (2,809)      |
| Core income   | (873)     | (1,554)    | 1,521  | -                          | (906)        |

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

<sup>(2)</sup> Certain comparative information for the six months ended June 30, 2014 were reclassified to conform with the current presentation.

## On a Consolidated Basis

### Revenues

We reported consolidated revenues of Php85,191 million in the first half of 2015, a decrease of Php270 million as compared with Php85,461 million in the same period in 2014, primarily due to lower revenues from cellular and other services from our wireless business 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 and digital revenues, and an increase in our non-service revenues.

The following table shows the breakdown of our consolidated revenues by business segment for the six months ended June 30, 2015 and 2014:

|                            | 2015      | %   | 2014 <sup>(1)</sup> | %   | Change     |     |
|----------------------------|-----------|-----|---------------------|-----|------------|-----|
|                            |           |     |                     |     | Amount     | %   |
| (in millions)              |           |     |                     |     |            |     |
| Wireless                   | Php58,087 | 68  | Php59,883           | 70  | (Php1,796) | (3) |
| Fixed line                 | 33,683    | 40  | 32,708              | 38  | 975        | 3   |
| Inter-segment transactions | (6,579)   | (8) | (7,130)             | (8) | 551        | (8) |
| Consolidated               | Php85,191 | 100 | Php85,461           | 100 | (Php270)   | -   |

<sup>(1)</sup> Certain comparative information for the six months ended June 30, 2014 were reclassified to conform with the current presentation.

### Expenses

Consolidated expenses increased by Php1,735 million, or 3%, to Php64,158 million in the first half of 2015 from Php62,423 million in the same period in 2014, as a result of higher expenses related to compensation and employee benefits, cost of sales, repairs and maintenance, asset impairment, taxes and licenses, professional and other contracted services, and selling and promotions, partially offset by lower expenses related to depreciation and amortization, rent, communication, training and travel, amortization of intangible assets and other operating expenses.

The following table shows the breakdown of our consolidated expenses by business segment for the six months ended June 30, 2015 and 2014:

|                            | 2015      | %    | 2014 <sup>(1)</sup> | %    | Change   |       |
|----------------------------|-----------|------|---------------------|------|----------|-------|
|                            |           |      |                     |      | Amount   | %     |
| (in millions)              |           |      |                     |      |          |       |
| Wireless                   | Php42,425 | 66   | Php42,665           | 68   | (Php240) | (1)   |
| Fixed line                 | 28,964    | 45   | 27,511              | 44   | 1,453    | 5     |
| Others                     | 49        | —    | 2                   | —    | 47       | 2,350 |
| Inter-segment transactions | (7,280)   | (11) | (7,755)             | (12) | 475      | (6)   |
| Consolidated               | Php64,158 | 100  | Php62,423           | 100  | Php1,735 | 3     |

<sup>(1)</sup> Certain comparative information for the six months ended June 30, 2014 were reclassified to conform with the current presentation.

### Other Income

Consolidated other income amounted to Php3,140 million in the first half of 2015, a decrease of Php58 million, or 2%, from Php3,198 million in the same period in 2014, primarily due to the combined effects of the following: (i) foreign exchange losses of Php439 million in the first half of 2015 as against foreign exchange gains of Php459 million in the same period in 2014 on account of revaluation of net foreign currency-denominated liabilities due to a depreciation of the Philippine peso relative to the U.S. dollar to Php45.14 as at June 30, 2015 from Php44.74 as at December 31, 2014 as against an appreciation to Php43.65 as at June 30, 2014 from Php44.40 as at December 31, 2013; (ii) higher net financing costs by Php439 million due to higher outstanding loan balance and weighted average interest rate, a weaker weighted average foreign exchange rate as at June 30, 2015 and a decrease in capitalized interest, partly offset by lower financing charges; (iii) lower interest income on held-to-maturity investments, partly offset by higher weighted average interest rates, higher principal amounts of temporary cash investments and the depreciation of the Philippine peso to the U.S. dollar; (iv) an increase in the equity share in net earnings of Beta and Beacon for the six months ended June 30, 2015; (v) gains on derivative financial instruments of Php89 million in the six months ended June 30, 2015 as against losses on derivative financial instruments of Php164 million in the same period in 2014 on account of depreciation of the Philippine peso relative to the U.S. dollar in the first six months of 2015 as against an appreciation of the Philippine peso relative to the U.S. dollar in the same period in 2014, wider dollar and peso interest rate differentials and mark-to-market gain on forward purchase contracts due to the depreciation of the U.S. dollar relative to the Philippine peso for the six months ended June 30, 2015; and (vi) an increase in other income due to higher realized portion of deferred gain on the transfer of Meralco shares and an increase in income from consultancy, partially offset by gain on purchase price adjustment in 2014 in relation to the acquisition of Digital and loss on sale of fixed assets.

The following table shows the breakdown of our consolidated other income (expenses) by business segment for the six months ended June 30, 2015 and 2014:

|                            | 2015     | 2014 <sup>(1)</sup> | Change  |       |
|----------------------------|----------|---------------------|---------|-------|
|                            |          |                     | Amount  | %     |
| (in millions)              |          |                     |         |       |
| Wireless                   | (Php325) | (Php277)            | (Php48) | 17    |
| Fixed line                 | (999)    | 425                 | (1,424) | (335) |
| Others                     | 5,165    | 3,675               | 1,490   | 41    |
| Inter-segment transactions | (701)    | (625)               | (76)    | 12    |
| Consolidated               | Php3,140 | Php3,198            | (Php58) | (2)   |

<sup>(1)</sup> Certain comparative information for the six months ended June 30, 2014 were reclassified to conform with the current presentation.

### Net Income

Consolidated net income decreased by Php1,252 million, or 6%, to Php18,749 million in the first half of 2015, from Php20,001 million in the same period in 2014. The decrease was mainly due to the combined effects of the following: (i) an increase in consolidated expenses by Php1,735 million; (ii) a decrease in consolidated revenues by Php270 million; (iii) a decrease in consolidated other income – net by Php58 million; and (iv) a



decrease in consolidated provision for income tax by Php811 million. Our consolidated basic and diluted EPS decreased to Php86.55 in the first six months of 2015 from consolidated basic and diluted EPS of Php92.54 in the same period in 2014. Our weighted average number of outstanding common shares was approximately 216.06 million in each of the six months ended June 30, 2015 and 2014.

The following table shows the breakdown of our consolidated net income by business segment for the six months ended June 30, 2015 and 2014:

|               | 2015      | %   | 2014      | %   | Change     |      |
|---------------|-----------|-----|-----------|-----|------------|------|
|               |           |     |           |     | Amount     | %    |
| (in millions) |           |     |           |     |            |      |
| Wireless      | Php11,118 | 59  | Php12,203 | 61  | (Php1,085) | (9)  |
| Fixed line    | 2,552     | 14  | 4,151     | 21  | (1,599)    | (39) |
| Others        | 5,079     | 27  | 3,647     | 18  | 1,432      | 39   |
| Consolidated  | Php18,749 | 100 | Php20,001 | 100 | (Php1,252) | (6)  |

### EBITDA

Our consolidated EBITDA amounted to Php35,520 million in the first half of 2015, a decrease of Php2,809 million, or 7%, as compared with Php38,329 million in the same period in 2014, primarily due to higher cost of sales and operating expenses driven by compensation and employee benefits, repairs and maintenance, taxes and licenses, professional and other contracted services, and selling and promotions, as well as higher provision for doubtful accounts and lower consolidated service revenues, partially offset by lower expenses relating to rent, communication, training and travel, and other operating expenses.

The following table shows the breakdown of our consolidated EBITDA from continuing operations by business segment for the six months ended June 30, 2015 and 2014:

|                            | 2015      | %   | 2014 <sup>(1)</sup> | %   | Change     |       |
|----------------------------|-----------|-----|---------------------|-----|------------|-------|
|                            |           |     |                     |     | Amount     | %     |
| (in millions)              |           |     |                     |     |            |       |
| Wireless                   | Php23,764 | 67  | Php25,637           | 67  | (Php1,873) | (7)   |
| Fixed line                 | 11,104    | 31  | 12,069              | 31  | (965)      | (8)   |
| Others                     | (49)      | —   | (2)                 | —   | (47)       | 2,350 |
| Inter-segment transactions | 701       | 2   | 625                 | 2   | 76         | 12    |
| Continuing operations      | Php35,520 | 100 | Php38,329           | 100 | (Php2,809) | (7)   |

<sup>(1)</sup> Certain comparative information for the six months ended June 30, 2014 were reclassified to conform with the current presentation.

### Core Income

Our consolidated core income amounted to Php18,928 million in the first half of 2015, a decrease of Php906 million, or 5%, as compared with Php19,834 million in the same period in 2014, primarily due to higher consolidated operating expenses and lower consolidated service revenues, partially offset by lower provision for income tax and higher other income. Our consolidated basic and diluted core EPS, decreased to Php87.48 in the first half of 2015 from Php91.66 in the same period in 2014.

The following table shows the breakdown of our consolidated core income by business segment for the six months ended June 30, 2015 and 2014:

|               | 2015      | %   | 2014      | %   | Change   |      |
|---------------|-----------|-----|-----------|-----|----------|------|
|               |           |     |           |     | Amount   | %    |
| (in millions) |           |     |           |     |          |      |
| Wireless      | Php11,207 | 59  | Php12,080 | 61  | (Php873) | (7)  |
| Fixed line    | 2,550     | 14  | 4,104     | 21  | (1,554)  | (38) |
| Others        | 5,171     | 27  | 3,650     | 18  | 1,521    | 42   |
| Consolidated  | Php18,928 | 100 | Php19,834 | 100 | (Php906) | (5)  |

### On a Business Segment Basis

#### Wireless

##### Revenues

We generated revenues from our wireless business of Php58,087 million in the first half of 2015, a decrease of Php1,796 million, or 3%, from Php59,883 million in the same period in 2014.



The following table summarizes our total revenues from our wireless business for the six months ended June 30, 2015 and 2014 by service segment:

|  | 2015          | %   | 2014 <sup>(1)</sup> | %   | Increase (Decrease) |      |
|--|---------------|-----|---------------------|-----|---------------------|------|
|  |               |     |                     |     | Amount              | %    |
|  | (in millions) |     |                     |     |                     |      |
| Service Revenues:  |               |     |                     |     |                     |      |
| Cellular   | Php49,356     | 85  | Php52,036           | 87  | (Php2,680)          | (5)  |
| Wireless broadband and others  |               |     |                     |     |                     |      |
| Wireless broadband   | 5,205         | 9   | 4,989               | 8   | 216                 | 4    |
| Others   | 522           | 1   | 631                 | 1   | (109)               | (17) |
| Digital  | 510           | 1   | 419                 | 1   | 91                  | 22   |
|  | 55,593        | 96  | 58,075              | 97  | (2,482)             | (4)  |
| Non-Service Revenues:  |               |     |                     |     |                     |      |
| Sale of cellular handsets, cellular subscriber identification module, or SIM-packs and broadband data modems | 2,494         | 4   | 1,808               | 3   | 686                 | 38   |
| Total Wireless Revenues  | Php58,087     | 100 | Php59,883           | 100 | (Php1,796)          | (3)  |

<sup>(1)</sup> Certain comparative information for the six months ended June 30, 2014 were reclassified to conform with the current presentation.

### Service Revenues

Our wireless service revenues in the first half of 2015 decreased by Php2,482 million, or 4%, to Php55,593 million as compared with Php58,075 million in the same period in 2014, mainly as a result of lower revenues from voice and text messaging services, as well as other services, partially offset by higher revenues from mobile internet and VAS services, as well as an increase in broadband and Digital service revenues. As a percentage of our total wireless revenues, service revenues accounted for 96% and 97% in the first half of 2015 and 2014, respectively.

#### Cellular Service

Our cellular service revenues in the first half of 2015 amounted to Php49,356 million, a decrease of Php2,680 million, or 5%, from Php52,036 million in the same period in 2014. Cellular service revenues accounted for 89% and 90% of our wireless service revenues in the first half of 2015 and 2014, respectively.

We have focused on segmenting the market by offering sector-specific, value-driven packages for our subscribers. These include load buckets which provide a fixed number of messages and calls of preset duration 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 voice, text, data, and combinations thereof, denominations of which depend on the duration and nature of the packages.

In September 2014, we launched *Free Mobile Internet*, the first of many promotions designed to stimulate data usage. *Free Mobile Internet* provided subscribers with 30MB of data usage per day, free of charge, exclusive of video streaming, voice over internet protocol and messaging applications. The promotion ran until February 28, 2015 when it was replaced by our *Internet for All* promotion, whereby Smart, Talk 'N Text and Sun Cellular prepaid subscribers could enjoy up to 30MB of data usage per day when they register to select top prepaid offers. This promotion was valid until June 15, 2015. In conjunction with this, we also offer *Smart Big Bytes*, a volume-based data offering, which can be used by Smart Prepaid and Postpaid, as well as SmartBro Prepaid and Postpaid subscribers, for any internet transaction, varying from up to 5MB of data usage per day, to up to 18GB of data usage for 30 days, plus bonus access to the more popular apps depending on the availed prepaid buckets.

On March 18, 2015, Smart became the first telecommunications provider to launch the *Internet.org* application in the Philippines and in Southeast Asia. This Facebook-led initiative aims to make mobile internet services available to two-thirds of the world who are not yet connected. Banning the *Internet.org* app launch in the Philippines is Talk 'N Text, which targets the larger mass segment of the population. With the *Internet.org* app on their mobile phones, cellular subscribers of Smart, Talk 'N Text and Sun Cellular nationwide may enjoy free access to a buffet of 24 websites featuring informative and practical content, including Facebook and Messenger. Subscribers may download the *Internet.org* app from the Google Play Store.

On June 19, 2015, we introduced the 'Smart Life' to promote our digital innovations premised on: "Entertainment Everywhere" via *iflix* app, where subscribers can gain access to more than 10,000 hours of TV shows and movies, and via *Viewstream* app, which now has new live broadcast channels from Fox International Channels; "Convenience Everywhere" through *Charge2Phone (C2P)*, the country's first sticker-based Near Field Communication payment solution; and "Peace of Mind Everywhere" with Smart and PLDT Home's *FAM CAM*, a home monitoring camera that transmits live footage to mobile devices.





From July 7 – September 30, 2015, we are offering *Free Instagram* to our *Smart Prepaid* subscribers. Subscribers are able to enjoy free Instagram browsing and posting for up to 30MB per day when they register to selected top prepaid offers.

The following table shows the breakdown of our cellular service revenues for the six months ended June 30, 2015 and 2014:

|                              | 2015          | 2014 <sup>(1)</sup> | Decrease   |     |
|------------------------------|---------------|---------------------|------------|-----|
|                              |               |                     | Amount     | %   |
|                              | (in millions) |                     |            |     |
| Cellular service revenues    | Php49,356     | Php52,036           | (Php2,680) | (5) |
| <i>By service type</i>       |               |                     |            |     |
| Prepaid                      | 48,335        | 50,959              | (2,624)    | (5) |
| Postpaid                     | 36,738        | 40,572              | (3,834)    | (9) |
| Postpaid                     | 11,597        | 10,387              | 1,210      | 12  |
| <i>By component</i>          |               |                     |            |     |
| Voice                        | 48,335        | 50,959              | (2,624)    | (5) |
| Data                         | 23,514        | 25,757              | (2,243)    | (9) |
| Data                         | 24,821        | 25,202              | (381)      | (2) |
| <i>Others</i> <sup>(2)</sup> | 1,021         | 1,077               | (56)       | (5) |

<sup>(1)</sup> Certain comparative information for the six months ended June 30, 2014 were reclassified to conform with the current presentation.

<sup>(2)</sup> Refers to other non-subscriber-related revenues consisting primarily of inbound international roaming fees, share in revenues from 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 six months ended June 30, 2015 and 2014:

|   | 2015       | 2014       | Increase (Decrease) |      |
|---|------------|------------|---------------------|------|
|   |            |            | Amount              | %    |
| Cellular subscriber base                        | 68,862,264 | 68,897,106 | (34,842)            | –    |
| Prepaid   | 65,843,593 | 66,339,954 | (496,361)           | (1)  |
| <i>Smart</i>                                    | 24,188,189 | 24,610,726 | (422,537)           | (2)  |
| <i>Talk 'N Text</i>                             | 27,902,164 | 28,056,116 | (153,952)           | (1)  |
| <i>Sun Cellular</i>                             | 13,753,240 | 13,673,112 | 80,128              | 1    |
| Postpaid  | 3,018,671  | 2,557,152  | 461,519             | 18   |
| <i>Sun Cellular</i>                             | 1,879,135  | 1,587,540  | 291,595             | 18   |
| <i>Smart</i>                                    | 1,139,536  | 969,612    | 169,924             | 18   |
| Systemwide traffic volumes (in million minutes) |            |            |                     |      |
| Calls   |            |            |                     |      |
| Domestic  | 25,995     | 27,150     | (1,155)             | (4)  |
| <i>Inbound</i>                                  | 24,664     | 25,433     | (769)               | (3)  |
| <i>Outbound</i>                                 | 512        | 562        | (50)                | (9)  |
| International <sup>(1)</sup>                    | 24,152     | 24,871     | (719)               | (3)  |
| <i>Inbound</i>                                  | 1,331      | 1,717      | (386)               | (22) |
| <i>Outbound</i>                                 | 1,141      | 1,462      | (321)               | (22) |
| <i>Outbound</i>                                 | 190        | 255        | (65)                | (25) |
| SMS/Data count (in million hits)                |            |            |                     |      |
| Text messages                                   | 196,930    | 222,486    | (25,556)            | (11) |
| Domestic  | 195,958    | 221,550    | (25,592)            | (12) |
| Bucket-Priced/Unlimited                         | 195,515    | 221,127    | (25,612)            | (12) |
| Standard  | 177,833    | 206,038    | (28,205)            | (14) |
| International                                   | 17,682     | 15,089     | 2,593               | 17   |
| International                                   | 443        | 423        | 20                  | 5    |
| Value-Added Services                            | 972        | 936        | 36                  | 4    |

<sup>(1)</sup> Certain comparative information for the six months ended June 30, 2014 were reclassified to conform with the current presentation.

Revenues generated from our prepaid cellular services amounted to Php36,738 million in the first half of 2015, a decrease of Php3,834 million, or 9%, as compared with Php40,572 million in the same period in 2014. Prepaid cellular service revenues accounted for 76% and 80% of cellular voice and data revenues in the first half of 2015 and 2014, respectively. The decrease in revenues from our prepaid cellular services was primarily due to lower international and domestic voice and text messaging revenues, and a lower prepaid subscriber base, partially offset by an increase in mobile internet revenues. Revenues generated from postpaid cellular service amounted to Php11,597 million in the first half of 2015, an increase of Php1,210 million, or 12%, as compared with Php10,387 million earned in the same period in 2014, and accounted for 24% and 20% of cellular voice and data revenues in the first half of 2015 and 2014, respectively. The increase in our postpaid cellular service revenues was primarily due to a higher subscriber base.

### Voice Services

Cellular revenues from our voice services, which include all voice traffic and voice VAS, such as voicemail and outbound international roaming, decreased by Php2,243 million, or 9%, to Php23,514 million in the first half of 2015 from Php25,757 million in the same period in 2014 primarily due to lower international and domestic voice revenues, and preference for alternative calling options and other OTT services such as *Viber*, *Facebook Messenger*, etc. Cellular voice services accounted for 48% and 49% of our cellular service revenues in the first half of 2015 and 2014, respectively.

The following table shows the breakdown of our cellular voice revenues for the six months ended June 30, 2015 and 2014:

|                      | 2015             | 2014 <sup>(1)</sup><br>(in millions) | Decrease          |            |
|----------------------|------------------|--------------------------------------|-------------------|------------|
|                      |                  |                                      | Amount            | %          |
| Voice services:      |                  |                                      |                   |            |
| <i>Domestic</i>      |                  |                                      |                   |            |
| Inbound              | Php1,991         | Php2,163                             | (Php172)          | (8)        |
| Outbound             | 15,715           | 16,125                               | (410)             | (3)        |
|                      | 17,706           | 18,288                               | (582)             | (3)        |
| <i>International</i> |                  |                                      |                   |            |
| Inbound              | 5,041            | 6,478                                | (1,437)           | (22)       |
| Outbound             | 767              | 991                                  | (224)             | (23)       |
|                      | 5,808            | 7,469                                | (1,661)           | (22)       |
| <b>Total</b>         | <b>Php23,514</b> | <b>Php25,757</b>                     | <b>(Php2,243)</b> | <b>(9)</b> |

<sup>(1)</sup> Certain comparative information for the six months ended June 30, 2014 were reclassified to conform with the current presentation.

Domestic voice service revenues decreased by Php582 million, or 3%, to Php17,706 million in the first half of 2015 from Php18,288 million in the same period in 2014, primarily due to lower domestic outbound and inbound voice service revenues by Php410 million and Php172 million, respectively.

Revenues from our domestic inbound voice service decreased by Php172 million, or 8%, to Php1,991 million in the first half of 2015 from Php2,163 million in the same period in 2014 due to lower traffic originating from other mobile carriers. Domestic inbound call volumes decreased by 50 million minutes, or 9%, to 512 million minutes in the first half of 2015 from 562 million minutes in the same period in 2014.

Revenues from domestic outbound voice service decreased by Php410 million, or 3%, to Php15,715 million in the first half of 2015 from Php16,125 million in the same period in 2014 mainly due to lower standard and bucket voice revenues. Domestic outbound call volumes decreased by 719 million minutes, or 3%, to 24,152 million minutes in the first half of 2015 from 24,871 million minutes in the same period in 2014 primarily due to lower standard and bucket voice traffic, partially offset by higher unlimited voice traffic.

International voice service revenues decreased by Php1,661 million, or 22%, to Php5,808 million in the first half of 2015 from Php7,469 million in the same period in 2014 primarily due to lower international inbound voice service revenues by Php1,437 million, or 22%, to Php5,041 million in the first half of 2015 from Php6,478 million in the same period in 2014, as well as the decline in international outbound voice service revenues by Php224 million, or 23%, to Php767 million in the first half of 2015 from Php991 million in the same period in 2014. The decrease in international voice service revenues was due to lower international voice traffic, partially offset by the effect of a higher weighted average exchange rate of the Philippine peso to the U.S. dollar. International inbound and outbound calls totaled 1,331 million minutes in the first half of 2015, a decrease of 386 million minutes, or 22%, from 1,717 million minutes in the same period in 2014.

### Data Services

Cellular revenues from our data services, which include all text messaging-related services, as well as VAS and mobile internet, decreased by Php381 million, or 2%, to Php24,821 million in the first half of 2015 from Php25,202 million in the same period in 2014 primarily due to lower text messaging and VAS revenues, partially offset by higher mobile internet revenues. Cellular data services accounted for 50% and 48% of our cellular service revenues in the first half of 2015 and 2014, respectively.

The following table shows the breakdown of our cellular data service revenues for the six months ended June 30, 2015 and 2014:

|                                     | 2015             | 2014 <sup>(1)</sup> | Increase (Decrease) |            |
|-------------------------------------|------------------|---------------------|---------------------|------------|
|                                     |                  |                     | Amount              | %          |
|                                     | (in millions)    |                     |                     |            |
| Text messaging                      |                  |                     |                     |            |
| Domestic                            | Php17,876        | Php18,765           | (Php889)            | (5)        |
| <i>Bucket-Priced/Unlimited</i>      | 12,220           | 13,061              | (841)               | (6)        |
| <i>Standard</i>                     | 5,656            | 5,704               | (48)                | (1)        |
| International                       | 1,364            | 1,645               | (281)               | (17)       |
|                                     | 19,240           | 20,410              | (1,170)             | (6)        |
| Mobile internet <sup>(2)</sup>      | 4,778            | 3,961               | 817                 | 21         |
| Value-added services <sup>(3)</sup> | 803              | 831                 | (28)                | (3)        |
| <b>Total</b>                        | <b>Php24,821</b> | <b>Php25,202</b>    | <b>(Php381)</b>     | <b>(2)</b> |

<sup>(1)</sup> Certain comparative information for the six months ended June 30, 2014 were reclassified to conform with the current presentation.

<sup>(2)</sup> Includes revenues from web-based services, net of allocated discounts and content provider costs.

<sup>(3)</sup> Includes revenues from SMS-based VAS (info-on-demand and voice text services, net of allocated discounts and content provider costs); multi-media messaging system, or MMS-based VAS (point-to-point MMS and content download services, such as ringtone, logo or music downloads, net of allocated discounts and content provider costs); Pasa Load/Give-a-load (which allows prepaid and postpaid subscribers to transfer small denominations of air time credits to other prepaid subscribers and Dial \*SOS which allows Smart and Talk 'N Text prepaid subscribers to borrow a minimum of Php4 worth of load (Php3 on-net SMS plus Php1 air time) from Smart which will be deducted upon their next top-up); and revenues for financial services which include revenues from Smart Money Clicks via Smart Menu and mobile banking. Smart Money Clicks includes the following services: balance inquiry, re-load prepaid accounts, bills payment, card management and internet purchases.

Text messaging-related services contributed revenues of Php19,240 million in the first half of 2015, a decrease of Php1,170 million, or 6%, as compared with Php20,410 million in the same period in 2014, and accounted for 78% and 81% of our total cellular data service revenues in the first half of 2015 and 2014, respectively. The decrease in revenues from text messaging-related services resulted mainly from lower bucket-priced/unlimited and standard SMS, as well as lower international text messaging revenues. Text messaging revenues from various bucket-priced/unlimited SMS offers totaled Php12,220 million in the first half of 2015, a decrease of Php841 million, or 6%, as compared with Php13,061 million in the same period in 2014. Bucket-priced/unlimited text messages decreased by 28,205 million, or 14%, to 177,833 million in the first half of 2015 from 206,038 million in the same period in 2014.

Standard text messaging revenues, which include inbound and outbound standard SMS revenues, decreased by Php48 million, or 1%, to Php5,656 million in the first half of 2015 from Php5,704 million in the same period in 2014, mainly due to a decrease in outbound standard SMS revenues primarily as a result of increased preference for messaging through various mobile apps, social networking sites and other over-the-top, or OTT, services, partly offset by an increase in domestic inbound SMS revenues. Inbound standard text messages increased by 3,427 million, or 38%, to 12,445 million in the first half of 2015 from 9,018 million in the same period in 2014, partially offset by the decline in outbound standard text messages by 834 million, or 14%, to 5,237 million in the first half of 2015 from 6,071 million in the same period in 2014.

International text messaging revenues amounted to Php1,364 million in the first half of 2015, a decrease of Php281 million, or 17%, from Php1,645 million in the same period in 2014. Despite higher SMS traffic, revenues declined due mainly to lower international SMS rates driven by various promotions launched, enhanced bucket offers, partly offset by the favorable effect of a higher weighted average exchange rate of the Philippine peso to the U.S. dollar.

Mobile internet service revenues increased by Php817 million, or 21%, to Php4,778 million in the first half of 2015 from Php3,961 million in the same period in 2014 as a result of higher traffic for mobile internet browsing mainly due to prevalent use of mobile apps, social networking sites and other OTT services. Mobile internet usage includes traffic from the *Free Mobile Internet* promotion launched from September 2014 to February 2015, and *Internet for All* launched on March 3, 2015. Other data offerings such as *Internet.Org*, *Smart Big Bytes* and *Smart Life Entertainment* bundles were also launched in the first half of 2015 to boost data usage.

VAS contributed revenues of Php803 million in the first half of 2015, a decrease of Php28 million, or 3%, as compared with Php831 million in the same period in 2014, primarily due to lower revenues from *Pasa Load/Give-a-Load* and SMS-based VAS, partially offset by higher revenues from MMS-based VAS.

*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*, decreased by Php56 million, or 5%, to Php1,021 million in the first half of 2015 from Php1,077 million in the same period in 2014 primarily due to lower revenues from inbound roaming. Other cellular services accounted for 2% and 3% of our cellular service revenues in the first half of 2015 and 2014, respectively.

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

As at June 30, 2015, our cellular subscribers totaled 68,862,264 a decrease of 34,842 over the cellular subscriber base of 68,897,106 as at June 30, 2014. Our cellular prepaid subscriber base decreased by 496,361, or 1%, to 65,843,593 as at June 30, 2015 from 66,339,954 as at June 30, 2014, while our cellular postpaid subscriber base increased by 461,519, or 18%, to 3,018,671 as at June 30, 2015 from 2,557,152 as at June 30, 2014. The net decrease in subscriber base was primarily due to lower *Smart* and *Talk 'N Text* subscribers by 252,613 and 153,952, respectively, partially offset by an increase in *Sun Cellular* subscribers by 371,723, or 2%. Prepaid subscribers accounted for 96% of our total subscriber base as at June 30, 2015 and 2014.

Our net subscriber activations (reductions) for the six months ended June 30, 2015 and 2014 were as follows:

|                     | 2015             | 2014               | Increase (Decrease) |             |
|---------------------|------------------|--------------------|---------------------|-------------|
|                     |                  |                    | Amount              | %           |
| Prepaid             | (1,248,019)      | (1,327,796)        | 79,777              | (6)         |
| <i>Smart</i>        | (688,955)        | 2,039              | (690,994)           | (33,889)    |
| <i>Talk 'N Text</i> | (247,196)        | (1,428,901)        | 1,181,705           | (83)        |
| <i>Sun Cellular</i> | (311,868)        | 99,066             | (410,934)           | (415)       |
| Postpaid            | 253,223          | 179,275            | 73,948              | 41          |
| <i>Smart</i>        | 99,315           | 79,916             | 19,399              | 24          |
| <i>Sun Cellular</i> | 153,908          | 99,359             | 54,549              | 55          |
| <b>Total</b>        | <b>(994,796)</b> | <b>(1,148,521)</b> | <b>153,725</b>      | <b>(13)</b> |

The following table summarizes our average monthly churn rates for the six months ended June 30, 2015 and 2014:

|                     | 2015   | 2014 |
|---------------------|--------|------|
|                     | (in %) |      |
| Prepaid             |        |      |
| <i>Smart</i>        | 6.0    | 5.6  |
| <i>Talk 'N Text</i> | 5.7    | 6.1  |
| <i>Sun Cellular</i> | 9.8    | 9.6  |
| Postpaid            |        |      |
| <i>Smart</i>        | 2.6    | 2.6  |
| <i>Sun Cellular</i> | 1.9    | 1.8  |

For *Smart Prepaid* subscribers, the average monthly churn rate in the first half of 2015 and 2014 were 6.0% and 5.6%, respectively, while the average monthly churn rate for *Talk 'N Text* subscribers were 5.7% and 6.1% in the first half of 2015 and 2014, respectively. The average monthly churn rate for *Sun Cellular* prepaid subscribers were 9.8% and 9.6% in the first half of 2015 and 2014, respectively.

The average monthly churn rate for *Smart Postpaid* subscribers in each of the first half of 2015 and 2014 was 2.6%, while for *Sun Cellular* postpaid subscribers were 1.9% and 1.8% in the first half of 2015 and 2014, respectively.



The following table summarizes our average monthly cellular ARPUs for the six months ended June 30, 2015 and 2014:

|              | Gross <sup>(1)</sup> |        | Decrease |      | Net <sup>(2)</sup> |        | Decrease |      |
|--------------|----------------------|--------|----------|------|--------------------|--------|----------|------|
|              | 2015                 | 2014   | Amount   | %    | 2015               | 2014   | Amount   | %    |
| Prepaid      |                      |        |          |      |                    |        |          |      |
| Smart        | Php128               | Php148 | (20)     | (14) | Php116             | Php133 | (17)     | (13) |
| Talk 'N Text | 92                   | 98     | (6)      | (6)  | 84                 | 88     | (4)      | (5)  |
| Sun Cellular | 69                   | 74     | (5)      | (7)  | 64                 | 67     | (3)      | (4)  |
| Postpaid     |                      |        |          |      |                    |        |          |      |
| Smart        | 1,064                | 1,090  | (26)     | (2)  | 1,052              | 1,080  | (28)     | (3)  |
| Sun Cellular | 437                  | 474    | (37)     | (8)  | 434                | 471    | (37)     | (8)  |

(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 for the first two quarters of 2015 and for the four quarters in 2014 were as follows:

|                | Prepaid              |                    |                      |                    |                      |                    | Postpaid             |                    |                      |                    |
|----------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|
|                | Smart                |                    | Talk 'N Text         |                    | Sun Cellular         |                    | Smart                |                    | Sun Cellular         |                    |
|                | Gross <sup>(1)</sup> | Net <sup>(2)</sup> | Gross <sup>(1)</sup> | Net <sup>(2)</sup> | Gross <sup>(1)</sup> | Net <sup>(2)</sup> | Gross <sup>(1)</sup> | Net <sup>(2)</sup> | Gross <sup>(1)</sup> | Net <sup>(2)</sup> |
| 2015           |                      |                    |                      |                    |                      |                    |                      |                    |                      |                    |
| First Quarter  | Php130               | Php118             | Php93                | Php85              | Php68                | Php63              | Php1,049             | Php1,039           | Php452               | Php449             |
| Second Quarter | 127                  | 114                | 91                   | 83                 | 70                   | 64                 | 1,080                | 1,065              | 422                  | 419                |
| 2014           |                      |                    |                      |                    |                      |                    |                      |                    |                      |                    |
| First Quarter  | 147                  | 132                | 97                   | 87                 | 75                   | 67                 | 1,098                | 1,086              | 478                  | 476                |
| Second Quarter | 149                  | 134                | 99                   | 89                 | 73                   | 66                 | 1,081                | 1,074              | 471                  | 467                |
| Third Quarter  | 139                  | 124                | 96                   | 87                 | 70                   | 64                 | 1,080                | 1,068              | 473                  | 469                |
| Fourth Quarter | 138                  | 125                | 98                   | 89                 | 71                   | 65                 | 1,095                | 1,084              | 501                  | 497                |

(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 SBI and DMPI, charges for ACeS Philippines' satellite information and messaging services and service revenues generated by the MVNO of PLDT Global's subsidiaries.

#### Wireless Broadband

Revenues from our wireless broadband services increased by Php216 million, or 4%, to Php5,205 million in the first half of 2015 from Php4,989 million in the same period in 2014, primarily due to an increase in prepaid revenues by Php363 million, or 23%, to Php1,930 million in the first half of 2015 from Php1,567 million in the same period in 2014, partially offset by lower postpaid revenues by Php147 million, or 4%, to Php3,275 million in the first half of 2015 from Php3,422 million in the same period in 2014.

The following table shows information of our wireless broadband revenues for the six months ended June 30, 2015 and 2014 and subscriber base as at June 30, 2015 and 2014:

|   | 2015      | 2014      | Increase (Decrease) |     |
|---|-----------|-----------|---------------------|-----|
|   |           |           | Amount              | %   |
| Wireless Broadband Revenues (in millions) | Php5,205  | Php4,989  | Php216              | 4   |
| Prepaid                                   | 1,930     | 1,567     | 363                 | 23  |
| Postpaid                                  | 3,275     | 3,422     | (147)               | (4) |
| Wireless Broadband Subscribers            | 3,676,164 | 2,598,920 | 1,077,244           | 41  |
| Prepaid                                   | 2,811,015 | 1,771,098 | 1,039,917           | 59  |
| Smart                                     | 2,321,847 | 1,496,560 | 825,287             | 55  |
| Sun                                       | 489,168   | 274,538   | 214,630             | 78  |
| Postpaid                                  | 865,149   | 827,822   | 37,327              | 5   |
| Smart                                     | 507,227   | 555,547   | (48,320)            | (9) |
| Sun                                       | 357,922   | 272,275   | 85,647              | 31  |

*Smart Broadband* and *Sun Broadband Wireless*, SBI's and DMPI's broadband services, respectively, offer a number of wireless broadband services and had a total of 3,676,164 subscribers as at June 30, 2015, a net increase of 1,077,244 subscribers, or 41%, as compared with 2,598,920 subscribers as at June 30, 2014, primarily due to a net increase in *Smart Broadband* subscribers by 776,967, or 38%, complemented by an increase in *Sun Broadband* subscribers by 300,277, or 55%, as at June 30, 2015. Our prepaid wireless broadband subscriber base increased by 1,039,917 subscribers, or 59%, to 2,811,015 subscribers as at June 30, 2015 from 1,771,098 subscribers as at June 30, 2014, and our postpaid wireless broadband subscriber base also increased by 37,327 subscribers, or 5%, to 865,149 subscribers as at June 30, 2015 from 827,822 subscribers as at June 30, 2014.

Smart Broadband offers internet access through *SmartBro Plug-It*, a wireless modem and *SmartBro Pocket Wifi*, a portable wireless router which can be shared by multiple users at a time. Both provide connectivity at varying speeds supported by Smart's network utilizing either 3G high speed packet access (HSPA), 4G HSPA+ or Long Term Evolution (LTE)-technology. *SmartBro Plug-It* and *SmartBro Pocket Wifi* are available in both postpaid and prepaid variants. Smart Broadband also has an additional array of load packages that offer time-based charging with different validity periods, as well as *Always On* and *Big Bytes* packages, which offer volume-based charging.

Smart Broadband also offers *PLDT HOMEBro*, a fixed wireless broadband service being offered under PLDT's *HOME* brand. *PLDT HOMEBro* 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. FD-LTE powers *ULTERA*, our latest fixed wireless internet offering designed for the home.

DMPI's *Sun Broadband Wireless* is an affordable high-speed wireless broadband service utilizing advanced 3.5G HSPA technology on an all-IP network offering various plans and packages to internet users.

#### *Others*

Revenues from our other services decreased by Php109 million, or 17%, to Php522 million in the first half of 2015 from Php631 million in the same period in 2014, primarily due to a decrease in the number of ACeS Philippines' subscribers, lower revenue contribution from MVNO of PLDT Global, partially offset by higher weighted average exchange rate of Php44.55 in the six months ended June 30, 2015 from Php44.50 for the six months ended June 30, 2014 on our U.S. dollar and U.S. dollar-linked other service revenues.

#### *Digital*

Revenues from Digital services increased by Php91 million, or 22%, to Php510 million in the first half of 2015 from Php419 million in the same period in 2014 mainly attributable to Smart Money's peer-to-peer (P2P) transaction fees and revenues generated from the partnership with Landbank on Department of Social Welfare and Development's Conditional Cash Transfer Program, partially offset by the decrease in revenues from managed services.

#### ***Non-Service Revenues***

Our wireless non-service revenues consist of proceeds from sales of cellular handsets, cellular SIM-packs and broadband data modems, tablets and accessories. Our wireless non-service revenues increased by Php686 million, or 38%, to Php2,494 million in the first half of 2015 from Php1,808 million in the same period in 2014, primarily due to increased availments for broadband *Pocket Wifi*, *HOMEBro LTE*, broadband tablets accessories and computer packages, as well as higher postpaid cellular activation and retention packages, partly offset by lower quantity of broadband *Plug-It* modems issued.

## Expenses

Expenses associated with our wireless business amounted to Php42,425 million in the first half of 2015, a decrease of Php240 million, or 1%, from Php42,665 million in the same period in 2014. A significant portion of this decrease was attributable to lower compensation and employee benefits, depreciation and amortization, rent, taxes and licenses, communications, training and travel, amortization of intangible assets and other operating expenses, partially offset by higher expenses related to cost of sales, interconnection costs, professional and other contracted services, and repairs and maintenance. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 73% and 71% in the first half of 2015 and 2014, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the six months ended June 30, 2015 and 2014 and the percentage of each expense item in relation to the total:

|  | 2015             | %          | 2014 <sup>(1)</sup> | %          | Increase (Decrease) |            |
|--|------------------|------------|---------------------|------------|---------------------|------------|
|  |                  |            |                     |            | Amount              | %          |
|  | (in millions)    |            |                     |            |                     |            |
| Depreciation and amortization              | Php7,560         | 18         | Php7,845            | 18         | (Php285)            | (4)        |
| Cost of sales                              | 6,487            | 15         | 5,818               | 14         | 669                 | 11         |
| Rent                                       | 5,351            | 13         | 5,596               | 13         | (245)               | (4)        |
| Repairs and maintenance                    | 4,385            | 10         | 4,326               | 10         | 59                  | 1          |
| Interconnection costs                      | 4,249            | 10         | 4,047               | 10         | 202                 | 5          |
| Selling and promotions                     | 4,017            | 10         | 3,998               | 9          | 19                  | –          |
| Compensation and employee benefits         | 3,585            | 8          | 4,004               | 9          | (419)               | (10)       |
| Professional and other contracted services | 2,590            | 6          | 2,463               | 6          | 127                 | 5          |
| Taxes and licenses                         | 1,218            | 3          | 1,356               | 3          | (138)               | (10)       |
| Asset impairment                           | 1,120            | 3          | 1,120               | 3          | –                   | –          |
| Insurance and security services            | 600              | 1          | 608                 | 2          | (8)                 | (1)        |
| Amortization of intangible assets          | 542              | 1          | 574                 | 1          | (32)                | (6)        |
| Communication, training and travel         | 471              | 1          | 534                 | 1          | (63)                | (12)       |
| Other expenses                             | 250              | 1          | 376                 | 1          | (126)               | (34)       |
| <b>Total</b>                               | <b>Php42,425</b> | <b>100</b> | <b>Php42,665</b>    | <b>100</b> | <b>(Php240)</b>     | <b>(1)</b> |

<sup>(1)</sup> Certain comparative information for the six months ended June 30, 2014 were reclassified to conform with the current presentation.

Depreciation and amortization charges decreased by Php285 million, or 4%, to Php7,560 million primarily due to a lower depreciable asset base.

Cost of sales increased by Php669 million, or 11%, to Php6,487 million primarily due to increased modems and devices issued for broadband *Pocket Wifi*, *HOMEbro LTE*, broadband accessories mainly tablets, as well as an increase in handset costs attributable to higher cellular postpaid activation and retention, partially offset by lower quantity of broadband *Plug-It* modems issued.

Rent expenses decreased by Php245 million, or 4%, to Php5,351 million primarily due to lower leased circuit and dark fiber rental charges, as well as lower site, office building and pole rentals.

Repairs and maintenance expenses increased by Php59 million, or 1%, to Php4,385 million mainly due to higher expenses on site maintenance and electricity, and higher maintenance costs on IT software, partially offset by lower site fuel consumption costs and maintenance costs on IT hardware.

Interconnection costs increased by Php202 million, or 5%, to Php4,249 million primarily due to an increase in interconnection charges on domestic voice and SMS services, partially offset by lower interconnection cost on international voice and SMS services.

Selling and promotion expenses slightly increased by Php19 million to Php4,017 million primarily due to higher advertising costs and costs of events, partially offset by lower commissions and public relations expenses.

Compensation and employee benefits expenses decreased by Php419 million, or 10%, to Php3,585 million primarily due to lower incentives and manpower rightsizing program, or MRP, costs, partly offset by higher salaries and employee benefits, and provision for pension. Employee headcount decreased to 7,481 as at June 30, 2015 as compared with 7,643 as at June 30, 2014.

Professional and other contracted service fees increased by Php127 million, or 5%, to Php2,590 million primarily due to an increase in outsourced costs, call center, legal and collection agency fees, partly offset by lower consultancy service fees.

Taxes and licenses decreased by Php138 million, or 10%, to Php1,218 million due to lower business-related taxes.

Insurance and security services decreased by Php8 million, or 1%, to Php600 million primarily due to lower office security expenses, partly offset by higher site security expenses.

Amortization of intangible assets decreased by Php32 million, or 6%, to Php542 million primarily due to lower license fees paid for exclusive partnership and use of music catalogues.

Communication, training and travel expenses decreased by Php63 million, or 12%, to Php471 million primarily due to lower fuel consumption costs for vehicles, partially offset by higher communication charges.

Other expenses decreased by Php126 million, or 34%, to Php250 million primarily due to lower various business and operational-related expenses.

### ***Other Expenses***

The following table summarizes the breakdown of our total wireless-related other income (expenses) for the six months ended June 30, 2015 and 2014:

|  | 2015            | 2014 <sup>(1)</sup> | Change         |           |
|--|-----------------|---------------------|----------------|-----------|
|  |                 |                     | Amount         | %         |
|  | (in millions)   |                     |                |           |
| Other Income (Expenses):                                 |                 |                     |                |           |
| Financing costs – net                                    | (Php858)        | (Php804)            | (Php54)        | 7         |
| Foreign exchange gains (losses) – net                    | (139)           | 186                 | (325)          | (175)     |
| Equity share in net losses of associates                 | (23)            | –                   | (23)           | –         |
| Gains (losses) on derivative financial instruments – net | 14              | (32)                | 46             | (144)     |
| Interest income  | 157             | 109                 | 48             | 44        |
| Other income – net                                       | 524             | 264                 | 260            | 98        |
| <b>Total</b>   | <b>(Php325)</b> | <b>(Php277)</b>     | <b>(Php48)</b> | <b>17</b> |

<sup>(1)</sup> Certain comparative information for the six months ended June 30, 2014 were reclassified to conform with the current presentation.

Our wireless business' other expenses amounted to Php325 million in the first half of 2015, an increase of Php48 million, or 17%, from Php277 million in the same period in 2014, primarily due to the combined effects of the following: (i) net foreign exchange losses of Php139 million in the first half of 2015 from net foreign exchange gains of Php186 million in the same period in 2014 on account of the revaluation of net foreign currency-denominated liabilities due to the depreciation of the Philippine peso relative to the U.S. dollar to Php45.14 as at June 30, 2015 from Php44.74 as at December 31, 2014 as against the appreciation of the Philippine peso relative to the U.S. dollar to Php43.65 as at June 30, 2014 from Php44.40 as at December 31, 2013; (ii) higher net financing costs by Php54 million primarily due to higher outstanding loan balances, higher weighted average interest rates on loans, an increase on accretion on financial liabilities, partly offset by lower financing charges and an increase in capitalized interest; (iii) equity share in net losses of associates by Php23 million in the first half of 2015; (iv) an increase in other income – net by Php260 million mainly due to higher income from consultancy and higher gain on sale of fixed assets; (v) higher interest income by Php48 million mainly due to higher principal amounts of temporary cash investments, partly offset by lower interest income on held-to-maturity investments; (vi) net gains on derivative financial instruments of Php14 million in the first half of 2015 as against net losses on derivative financial instruments of Php32 million in the same period in 2014 mainly due to the weakening of the peso relative to the forward purchase contract rates.

### ***Provision for Income Tax***

Provision for income tax decreased by Php519 million, or 11%, to Php4,219 million in the first half of 2015 from Php4,738 million in the same period in 2014 primarily due to lower taxable income. The effective tax rates for our wireless business were 27% and 28% in the first half of 2015 and 2014, respectively.

### ***Net Income***

As a result of the foregoing, our wireless business' net income decreased by Php1,085 million, or 9%, to Php11,118 million in the first half of 2015 from Php12,203 million recorded in the same period in 2014.

### ***EBITDA***

Our wireless business' EBITDA decreased by Php1,873 million, or 7%, to Php23,764 million in the first half of 2015 from Php25,637 million in the same period in 2014.



### Core Income

Our wireless business' core income decreased by Php873 million, or 7%, to Php11,207 million in the first half of 2015 from Php12,080 million in the same period in 2014 on account of a lower wireless service revenues, partially offset by lower provision for income tax and a decrease in wireless-related operating and other expenses.

### Fixed Line

#### Revenues

Revenues generated from our fixed line business amounted to Php33,683 million in the first half of 2015, an increase of Php975 million, or 3%, from Php32,708 million in the same period in 2014.

The following table summarizes our total revenues from our fixed line business for the six months ended June 30, 2015 and 2014 by service segment:

|   | 2015             | %          | 2014 <sup>(1)</sup> | %          | Increase (Decrease) |          |
|---|------------------|------------|---------------------|------------|---------------------|----------|
|   |                  |            |                     |            | Amount              | %        |
| (in millions)   |                  |            |                     |            |                     |          |
| Service Revenues:   |                  |            |                     |            |                     |          |
| Local exchange  | Php8,446         | 25         | Php8,243            | 25         | Php203              | 2        |
| International long distance   | 4,590            | 14         | 5,702               | 18         | (1,112)             | (20)     |
| National long distance  | 2,018            | 6          | 2,199               | 7          | (181)               | (8)      |
| Data and other network  | 16,335           | 48         | 14,805              | 45         | 1,530               | 10       |
| Miscellaneous   | 755              | 2          | 668                 | 2          | 87                  | 13       |
|   | 32,144           | 95         | 31,617              | 97         | 527                 | 2        |
| Non-Service Revenues:   |                  |            |                     |            |                     |          |
| Sale of computers, phone units and SIM cards, and point-product sales | 1,539            | 5          | 1,091               | 3          | 448                 | 41       |
| <b>Total Fixed Line Revenues</b>                                      | <b>Php33,683</b> | <b>100</b> | <b>Php32,708</b>    | <b>100</b> | <b>Php975</b>       | <b>3</b> |

<sup>(1)</sup> Certain comparative information for the six months ended June 30, 2014 were reclassified to conform with the current presentation.

#### Service Revenues

Our fixed line business provides local exchange service, national and international long distance services, data and other network services, and miscellaneous services. Our fixed line service revenues increased by Php527 million, or 2%, to Php32,144 million in the first half of 2015 from Php31,617 million in the same period in 2014 due to increases in revenues from our data and other network, local exchange and miscellaneous services, partially offset by lower national and international long distance service revenues.

#### Local Exchange Service

The following table summarizes the key measures of our local exchange service business as at and for the six months ended June 30, 2015 and 2014:

|   | 2015      | 2014      | Increase (Decrease) |      |
|---|-----------|-----------|---------------------|------|
|   |           |           | Amount              | %    |
| Total local exchange service revenues (in millions) | Php8,446  | Php8,243  | Php203              | 2    |
| Number of fixed line subscribers                    | 2,257,266 | 2,157,114 | 100,152             | 5    |
| Postpaid  | 2,214,494 | 2,095,564 | 118,930             | 6    |
| Prepaid   | 42,772    | 61,550    | (18,778)            | (31) |
| Number of fixed line employees                      | 7,066     | 7,510     | (444)               | (6)  |
| Number of fixed line subscribers per employee       | 319       | 287       | 32                  | 11   |

Revenues from our local exchange service increased by Php203 million, or 2%, to Php8,446 million in the first half of 2015 from Php8,243 million in the same period in 2014, primarily due to higher weighted average postpaid billed lines and an increase in ARPU. The percentage contribution of local exchange revenues to our total fixed line service revenues was 26% in each of the first half of 2015 and 2014.



### International Long Distance Service

The following table shows our international long distance service revenues and call volumes for the six months ended June 30, 2015 and 2014:

|  | 2015     | 2014     | Decrease   |      |
|--|----------|----------|------------|------|
|  |          |          | Amount     | %    |
| Total international long distance service revenues (in millions)   | Php4,590 | Php5,702 | (Php1,112) | (20) |
| Inbound  | 4,060    | 5,093    | (1,033)    | (20) |
| Outbound   | 530      | 609      | (79)       | (13) |
| International call volumes (in million minutes, except call ratio) | 815      | 1,017    | (202)      | (20) |
| Inbound  | 691      | 862      | (171)      | (20) |
| Outbound   | 124      | 155      | (31)       | (20) |
| Inbound-outbound call ratio  | 5.6:1    | 5.6:1    | –          | –    |

Our total international long distance service revenues decreased by Php1,112 million, or 20%, to Php4,590 million in the first half of 2015 from Php5,702 million in the same period in 2014, primarily due to lower call volumes for both inbound and outbound traffic as a result of popularity of OTT service providers (e.g. *Facebook, Skype, Viber, WhatsApp*, etc.) over traditional long distance services and the decrease in average settlement rate in dollar terms, partially offset by the increase in average billing rate in dollar terms and the effect of a higher weighted average exchange rate of the Philippine peso to the U.S. dollar to Php44.55 as at June 30, 2015 from Php44.50 as at June 30, 2014. The percentage contribution of international long distance service revenues to our total fixed line service revenues accounted for 14% and 18% in the first half of 2015 and 2014, respectively.

Our revenues from inbound international long distance service decreased by Php1,033 million, or 20%, to Php4,060 million in the first half of 2015 from Php5,093 million in the same period in 2014 primarily due to lower inbound call volumes and a decrease in average settlement rate in dollar terms, partially offset by the effect of a higher weighted average exchange rate of the Philippine peso to the U.S. dollar.

Our revenues from outbound international long distance service decreased by Php79 million, or 13%, to Php530 million in the first half of 2015 from Php609 million in the same period in 2014, primarily due to the decrease in call volumes, partially offset by the increase in the average billing rate in dollar terms and the effect of a higher weighted average exchange rate of the Philippine peso to the U.S. dollar.

Correspondingly, our total international long distance service revenues, net of interconnection costs, decreased by Php436 million, or 20%, to Php1,726 million in the first half of 2015 from Php2,162 million in the same period in 2014. The decrease was primarily due to the effect of lower international inbound service revenues as a result of lower inbound call volumes, decrease in the average settlement rate in dollar terms and the net effect of lower international outbound service revenues as a result of lower outbound call volumes.

### National Long Distance Service

The following table shows our national long distance service revenues and call volumes for the six months ended June 30, 2015 and 2014:

|   | 2015     | 2014     | Decrease |     |
|---|----------|----------|----------|-----|
|   |          |          | Amount   | %   |
| Total national long distance service revenues (in millions) | Php2,018 | Php2,199 | (Php181) | (8) |
| National long distance call volumes (in million minutes)    | 387      | 407      | (20)     | (5) |

Our national long distance service revenues decreased by Php181 million, or 8%, to Php2,018 million in the first half of 2015 from Php2,199 million in the same period in 2014, primarily due to a decrease in call volumes. The percentage contribution of national long distance revenues to our fixed line service revenues were 6% and 7% in the six months ended June 30, 2015 and 2014, respectively. Our national long distance service revenues, net of interconnection costs, decreased by Php154 million, or 9%, to Php1,568 million in the first half of 2015 from Php1,722 million in the same period in 2014, primarily due to a decrease in call volumes.



### Data and Other Network Services

The following table shows information of our data and other network service revenues for the six months ended June 30, 2015 and 2014:

|   | 2015      | 2014 <sup>(1)</sup> | Increase (Decrease) |     |
|---|-----------|---------------------|---------------------|-----|
|   |           |                     | Amount              | %   |
| Data and other network service revenues (in millions) | Php16,335 | Php14,805           | Php1,530            | 10  |
| Domestic  | 11,527    | 10,660              | 867                 | 8   |
| <i>Broadband</i>                                      | 7,774     | 6,846               | 928                 | 14  |
| <i>Leased Lines and Others</i>                        | 3,753     | 3,814               | (61)                | (2) |
| International   |           |                     |                     |     |
| <i>Leased Lines and Others</i>                        | 3,587     | 3,146               | 441                 | 14  |
| Data Centers  | 1,221     | 999                 | 222                 | 22  |
| Subscriber base                                       |           |                     |                     |     |
| <i>Broadband</i>                                      | 1,185,319 | 1,037,874           | 147,445             | 14  |

<sup>(1)</sup> Certain comparative information for the six months ended June 30, 2014 were reclassified to conform with the current presentation.

Our data and other network services posted revenues of Php16,335 million in the first half of 2015, an increase of Php1,530 million, or 10%, from Php14,805 million in the same period in 2014, primarily due to higher domestic data revenues from DSL, *Fibr* and *Shops.Work*, international data revenues primarily from i-Gate, and data centers revenues. The percentage contribution of this service segment to our fixed line service revenues was 51% and 47% in the first half of 2015 and 2014, respectively.

#### Domestic

Domestic data services contributed Php11,527 million in the first half of 2015, an increase of Php867 million, or 8%, as compared with Php10,660 million in the same period in 2014 mainly due to higher DSL and *Fibr* revenues, and *Shops.Work* subscribers as customer locations and bandwidth requirements continued to expand and higher demand for offshoring and outsourcing services. The percentage contribution of domestic data service revenues to total data and other network services were 71% and 72% in the first half of 2015 and 2014, 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 Php7,774 million in the first half of 2015, an increase of Php928 million, or 14%, from Php6,846 million in the same period in 2014 as a result of the increase in the number of subscribers by 147,445, or 14%, to 1,185,319 subscribers as at June 30, 2015 from 1,037,874 subscribers as at June 30, 2014. Broadband revenues accounted for 48% and 46% of total data and other network service revenues in the first half of 2015 and 2014, 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) Internet Protocol-Virtual Private Network, or 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. The percentage contribution of leased lines and other data service revenues to the total data and other network services were 23% and 26% in the first half of 2015 and 2014, 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 Php441 million, or 14%, to Php3,587 million in the first half of 2015 from Php3,146 million in the same period in 2014, primarily due to higher 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 22% and 21% in the first half of 2015 and 2014, respectively.

#### Data Centers

Data centers provide colocation or rental services, server hosting, disaster recovery and business continuity services, intrusion detection, security services, such as managed firewalls. As at June 30, 2015, ePLDT Group had a total of 2,486 rack capacity in six locations covering Metro Manila, Subic and Cebu. Data center revenues increased by Php222 million, or 22%, to Php1,221 million in the first half of 2015 from Php999 million in the same period in 2014 mainly due to higher revenues from colocation and managed services. The percentage contribution of this service segment to our total data and other network service revenues was 7% in each of the first half of 2015 and 2014.

#### Miscellaneous Services

Miscellaneous service revenues are derived mostly from rental, outsourcing and facilities management fees, and directory advertising. These service revenues increased by Php87 million, or 13%, to Php755 million in the first half of 2015 from Php668 million in the same period in 2014 mainly due to higher outsourcing and management fees, and royalty from directory services. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues were 3% and 2% in the first half of 2015 and 2014, respectively.

#### Non-service Revenues

Non-service revenues increased by Php448 million, or 41%, to Php1,539 million in the first half of 2015 from Php1,091 million in the same period in 2014, primarily due to higher sale of equipment for *PLDT UNO*, a managed unified communications offering, and *Telpad* units, an increase in computer-bundled sales, *FabTAB* for *myDSL* retention, and several managed PABX and *OnCall* solution, partially offset by lower sale of 2-in-1 wireless HOME bundles.

#### Expenses

Expenses related to our fixed line business totaled Php28,964 million in the first half of 2015, an increase of Php1,453 million, or 5%, as compared with Php27,511 million in the same period in 2014. The increase was primarily due to higher expenses related to compensation and employee benefits, taxes and licenses, asset impairment, professional and other contracted services, repairs and maintenance, selling and promotions, cost of sales, and insurance and security services, partly offset by lower expenses related to interconnection costs, depreciation and amortization, rent, communication, training and travel, and other operating expenses. As a percentage of our total fixed line revenues, expenses associated with our fixed line business accounted for 86% and 84% in the first half of 2015 and 2014, respectively.

The following table shows the breakdown of our total fixed line-related expenses for the six months ended June 30, 2015 and 2014 and the percentage of each expense item to the total:

|  | 2015             | %          | 2014 <sup>(1)</sup> | %          | Increase (Decrease) |          |
|--|------------------|------------|---------------------|------------|---------------------|----------|
|  |                  |            |                     |            | Amount              | %        |
|  | (in millions)    |            |                     |            |                     |          |
| Compensation and employee benefits         | Php7,739         | 27         | Php6,450            | 24         | Php1,289            | 20       |
| Depreciation and amortization              | 6,385            | 23         | 6,645               | 24         | (260)               | (4)      |
| Interconnection costs                      | 3,349            | 11         | 4,095               | 15         | (746)               | (18)     |
| Repairs and maintenance                    | 3,348            | 11         | 3,095               | 11         | 253                 | 8        |
| Professional and other contracted services | 2,319            | 8          | 2,040               | 8          | 279                 | 14       |
| Cost of sales                              | 1,205            | 4          | 1,111               | 4          | 94                  | 8        |
| Rent                                       | 1,168            | 4          | 1,225               | 5          | (57)                | (5)      |
| Selling and promotions                     | 1,041            | 4          | 944                 | 3          | 97                  | 10       |
| Taxes and licenses                         | 914              | 3          | 591                 | 2          | 323                 | 55       |
| Asset impairment                           | 587              | 2          | 301                 | 1          | 286                 | 95       |
| Insurance and security services            | 367              | 1          | 351                 | 1          | 16                  | 5        |
| Communication, training and travel         | 253              | 1          | 306                 | 1          | (53)                | (17)     |
| Other expenses                             | 289              | 1          | 357                 | 1          | (68)                | (19)     |
| <b>Total</b>                               | <b>Php28,964</b> | <b>100</b> | <b>Php27,511</b>    | <b>100</b> | <b>Php1,453</b>     | <b>5</b> |

<sup>(1)</sup> Certain comparative information for the six months ended June 30, 2014 were reclassified to conform with the current presentation.

Compensation and employee benefits expenses increased by Php1,289 million, or 20%, to Php7,739 million primarily due to higher MRP costs, salaries and employee benefits, and provision for pension. Employee headcount decreased to 9,448 in the first half of 2015 as compared with 9,667 in the same period in 2014 mainly due to lower PLDT headcount as a result of MRP in 2015.

Depreciation and amortization charges decreased by Php260 million, or 4%, to Php6,385 million due to lower depreciable asset base.

Interconnection costs decreased by Php746 million, or 18%, to Php3,349 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 international outbound calls, and data and other network interconnection/settlement costs, particularly Fibernet and Infonet.

Repairs and maintenance expenses increased by Php253 million, or 8%, to Php3,348 million primarily due to higher repairs and maintenance costs on cable and wire facilities, as well as central office/telecoms equipment, an increase in site electricity expenses, and higher office building and IT hardware maintenance costs, partially offset by lower office electricity charges.

Professional and other contracted service expenses increased by Php279 million, or 14%, to Php2,319 million primarily due to higher mailing and courier charges, contracted and payment facility fees, partially offset by lower consultancy fees.

Cost of sales increased by Php94 million, or 8%, to Php1,205 million primarily due to higher sale of equipment for *PLDT UNO* and *Telpad* units, higher computer-bundled sales, *FabTAB* for *myDSL* retention, and several managed PABX and *OnCall* solution, partially offset by lower sale of 2-in-1 wireless HOME bundles.

Rent expenses decreased by Php57 million, or 5%, to Php1,168 million primarily due to decrease in leased circuit and customer premises equipment rental charges, partially offset by higher office building rental charges.

Selling and promotion expenses increased by Php97 million, or 10%, to Php1,041 million primarily due to higher advertising expenses and cost of events, partially offset by lower commissions and public relations expenses.

Taxes and licenses increased by Php323 million, or 55%, to Php914 million as a result of higher business-related taxes and tax settlement in the first half of 2015.

Asset impairment increased by Php286 million, or 95%, to Php587 million mainly due to higher provision for uncollectible receivables in the first half of 2015, partly offset by fixed asset impairment provision in the first half of 2014.

Insurance and security services increased by Php16 million, or 5%, to Php367 million primarily due to higher expenses on office security services and group health insurance premiums, partially offset by lower insurance and bond premiums.

Communication, training and travel expenses decreased by Php53 million, or 17%, to Php253 million mainly due to lower fuel consumption costs, partly offset by higher training and travel, and communication, and mailing and courier charges.

Other expenses decreased by Php68 million, or 19%, to Php289 million primarily due to lower 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 six months ended June 30, 2015 and 2014:

|  | 2015            | 2014 <sup>(1)</sup> | Change            |              |
|--|-----------------|---------------------|-------------------|--------------|
|  |                 |                     | Amount            | %            |
|  | (in millions)   |                     |                   |              |
| Other Income (Expenses):                                 |                 |                     |                   |              |
| Interest income  | Php268          | Php156              | Php112            | 72           |
| Gains (losses) on derivative financial instruments – net | 75              | (139)               | 214               | (154)        |
| Equity share in net earnings (losses) of associates      | (15)            | 106                 | (121)             | (114)        |
| Foreign exchange gains (losses) – net                    | (217)           | 280                 | (497)             | (178)        |
| Financing costs – net                                    | (2,104)         | (1,719)             | (385)             | 22           |
| Other income – net                                       | 994             | 1,741               | (747)             | (43)         |
| <b>Total</b>   | <b>(Php999)</b> | <b>Php425</b>       | <b>(Php1,424)</b> | <b>(335)</b> |

<sup>(1)</sup> Certain comparative information for the six months ended June 30, 2014 were reclassified to conform with the current presentation.

Our fixed line business' other expenses amounted to Php999 million in the first half of 2015, a change of Php1,424 million as against other income of Php425 million in the same period in 2014 mainly due to the combined effects of the following: (i) a decrease in other income – net by Php747 million due to gain on purchase price adjustment in 2014 in relation to the acquisition of Digitel; (ii) foreign exchange losses of Php217 million in the first half of 2015 as against foreign exchange gains of Php280 million in the same period in 2014 on account of revaluation of net foreign currency-denominated liabilities due to depreciation of the Philippine peso relative to the U.S. dollar to Php45.14 as at June 30, 2015 from Php44.74 as at December 31, 2014 and appreciation to Php43.65 as at June 30, 2014 from Php44.40 as at December 31, 2013; (iii) higher financing costs by Php385 million mainly due to higher outstanding loan balances, higher weighted average interest rates on loans, effect of a higher weighted average exchange rate of the Philippine peso to the U.S. dollar, lower capitalized interest and higher financing charges; (iv) equity share in net losses of associates of Php15 million in the first half of 2015 as against equity share in net earnings of associates of Php106 million in the same period in 2014 mainly due to the share in net losses of Cignal TV; (v) an increase in interest income by Php112 million due to higher weighted average interest rates and depreciation of the Philippine peso to the U.S. dollar, partially offset by lower temporary cash investments; and (vi) gain on derivative financial instruments of Php75 million in the first half of 2015 as against loss on derivative financial instruments of Php139 million in the same period in 2014 on account of depreciation of the Philippine peso relative to the U.S. dollar in the first six months of 2015 as against an appreciation of the Philippine peso relative to the U.S. dollar in the same period in 2014, wider dollar and peso interest rate differentials and mark-to-market gain on forward purchase contracts due to the depreciation of the U.S. dollar relative to the Philippine peso.

### ***Provision for Income Tax***

Provision for income tax amounted to Php1,168 million in the first half of 2015, a decrease of Php303 million, or 21%, from Php1,471 million in the same period in 2014 primarily due to lower taxable income. The effective tax rates for our fixed line business were 31% and 26% in the first half of 2015 and 2014, respectively.

### ***Net Income***

As a result of the foregoing, our fixed line business contributed a net income of Php2,552 million in the first half of 2015, a decrease of Php1,599 million, or 39%, as compared with Php4,151 million in the same period in 2014.

### ***EBITDA***

Our fixed line business' EBITDA decreased by Php965 million, or 8%, to Php11,104 million in the first half of 2015 from Php12,069 million in the same period in 2014.

### ***Core Income***

Our fixed line business' core income decreased by Php1,554 million, or 38%, to Php2,550 million in the first half of 2015 from Php4,104 million in the same period in 2014, primarily as a result of higher fixed line operating expenses and lower other income, partially offset by higher fixed line revenues and lower provision for income tax.

## Others

### *Other Income*

The following table summarizes the breakdown of other income – net for other business segment for the six months ended June 30, 2015 and 2014:

|   | 2015            | 2014            | Change          |           |
|---|-----------------|-----------------|-----------------|-----------|
|   |                 |                 | Amount          | %         |
|   |                 |                 | (in millions)   |           |
| Other Income (Expenses):                                      |                 |                 |                 |           |
| Equity share in net earnings of associates and joint ventures | Php2,272        | Php1,977        | Php295          | 15        |
| Interest income   | 51              | 155             | (104)           | (67)      |
| Gains on derivative financial instruments – net               | –               | 7               | (7)             | (100)     |
| Foreign exchange losses – net                                 | (83)            | (7)             | (76)            | 1,086     |
| Financing costs – net   | (87)            | –               | (87)            | –         |
| Other income – net  | 3,012           | 1,543           | 1,469           | 95        |
| <b>Total</b>  | <b>Php5,165</b> | <b>Php3,675</b> | <b>Php1,490</b> | <b>41</b> |

Other income increased by Php1,490 million, or 41%, to Php5,165 million in the first half of 2015 from Php3,675 million in the same period in 2014 primarily due to the combined effects of the following: (i) higher other income – net by Php1,469 million due to higher realized portion of deferred gain on the transfer of Meralco shares; (ii) higher equity share in net earnings of associates by Php295 million mainly due to an increase in equity share in the net earnings of Beta and Beacon; (iii) net gains on derivative financial instruments of Php7 million in the first half of 2014; (iv) increase in net foreign exchange losses by Php76 million; (v) financing costs of Php87 million in the first half of 2015; and (vi) a decrease in interest income by Php104 million.

### *Net Income*

As a result of the foregoing, our other business segment registered a net income of Php5,079 million, an increase of Php1,432 million, or 39%, in the first half of 2015 from Php3,647 million in the same period in 2014.

### *Core Income*

Our other business segment's core income amounted to Php5,171 million in the first half of 2015, an increase of Php1,521 million, or 42%, as compared with Php3,650 million in the same period in 2014 mainly as a result of higher other income.



## Liquidity and Capital Resources

The following table shows our consolidated cash flows for the six months ended June 30, 2015 and 2014, as well as our consolidated capitalization and other consolidated selected financial data as at June 30, 2015 and December 31, 2014:

|   | For the Six Months Ended June 30, |                     |
|---|-----------------------------------|---------------------|
|   | 2015                              | 2014                |
|   | (in millions)                     |                     |
| <b>Cash Flows</b>   |                                   |                     |
| Net cash flows provided by operating activities                                       | Php30,946                         | Php31,656           |
| Net cash flows used in investing activities   | (8,916)                           | (10,241)            |
| <i>Capital expenditures</i>   | <i>13,877</i>                     | <i>8,104</i>        |
| Net cash flows used in financing activities   | (11,610)                          | (10,362)            |
| Net increase in cash and cash equivalents   | 10,546                            | 10,962              |
|   | <b>June 30,</b>                   | <b>December 31,</b> |
|   | <b>2015</b>                       | <b>2014</b>         |
|   | (in millions)                     |                     |
| <b>Capitalization</b>   |                                   |                     |
| Long-term portion of interest-bearing financial liabilities – net of current portion: |                                   |                     |
| Long-term debt  | Php126,991                        | Php115,399          |
| Obligations under finance lease   | –                                 | 1                   |
|   | 126,991                           | 115,400             |
| Current portion of interest-bearing financial liabilities:                            |                                   |                     |
| Long-term debt maturing within one year   | 16,744                            | 14,724              |
| Obligations under finance lease maturing within one year                              | 3                                 | 5                   |
|   | 16,747                            | 14,729              |
| Total interest-bearing financial liabilities  | 143,738                           | 130,129             |
| Total equity attributable to equity holders of PLDT                                   | 124,398                           | 134,364             |
|   | Php268,136                        | Php264,493          |
| <b>Other Selected Financial Data</b>  |                                   |                     |
| Total assets  | Php438,098                        | Php436,295          |
| Property, plant and equipment   | 190,790                           | 191,984             |
| Cash and cash equivalents   | 37,205                            | 26,659              |
| Short-term investments  | 1,548                             | 643                 |

Our consolidated cash and cash equivalents and short-term investments totaled Php38,753 million as at June 30, 2015. Principal sources of consolidated cash and cash equivalents in the first half of 2015 were cash flows from operating activities amounting to Php30,946 million, proceeds from availment of long-term debt of Php21,048 million, dividends received of Php5,544 million, interest received of Php445 million and net proceeds from redemption of investments in debt securities of Php360 million. These funds were used principally for: (1) dividend payments of Php18,793 million; (2) capital outlays, including capitalized interest, of Php13,877 million; (3) debt principal and interest payments of Php7,946 million and Php2,627 million, respectively; (4) net payment of capital expenditures under long-term financing of Php2,777 million; (5) payment for purchase of short-term investments of Php997 million; (6) settlement of derivative financial instruments of Php265 million; and (7) payment for purchase of investment in joint ventures and associates of Php160 million.

Our consolidated cash and cash equivalents and short-term investments totaled Php43,926 million as at June 30, 2014. Principal sources of consolidated cash and cash equivalents in the first half of 2014 were cash flows from operating activities amounting to Php31,656 million, proceeds from availment of long-term debt of Php27,767 million, dividends received of Php1,855 million, interest received of Php285 million and proceeds from disposal of property, plant and equipment of Php187 million. These funds were used principally for: (1) dividend payments of Php25,012 million; (2) capital outlays, including capitalized interest, of Php8,104 million; (3) debt principal and interest payments of Php7,750 million and Php2,143 million, respectively; (4) net payment of capital expenditures under long-term financing of Php2,735 million; (5) net payment for purchase of investment in debt securities of Php1,030 million; (6) decrease in short-term investments of Php345 million; (7) deposit for future PDRs of Php300 million; (8) payment for purchase of investment in joint venture of Php300 million; (9) settlement of derivative financial instruments of Php234 million; and (10) payment for acquisition of shares of minority shareholders and purchase of investment in subsidiaries – net of cash acquired of Php191 million.



### ***Operating Activities***

Our consolidated net cash flows provided by operating activities decreased by Php710 million, or 2%, to Php30,946 million in the first half of 2015 from Php31,656 million in the same period in 2014, primarily due to settlement of LTIP in 2015, lower operating income, higher pension contribution, higher prepayments, and higher level of settlement of other liabilities, partially offset by lower level of settlement of accounts payable, higher level of collection of receivables and lower corporate taxes paid.

Cash flows provided by operating activities of our fixed line business decreased by Php2,443 million, or 21%, to Php9,161 million in the first half of 2015 from Php11,604 million in the same period in 2014, primarily due to the settlement of LTIP in 2015, lower operating income, higher level of settlement of accounts payable and other liabilities, and higher pension contribution, partially offset by higher level of collection of accounts receivable. Cash flows provided by operating activities of our wireless business increased by Php1,918 million, or 10%, to Php22,032 million in the first half of 2015 from Php20,114 million in the same period in 2014 primarily due to lower level of settlement of accounts payable, higher level of collection of outstanding receivables and lower corporate taxes paid, partially offset by higher prepayments, settlement of LTIP in 2015, higher level of settlement of other liabilities and lower operating income. Cash flows used in operating activities of our other business amounted to Php72 million in the first half of 2015 from Php16 million in the same period in 2014 primarily due to higher level of settlement of other liabilities.

### ***Investing Activities***

Consolidated net cash flows used by investing activities amounted to Php8,916 million in the first half of 2015, a decrease of Php1,325 million, or 13%, from Php10,241 million in the same period in 2014, primarily due to the combined effects of the following: (1) higher dividends received by Php3,689 million; (2) higher net proceeds from redemption of investment in debt securities by Php1,390 million; (3) higher interest received by Php160 million; (4) lower payment for purchase of investment in joint ventures and associates by Php140 million; (5) lower payment for acquisition of shares of minority shareholders and purchase of investment in subsidiaries – net of cash acquired of Php149 million; (6) higher payment for purchase of short-term investments by Php652 million; and (7) higher capital expenditures by Php5,773 million.

Our consolidated capital expenditures, including capitalized interest, in the first half of 2015 totaled Php13,877 million, an increase of Php5,773 million, or 71%, as compared with Php8,104 million in the same period in 2014, primarily due to Smart Group's higher capital spending, partially offset by PLDT's lower capital spending. Smart Group's capital spending of Php10,932 million in the first half of 2015 primarily focuses on expanding coverage and reach as well as service enhancement. PLDT's capital spending of Php2,441 million in the first half of 2015 was principally used to finance the aggressive Fiber-to-the-Home and new generation network roll-out and expansion, outside plant rehabilitation, build and upgrade of various submarine cable facilities, fortification of transport backbone, expansion of access fiber and various customer premises equipment acquisition to complement introduction of new products and services. 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 Php11,610 million in the first half of 2015, an increase of Php1,248 million, or 12%, from Php10,362 million in the same period in 2014, resulting largely from the combined effects of the following: (1) lower proceeds from availing of long-term debt by Php6,719 million; (2) higher interest payments by Php484 million; (3) higher net payments of long-term debt by Php196 million; (4) higher net payments to capital expenditures under long-term financing by Php42 million; (5) settlement of derivative financial instruments by Php31 million; and (6) lower cash dividend payments by Php6,219 million.

### *Debt Financing*

Proceeds from availment of long-term debt for the six months ended June 30, 2015 amounted to Php21,048 million, mainly from PLDT's and Smart's drawings related to the financing of our capital expenditure requirements and maturing loan obligations. Payments of principal and interest on our total debt amounted to Php7,946 million and Php2,627 million, respectively, in the first half of 2015.

Our consolidated long-term debt increased by Php13,612 million, or 10%, to Php143,735 million as at June 30, 2015 from Php130,123 million as at December 31, 2014 primarily due to drawings from our term loan facilities, partially offset by debt amortizations and prepayments, and the effect of the depreciation of the Philippine peso relative to the U.S. dollar to Php45.14 as at June 30, 2015 from Php44.74 as at December 31, 2014. As at June 30, 2015, the long-term debt levels of PLDT and Smart increased by 11% and 14%, to Php87,816 million and Php48,605 million, respectively, while DMPI's long-term debt level decreased by 15%, to Php7,314 million, as compared with December 31, 2014.

On February 25, 2015, PLDT signed a Php2,000 million term loan facility with BPI to finance its capital expenditures and/or refinance its existing loan obligations, the proceeds of which were utilized for its service improvements and expansion programs. The loan is payable over ten years with an annual amortization rate of 1% on the first year up to the ninth year from the initial drawdown date and the balance payable upon maturity on March 24, 2025. The amount of Php2,000 million was fully drawn on March 24, 2015 and remained outstanding as at June 30, 2015.

On February 26, 2015, PLDT signed a US\$200 million term loan facility with The Bank of Tokyo-Mitsubishi UFJ, Ltd., as the facility agent, to finance capital expenditure requirements for network expansion and improvement and/or to refinance existing indebtedness proceeds of which were utilized for service improvement and network expansion. The loan is comprised of two tranches: Tranche A amounting to US\$150 million which carries a floating interest rate and Tranche B amounting to US\$50 million which carries a floating interest rate on the first year and a fixed interest rate on the second year until maturity of the loan. Both Tranches are payable over seven years commencing on the date which falls 36 months after the date of the agreement, with semi-annual amortizations of 23.75% of the loan amount on the first and second repayment dates and seven semi-annual amortizations of 7.5% of the loan amount starting on the third repayment date. The amount of US\$50 million for Tranche B was drawn on March 5, 2015. Two separate drawdowns of US\$50 million each for Tranche A were drawn on April 24, 2015 and June 15, 2015. The amount of US\$148 million, or Php6,664 million, net of unamortized debt discount, remained outstanding as at June 30, 2015.

On March 4, 2015, Smart signed a US\$200 million term loan facility agreement with Mizuho Bank Ltd. to finance capital expenditures for its network upgrade and expansion program. The loan is payable over five years in nine equal semi-annual installments commencing on the date which falls 12 months after the date of the loan agreement, with final installment on March 4, 2020. The amount of US\$100 million each was fully drawn on March 23, 2015 and June 2, 2015. The amounts of US\$197 million, or Php8,904 million, net of unamortized debt discount, remained outstanding as at June 30, 2015.

On June 26, 2015, PLDT signed a Php3,000 million term loan facility with BPI to finance its capital expenditures and/or refinance its existing loan obligations, the proceeds of which were utilized for its service improvements and expansion programs. The loan is payable over ten years with an annual amortization rate of 1% on the first year up to the ninth year from the initial drawdown date and the balance payable upon maturity on June 30, 2025. The amount of Php3,000 million was fully drawn on and remained outstanding as at June 30, 2015.

On August 3, 2015, PLDT signed a Php5,000 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. The loan is payable over ten years with an annual amortization rate of 1% on the first year up to the ninth year from the initial drawdown date and the balance payable upon maturity.

Approximately Php84,754 million principal amount of our consolidated outstanding long-term debt as at June 30, 2015 is scheduled to mature over the period from 2015 to 2019. Of this amount, Php42,517 million is attributable to PLDT, Php34,923 million to Smart and Php7,314 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*

As a result of the acquisition of Digitel, PLDT assumed the obligations of JG Summit Holdings, Inc., or JGSHI, as guarantor under the Digitel and DMPI loan agreements covered by guarantees from JGSHI. These loans and guarantees contained certain representations and covenants applicable to JGSHI including that on the ownership of JGSHI in Digitel. Digitel and DMPI obtained the required consents of the lenders and export credit agencies for the replacement of JGSHI by PLDT as guarantor under these loans. As at June 30, 2015, the outstanding balance of DMPI loans covered by PLDT guarantees is Php7,314 million. There are no outstanding Digitel loans covered by PLDT guarantees as at June 30, 2015.

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 June 30, 2015 and 2014, 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, investment, capital expenditures 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 and approximately 90% of our core earnings for 2014. 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 half of 2015 amounted to Php18,793 million as compared with Php25,012 million paid to shareholders in the same period in 2014.



The following table shows the dividends declared to shareholders from the earnings for the six months ended June 30, 2015 and 2014:

| Earnings   | Date             |                   |                    | Amount    |                  |
|--|------------------|-------------------|--------------------|-----------|------------------|
|  | Approved         | Record            | Payable            | Per share | Total Declared   |
| (in millions, except per share amount)   |                  |                   |                    |           |                  |
| 2014   |                  |                   |                    |           |                  |
| Common   |                  |                   |                    |           |                  |
| Regular Dividend   | August 5, 2014   | August 28, 2014   | September 26, 2014 | 69.00     | 14,908           |
| Preferred  |                  |                   |                    |           |                  |
| Series IV Cumulative Non-convertible Redeemable Preferred Stock <sup>(1)</sup> | January 28, 2014 | February 27, 2014 | March 15, 2014     | –         | 12               |
|  | May 6, 2014      | May 27, 2014      | June 15, 2014      | –         | 12               |
| 10% Cumulative Convertible Preferred Stock                                     | Various          | Various           | Various            | 1.00      | –                |
| Voting Preferred Stock   | March 4, 2014    | March 20, 2014    | April 15, 2014     | –         | 3                |
|  | June 10, 2014    | June 27, 2014     | July 15, 2014      | –         | 3                |
| <b>Charged to Retained Earnings</b>  |                  |                   |                    |           | <b>Php14,938</b> |
| 2015   |                  |                   |                    |           |                  |
| Common   |                  |                   |                    |           |                  |
| Regular Dividend   | August 4, 2015   | August 27, 2015   | September 25, 2015 | 65.00     | 14,044           |
| Preferred  |                  |                   |                    |           |                  |
| Series IV Cumulative Non-convertible Redeemable Preferred Stock <sup>(1)</sup> | January 27, 2015 | February 26, 2015 | March 15, 2015     | –         | 12               |
|  | May 5, 2015      | May 26, 2015      | June 15, 2015      | –         | 12               |
| Voting Preferred Stock   | March 3, 2015    | March 19, 2015    | April 15, 2015     | –         | 2                |
|  | June 9, 2015     | June 26, 2015     | July 15, 2015      | –         | 3                |
| <b>Charged to Retained Earnings</b>  |                  |                   |                    |           | <b>Php14,073</b> |

<sup>(1)</sup> Dividends were declared based on total amount paid up.

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 June 30, 2015 and December 31, 2014, 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 Php32 million as at June 30, 2015 and December 31, 2014. These commitments will expire within one year.

## 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 sales 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 June 30, 2015 and March 31, 2015 other than those whose carrying amounts are reasonable approximations of fair values:

|   | Fair Values                  |                   |
|---|------------------------------|-------------------|
|   | June 30,<br>2015             | March 31,<br>2015 |
|   | (Unaudited)<br>(in millions) |                   |
| <b>Noncurrent Financial Assets</b>  |                              |                   |
| Investments in debt securities and other long-term investments – net of current portion | Php987                       | Php980            |
| Advances and other noncurrent assets – net of current portion                           | 2,542                        | 2,580             |
| <b>Total noncurrent financial assets</b>  | <b>Php3,529</b>              | <b>Php3,560</b>   |
| <b>Noncurrent Financial Liabilities</b>   |                              |                   |
| Interest-bearing financial liabilities  | Php129,868                   | Php123,097        |
| Customers' deposits   | 1,929                        | 1,892             |
| Deferred credits and other noncurrent liabilities                                       | 15,047                       | 16,316            |
| <b>Total noncurrent financial liabilities</b>   | <b>Php146,844</b>            | <b>Php141,305</b> |

The following table sets forth the amount of gains (losses) recognized for the financial assets and liabilities for the six months ended June 30, 2015 and the three months ended March 31, 2015:

|   | June 30,                     | March 31, |
|---|------------------------------|-----------|
|   | 2015                         | 2015      |
|   | (Unaudited)<br>(in millions) |           |
| <b>Profit and Loss</b>  |                              |           |
| Interest income   | Php364                       | Php184    |
| Gains on derivative financial instruments – net                     | 89                           | 30        |
| Accretion on financial liabilities                                  | (108)                        | (45)      |
| Interest on loans and other related items                           | (2,971)                      | (1,448)   |
| <b>Other Comprehensive Income</b>                                   |                              |           |
| Net fair value losses on cash flow hedges – net of tax              | (22)                         | (37)      |
| Net losses on available-for-sale financial investments – net of tax | (7,724)                      | (5,502)   |

### 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 in the first half of 2015 and 2014 were 2% and 4.2%, respectively. Moving forward, we currently expect inflation to remain low.

## PART II – OTHER INFORMATION

### *PLDT's Investment in Talas*

On June 9, 2015, the PLDT Board of Directors approved the incorporation of Talas, a wholly-owned subsidiary of PLDT. Total subscription in Talas amounted to Php250 million, of which Php62.5 million was already paid as at June 30, 2015.

Talas is tasked to unify the digital data assets of the PLDT Group which involves the implementation of the Intelligent Data Fabric, exploration of revenue opportunities and the immediate delivery of Big Data capability platform to PLDT and Smart.

### *eInnovation Holdings Pte. Ltd., or eInnovation's Investment in MePay Global*

On January 6, 2015, PLDT, through eInnovations, entered into a joint venture agreement with Rocket Internet AG, or Rocket, pursuant to which the two parties agreed to form MePay Global, of which each partner will hold a 50% equity interest. MePay Global is a global joint venture for payment services with a focus on emerging markets. eInnovations will contribute the intellectual property, platforms and business operations of its market-leading mobile-first platform, SMI, and will invest €1.2 million into MePay Global. Rocket contributed, among other things, its participations in Paymill Holding GmbH and Payleven Holding GmbH, two of the leading payment platforms for high growth, small-and-medium sized e-commerce businesses across Europe. The transaction is expected to be completed in the third quarter of 2015.

*iCommerce's Investment in Philippines Internet Holdings, or PHIH*

On January 20, 2015, PLDT and Rocket entered into another joint venture agreement to further strengthen their existing partnership and to foster the development of internet-based businesses in the Philippines. PLDT, through iCommerce Investments Pte. Ltd., or iCommerce, a subsidiary of Voyager's eInnovations and Asia Internet Holding S.à r.l., which is 50%-owned by Rocket, will become partners in PHIH.

PHIH will concentrate on creating and developing online businesses in the Philippines, leverage local market and business model insights, facilitate commercial, strategic and investment partnerships, enable local recruiting and sourcing, and accelerate the rollout of online startups.

PLDT, through iCommerce, will invest €30 million for a 33.33% ownership stake in PHIH and will have the option to increase its investment to 50%. Total capitalized professional fees and other start-up costs for the investment in PHIH amounted to Php27 million as at June 30, 2015. This transaction is expected to be completed in the third quarter of 2015.

*Sale of Beacon's Meralco Shares to Metro Pacific Investments Corporation, or MPIC*

On April 14, 2015, Beacon and MPIC entered into a Share Purchase Agreement to sell 112.71 million common shares, comprising of approximately 10% interest in Meralco to MPIC at a price of Php235 per share for an aggregate consideration of Php26,487 million. MPIC settled a portion of the consideration amounting to Php1,000 million on April 14, 2015 and Php17,000 million on June 29, 2015. MPIC will pay Beacon the balance of Php8,487 million on or before July 2016. Consequently, PCEV realized a portion of the deferred gain amounting to Php2,838 million.

As a result of the transaction, PCEV's effective interest in Meralco, through Beacon, was reduced to 17.48%, while MPIC's effective interest in Meralco, through its direct ownership of Meralco shares and through Beacon, increased to 32.48%. There is no change in the aggregate joint interest of MPIC and Beacon in Meralco which remains at 49.96%.

*PLDT Online's Investment in iflix Limited, or iflix*

On April 23, 2015, PLDT Online Investments Pte. Ltd. subscribed to a convertible note of iflix, an internet TV service provider in Southeast Asia, for US\$15 million. 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.

**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 June 30, 2015:

| Type of Accounts Receivable                 | Total            | Current          | 31–60<br>Days   | 61–90<br>Days   | Over 91<br>Days  |
|---|------------------|------------------|-----------------|-----------------|------------------|
|   | (in millions)    |                  |                 |                 |                  |
| Retail subscribers .....                    | Php19,000        | Php6,007         | Php1,488        | Php382          | Php11,123        |
| Corporate subscribers .....                 | 8,739            | 1,734            | 1,613           | 725             | 4,667            |
| Foreign administrations .....               | 6,152            | 1,091            | 983             | 631             | 3,447            |
| Domestic carriers .....                     | 1,203            | 291              | 138             | 111             | 663              |
| Dealers, agents and others .....            | 4,847            | 1,838            | 739             | 205             | 2,065            |
| <b>Total</b>                                | <b>39,941</b>    | <b>Php10,961</b> | <b>Php4,961</b> | <b>Php2,054</b> | <b>Php21,965</b> |
| Less: Allowance for doubtful accounts ..... | 17,081           |                  |                 |                 |                  |
| <b>Total Receivables - net .....</b>        | <b>Php22,860</b> |                  |                 |                 |                  |



## ANNEX II – FINANCIAL SOUNDNESS INDICATORS

The following table shows our financial soundness indicators as at June 30, 2015 and 2014:

|   | 2015     | 2014     |
|---|----------|----------|
| Current Ratio <sup>(1)</sup>              | 0.55:1.0 | 0.63:1.0 |
| Net Debt to Equity Ratio <sup>(2)</sup>   | 0.84:1.0 | 0.61:1.0 |
| Net Debt to EBITDA Ratio <sup>(3)</sup>   | 1.42:1.0 | 1.04:1.0 |
| Total Debt to EBITDA Ratio <sup>(4)</sup> | 1.94:1.0 | 1.62:1.0 |
| Asset to Equity Ratio <sup>(5)</sup>      | 3.52:1.0 | 3.16:1.0 |
| Interest Coverage Ratio <sup>(6)</sup>    | 8.25:1.0 | 8.68:1.0 |
| Profit Margin <sup>(7)</sup>              | 22%      | 24%      |
| Return on Assets <sup>(8)</sup>           | 8%       | 9%       |
| Return on Equity <sup>(9)</sup>           | 25%      | 27%      |
| EBITDA Margin <sup>(10)</sup>             | 44%      | 46%      |

<sup>(1)</sup> Current ratio is measured as current assets divided by current liabilities (including current portion – LTD, unearned revenues and mandatory tender option liability.)

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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.

<sup>(5)</sup> Asset to equity ratio is measured as total assets divided by total equity attributable to equity holders of PLDT.

<sup>(6)</sup> Interest coverage ratio is measured by EBIT, or earnings before interest and taxes for the period, divided by total financing cost for the 12 months average period.

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

<sup>(8)</sup> Return on assets is measured as net income for the 12 months average period divided by average total assets.

<sup>(9)</sup> Return on Equity is measured as net income for the 12 months average period divided by average total equity attributable to equity holders of PLDT.

<sup>(10)</sup> EBITDA margin for the period is measured as EBITDA divided by service revenues for the period.

EBITDA for the period is measured as net income for the period 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.

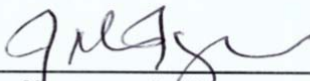


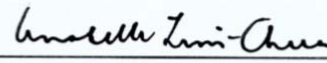



**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report for the first half of 2015 to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: PHILIPPINE LONG DISTANCE TELEPHONE COMPANY

Signature and Title:   
\_\_\_\_\_  
**NAPOLEON L. NAZARENO**  
President and Chief Executive Officer

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

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

Date: August 4, 2015