

SEC Number  
File Number

PW-55

---

**PHILIPPINE LONG DISTANCE  
TELEPHONE COMPANY**

---

(Company's Full Name)

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

---

(Company's Address)

**(632) 816-8556**

---

(Telephone Number)

**Not Applicable**

---

(Fiscal Year Ending)  
(month & day)

**SEC Form 17-Q**

---

Form Type

**Not Applicable**

---

Amendment Designation (if applicable)

**September 30, 2015**

---

Period Ended Date

**Not Applicable**

---

(Secondary License Type and File Number)



November 3, 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 17.1.1.1.2, we submit herewith two (2) copies of SEC Form 17-Q with Management's Discussion and Analysis and accompanying unaudited consolidated financial statements for the nine (9) months ended September 30, 2015.

Very truly yours,

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



November 3, 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 17.3, we submit herewith a copy of SEC Form 17-Q with Management's Discussion and Analysis and accompanying unaudited consolidated financial statements for the nine (9) months ended September 30, 2015.

Very truly yours,

A handwritten signature in black ink, appearing to read "LRausa", is written above the typed name.

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





## TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION .....	1
Item 1. Consolidated Financial Statements .....	1
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations .....	1
Financial Highlights and Key Performance Indicators .....	2
Performance Indicators .....	3
Overview .....	4
Management’s Financial Review.....	5
Results of Operations .....	6
Wireless .....	9
Revenues .....	9
Expenses .....	17
Other Expenses .....	18
Provision for Income Tax .....	18
Net Income .....	18
EBITDA .....	19
Core Income .....	19
Fixed Line .....	19
Revenues .....	19
Expenses .....	22
Other Income (Expenses).....	24
Provision for Income Tax .....	24
Net Income .....	24
EBITDA .....	25
Core Income .....	25
Others .....	25
Other Income – Net.....	25
Net Income .....	25
Core Income .....	25
Liquidity and Capital Resources .....	26
Operating Activities .....	27
Investing Activities .....	27
Financing Activities .....	27
Off-Balance Sheet Arrangements .....	29
Equity Financing .....	29
Contractual Obligations and Commercial Commitments .....	30
Quantitative and Qualitative Disclosures about Market Risks .....	31
Impact of Inflation and Changing Prices .....	31
PART II – OTHER INFORMATION.....	31
Related Party Transactions.....	33
ANNEX – Aging of Accounts Receivable .....	A-1
Financial Soundness Indicators.....	A-2
SIGNATURES .....	S-1

## **PART I – FINANCIAL INFORMATION**

### **Item 1. Consolidated Financial Statements**

*Our consolidated financial statements as at September 30, 2015 (unaudited) and December 31, 2014 (audited) and for the nine months ended September 30, 2015 and 2014 (unaudited) and related notes (pages F-1 to F-166) 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 Php46.83 to US\$1.00, the volume weighted average exchange rate as at September 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

	Nine Months ended September 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	Php127,871	Php127,321	Php550	–
Expenses	95,797	93,372	2,425	3
Other income	619	2,754	(2,135)	(78)
Income before income tax	32,693	36,703	(4,010)	(11)
Net income for the period	25,355	27,937	(2,582)	(9)
Core income	27,077	28,561	(1,484)	(5)
EBITDA	54,066	56,936	(2,870)	(5)
EBITDA margin <sup>(2)</sup>	44%	46%	–	–
Reported earnings per common share:				
Basic	117.07	129.19	(12.12)	(9)
Diluted	117.07	129.19	(12.12)	(9)
Core earnings per common share <sup>(3)</sup> :				
Basic	125.11	131.99	(6.88)	(5)
Diluted	125.11	131.99	(6.88)	(5)
	September 30,	December 31,	Increase (Decrease)	
	2015	2014	Amount	%
<b>Consolidated Statements of Financial Position</b>				
Total assets	Php433,709	Php436,295	(Php2,586)	(1)
Property, plant and equipment	192,696	191,984	712	–
Cash and cash equivalents and short-term investments	35,063	27,302	7,761	28
Total equity attributable to equity holders of PLDT	110,389	134,364	(23,975)	(18)
Long-term debt, including current portion	150,535	130,123	20,412	16
Net debt <sup>(4)</sup> to equity ratio	1.05x	0.77x	–	–
	Nine Months ended September 30,		Increase (Decrease)	
	2015	2014	Amount	%
<b>Consolidated Statements of Cash Flows</b>				
Net cash provided by operating activities	Php47,796	Php46,573	Php1,223	3
Net cash used in investing activities	(18,451)	(36,589)	18,138	(50)
<i>Capital expenditures</i>	23,297	15,981	7,316	46
Net cash used in financing activities	(22,596)	(18,517)	(4,079)	22
<b>Operational Data</b>				
Number of cellular subscribers	67,002,843	69,030,744	(2,027,901)	(3)
Number of fixed line subscribers	2,285,952	2,184,865	101,087	5
Number of broadband subscribers:	5,014,389	3,763,853	1,250,536	33
<i>Fixed Line</i>	1,224,735	1,069,013	155,722	15
<i>Wireless</i>	3,789,654	2,694,840	1,094,814	41
Number of employees:	17,133	17,399	(266)	(2)
<i>Fixed Line</i>	9,523	9,662	(139)	(1)
<i>LEC</i>	6,966	7,453	(487)	(6)
<i>Others</i>	2,557	2,209	348	16
<i>Wireless</i>	7,610	7,737	(127)	(2)

(1) Certain comparative information for the nine months ended September 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
September 30, 2015	Php46.83	Php45.07
December 31, 2014	44.74	44.40
September 30, 2014	44.88	44.26
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, and financing costs and, therefore, does not reflect current or future capital expenditures or the cost of capital. We compensate for these limitations by using EBITDA as only one of several comparative tools, together with PFRS-based measurements, to assist in the evaluation of operating performance. Such PFRS-based measurements include income before income tax, net income, cash flows from operations and cash flow data. We have significant uses of cash flows, including capital expenditures, interest payments, debt principal repayments, taxes and other non-recurring charges, which are not reflected in EBITDA. Our calculation of EBITDA may be different from the calculation methods used by other companies and, therefore, comparability may be limited.

### *Core Income*

Core income for the period is measured as net income attributable to equity holders of PLDT (net income less net income attributable to noncontrolling interests), excluding foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net (excluding hedge costs), asset impairment on noncurrent assets, other non-recurring gains (losses), net of tax effect of aforementioned adjustments, as applicable, and similar adjustments to equity share in net earnings (losses) of associates and joint ventures. The core income results are monitored by 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; 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 Investments Pte. Ltd., or PLDT Digital, and its subsidiary, our investment companies.

As at September 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 nine months ended September 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 nine months ended September 30, 2015 and 2014:

	2015	2014 <sup>(1)</sup>
	(in millions)	
<b>EBITDA</b>	Php54,066	Php56,936
Add (deduct) adjustments:		
Equity share in net earnings of associates and joint ventures	2,668	2,687
Interest income	590	567
Gains on derivative financial instruments – net	447	13
Asset impairment	–	(228)
Foreign exchange losses – net	(2,523)	(741)
Amortization of intangible assets	(805)	(862)
Financing costs – net	(4,550)	(3,855)
Provision for income tax	(7,338)	(8,766)
Depreciation and amortization	(21,187)	(21,897)
Other income – net	3,987	4,083
<b>Total adjustments</b>	<b>(28,711)</b>	<b>(28,999)</b>
<b>Consolidated net income</b>	<b>Php25,355</b>	<b>Php27,937</b>

<sup>(1)</sup> Certain comparative information for the nine months ended September 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 nine months ended September 30, 2015 and 2014:

	2015	2014
	(in millions)	
<b>Consolidated core income</b>	Php27,077	Php28,561
Add (deduct) adjustments:		
Foreign exchange losses – net	(2,523)	(741)
Net income (loss) attributable to noncontrolling interests	16	(20)
Asset impairment	–	(228)
Core loss adjustment on equity share in net losses of associates and joint ventures	(87)	(24)
Gain on derivative financial instruments – net, excluding hedge costs	687	244
Net tax effect of aforementioned adjustments	185	145
<b>Total adjustments</b>	<b>(1,722)</b>	<b>(624)</b>
<b>Consolidated net income</b>	<b>Php25,355</b>	<b>Php27,937</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 nine months ended September 30, 2015 and 2014. In each of the nine months ended September 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 nine months ended September 30, 2015</b>					
Revenues	Php86,755	Php50,922	Php-	(Php9,806)	Php127,871
Expenses	63,888	42,657	52	(10,800)	95,797
Other income (expenses)	(1,792)	(1,934)	5,339	(994)	619
Income before income tax	21,075	6,331	5,287	-	32,693
Provision for income tax	5,253	1,965	120	-	7,338
Net income/Segment profit	15,822	4,366	5,167	-	25,355
EBITDA	35,196	17,928	(52)	994	54,066
EBITDA margin <sup>(1)</sup>	42%	37%	-	(10%)	44%
Core income	16,835	4,582	5,660	-	27,077
<b>For the nine months ended September 30, 2014<sup>(2)</sup></b>					
Revenues	88,897	49,113	-	(10,689)	127,321
Expenses	63,704	41,264	56	(11,652)	93,372
Other income (expenses)	(925)	277	4,365	(963)	2,754
Income before income tax	24,268	8,126	4,309	-	36,703
Provision for income tax	6,431	2,258	77	-	8,766
Net income/Segment profit	17,837	5,868	4,232	-	27,937
EBITDA	37,914	18,115	(56)	963	56,936
EBITDA margin <sup>(1)</sup>	44%	38%	-	(9%)	46%
Core income	18,349	5,925	4,287	-	28,561
<b>Increase (Decrease)</b>					
Revenues	(2,142)	1,809	-	883	550
Expenses	184	1,393	(4)	852	2,425
Other income (expenses)	(867)	(2,211)	974	(31)	(2,135)
Income before income tax	(3,193)	(1,795)	978	-	(4,010)
Provision for income tax	(1,178)	(293)	43	-	(1,428)
Net income/Segment profit	(2,015)	(1,502)	935	-	(2,582)
EBITDA	(2,718)	(187)	4	31	(2,870)
Core income	(1,514)	(1,343)	1,373	-	(1,484)

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

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

## On a Consolidated Basis

### Revenues

We reported consolidated revenues of Php127,871 million for the nine months ended September 30, 2015, an increase of Php550 million as compared with Php127,321 million in the same period in 2014, primarily due to 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, partially offset by lower revenues from cellular, and satellite and other services from our wireless business, and lower revenues from international and national long distance services from our fixed line business.

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

	2015	%	2014 <sup>(1)</sup>	%	Change	
					Amount	%
(in millions)						
Wireless	Php86,755	68	Php88,897	70	(Php2,142)	(2)
Fixed line	50,922	40	49,113	38	1,809	4
Inter-segment transactions	(9,806)	(8)	(10,689)	(8)	883	(8)
Consolidated	Php127,871	100	Php127,321	100	Php550	-

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

### Expenses

Consolidated expenses increased by Php2,425 million, or 3%, to Php95,757 million for the nine months ended September 30, 2015 from Php93,372 million in the same period in 2014, as a result of higher expenses related to cost of sales, asset impairment, professional and other contracted services, compensation and employee benefits, taxes and licenses, and repairs and maintenance, partially offset by lower expenses related to depreciation and amortization, selling and promotions, communication, training and travel, amortization of intangible assets, rent and other operating expenses.

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

	2015	%	2014 <sup>(1)</sup>	%	Change	
					Amount	%
(in millions)						
Wireless	Php63,888	67	Php63,704	68	Php184	–
Fixed line	42,657	44	41,264	44	1,393	3
Others	52	–	56	–	(4)	(7)
Inter-segment transactions	(10,800)	(11)	(11,652)	(12)	852	(7)
Consolidated	Php95,797	100	Php93,372	100	Php2,425	3

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

### Other Income

Consolidated other income amounted to Php619 million for the nine months ended September 30, 2015, a decrease of Php2,135 million, or 78%, from Php2,754 million for the same period in 2014, primarily due to the combined effects of the following: (i) higher foreign exchange losses by Php1,782 million on account of revaluation of net foreign currency-denominated liabilities due to higher depreciation of the Philippine peso relative to the U.S. dollar to Php46.83 as at September 30, 2015 from Php44.74 as at December 31, 2014 compared with Php44.88 as at September 30, 2014 from Php44.40 as at December 31, 2013; (ii) higher net financing costs by Php695 million due to higher outstanding loan balance and weighted average interest rate, a weaker weighted average foreign exchange rate as at September 30, 2015 and a decrease in capitalized interest, partly offset by lower financing charges; (iii) a decrease in other income by Php96 million due to a gain on purchase price adjustment in 2014 in relation to the acquisition of Digitel, and lower gain on insurance claims, partially offset by higher realized portion of deferred gain on the sale of Meralco shares, an increase in income from consultancy and higher rental income; (iv) a decrease in equity share in net earnings of associates due to share in net losses of Cignal TV, Inc., or Cignal TV, for the nine months ended September 30, 2015, partially offset by higher net earnings of Asia Outsourcing Beta Limited, or Beta, and Beacon Electronic Asset Holdings, Inc., or Beacon; (v) higher interest income due to higher weighted average peso and dollar interest rates, increase in principal amount of dollar temporary cash investments and the depreciation of the Philippine peso to the U.S. dollar, partly offset by lower principal amount of peso temporary cash investments; and (vi) higher gains on derivative financial instruments by Php434 million in the nine months ended September 30, 2015 on account of mark-to-market gain on forward purchase contracts due to higher level of depreciation of the Philippine peso relative to the U.S. dollar in the nine months of 2015 from the same period in 2014 and wider dollar and peso interest rate differentials.

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

	2015	2014 <sup>(1)</sup>	Change	
			Amount	%
(in millions)				
Wireless	(Php1,792)	(Php925)	(Php867)	94
Fixed line	(1,934)	277	(2,211)	(798)
Others	5,339	4,365	974	22
Inter-segment transactions	(994)	(963)	(31)	3
Consolidated	Php619	Php2,754	(Php2,135)	(78)

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

### Net Income

Consolidated net income decreased by Php2,582 million, or 9%, to Php25,355 million for the nine months ended September 30, 2015, from Php27,937 million in the same period in 2014. The decrease was mainly due to the combined effects of the following: (i) a decrease in consolidated other income – net by Php2,135 million; (ii) an increase in consolidated expenses by Php2,425 million; (iii) a decrease in consolidated



provision for income tax by Php1,428 million; and (iv) an increase in consolidated revenues by Php550 million. Our consolidated basic and diluted EPS decreased to Php117.07 for the nine months ended September 30, 2015 from consolidated basic and diluted EPS of Php129.19 in the same period in 2014. Our weighted average number of outstanding common shares was approximately 216.06 million in each of the nine months ended September 30, 2015 and 2014.

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

	2015	%	2014	%	Change	
					Amount	%
(in millions)						
Wireless	Php15,822	63	Php17,837	64	(Php2,015)	(11)
Fixed line	4,366	17	5,868	21	(1,502)	(26)
Others	5,167	20	4,232	15	935	22
Consolidated	Php25,355	100	Php27,937	100	(Php2,582)	(9)

### EBITDA

Our consolidated EBITDA amounted to Php54,066 million for the nine months ended September 30, 2015, a decrease of Php2,870 million, or 5%, as compared with Php56,936 million in the same period in 2014, primarily due to higher cost of sales and operating expenses driven by professional and other contracted services, compensation and employee benefits, taxes and licenses, and repairs and maintenance, and higher provision for doubtful accounts, partially offset by lower expenses relating to selling and promotions, communication, training and travel, rent, and other operating expenses, as well as higher consolidated revenues.

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

	2015	%	2014 <sup>(1)</sup>	%	Change	
					Amount	%
(in millions)						
Wireless	Php35,196	65	Php37,914	66	(Php2,718)	(7)
Fixed line	17,928	33	18,115	32	(187)	(1)
Others	(52)	—	(56)	—	4	(7)
Inter-segment transactions	994	2	963	2	31	3
Continuing operations	Php54,066	100	Php56,936	100	(Php2,870)	(5)

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

### Core Income

Our consolidated core income amounted to Php27,077 million for the nine months ended September 30, 2015, a decrease of Php1,484 million, or 5%, as compared with Php28,561 million in the same period in 2014, primarily due to higher consolidated operating expenses and lower other income, partially offset by lower provision for income tax and higher consolidated revenues. Our consolidated basic and diluted core EPS, decreased to Php125.11 for the nine months ended September 30, 2015 from Php131.99 in the same period in 2014.

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

	2015	%	2014	%	Change	
					Amount	%
(in millions)						
Wireless	Php16,835	62	Php18,349	64	(Php1,514)	(8)
Fixed line	4,582	17	5,925	21	(1,343)	(23)
Others	5,660	21	4,287	15	1,373	32
Consolidated	Php27,077	100	Php28,561	100	(Php1,484)	(5)

## On a Business Segment Basis

### Wireless

#### Revenues

We generated revenues from our wireless business of Php86,755 million for the nine months ended September 30, 2015, a decrease of Php2,142 million, or 2%, from Php88,897 million in the same period in 2014.

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

	2015	%	2014 <sup>(1)</sup>	%	Increase (Decrease)	
					Amount	%
(in millions)						
Service Revenues:						
Cellular	Php73,594	85	Php77,002	87	(Php3,408)	(4)
Wireless broadband and others						
Wireless broadband	8,046	9	7,532	8	514	7
Others	733	1	900	1	(167)	(19)
Digital	861	1	686	1	175	26
	83,234	96	86,120	97	(2,886)	(3)
Non-Service Revenues:						
Sale of cellular handsets, cellular subscriber identification module, or SIM-packs and broadband data modems	3,521	4	2,777	3	744	27
<b>Total Wireless Revenues</b>	<b>Php86,755</b>	<b>100</b>	<b>Php88,897</b>	<b>100</b>	<b>(Php2,142)</b>	<b>(2)</b>

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

#### Service Revenues

Our wireless service revenues for the nine months ended September 30, 2015 decreased by Php2,886 million, or 3%, to Php83,234 million as compared with Php86,120 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, broadband and Digital revenues. As a percentage of our total wireless revenues, service revenues accounted for 96% and 97% for the nine months ended September 30, 2015 and 2014, respectively.

#### Cellular Service

Our cellular service revenues for the nine months ended September 30, 2015 amounted to Php73,594 million, a decrease of Php3,408 million, or 4%, from Php77,002 million in the same period in 2014. Cellular service revenues accounted for 88% and 89% of our wireless service revenues for the nine months ended September 30, 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, calls of preset duration and data allowance with prescribed validity. Smart and Sun Cellular also provide buckets which offer voice, text and hybrid bundles available to all networks, as well as packages with unlimited on-net voice, text, volume-based data, and combinations thereof, denominations of which depend on the duration and nature of the packages.

In September 2014, we launched *Free Mobile Internet*, the first of many promotions designed to stimulate data usage. *Free Mobile Internet* provided subscribers with up to 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 and was subsequently replaced by our *Internet for All* promotion, whereby Smart, TNT (formerly *Talk 'N Text*) and Sun Cellular prepaid subscribers could enjoy up to 30MB of data usage per day when they register to top prepaid offers. This promotion was valid until June 15, 2015. In conjunction with this, we also offered *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, 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 *Internet.org* 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. Bannering the *Internet.org* app launch in the Philippines is TNT, which targets the larger mass segment of the population. With *Internet.org* on their



mobile phones, cellular subscribers of Smart, *TNT* and *Sun Cellular* nationwide may enjoy free access to a buffet of 24 websites featuring informative and practical content, including *Facebook* and *Facebook Messenger*. Subscribers may download the *Internet.org* app from the *Google Play Store*.

On June 19, 2015, we introduced the ‘Smart Life’ where we aim to provide our customers with “Entertainment On-the-Go, Convenience On-the-Go, Peace of Mind On-the-Go” via digital services like *iFlix*, *Viewstream* for video, *Deezer* or *Spinnr* for music and PLDT Home’s *FAM CAM*.

On July 7, 2015, we continued to build on the Smart Life by offering *Free Instagram* to *Smart Prepaid* subscribers. Subscribers are able to enjoy free *Instagram* browsing and posting for up to 30MB per day when they register to top prepaid offers.

On September 8, 2015, we announced a partnership with *Uber*, the world’s largest ride-sharing technology company as part of our “Convenience On-the-Go” portfolio. The exclusive partnership was kicked off with a promo that provided, until October 31, 2015, two free *Uber* rides worth Php300 each to Smart subscribers who are also first-time users of the *Uber* service. The partnership also features the installation of free in-car *Smart WiFi* for *Uber* passengers, a first in Southeast Asia. We have also introduced exclusive voice and data packages, bundles and add-ons for *Uber* partner drivers.

In addition, we announced last October 29, 2015 another partnership with *Airbnb*, the world’s leading community-driven hospitality company. The exclusive partnership offers a complete and more convenient travel experience for millions of Filipinos, no matter what their destination in the country and overseas. From October 29, 2015 until January 2016, all Smart subscribers will receive a Php2,500 *Airbnb* discount for a minimum of Php8,000 booking at any accommodation partner here and abroad listed at *Airbnb*.

Smart also continues to grow the Mobile Broadband category with our new campaign for the *SmartBro Pocket WiFi* where subscribers can “Share the Smart Life” with the biggest amount of data from the country’s biggest broadband network.

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

	2015	2014 <sup>(1)</sup>	Increase (Decrease)	
			Amount	%
	(in millions)			
Cellular service revenues	Php73,594	Php77,002	(Php3,408)	(4)
<i>By service type</i>	72,072	75,419	(3,347)	(4)
Prepaid	54,483	59,575	(5,092)	(9)
Postpaid	17,589	15,844	1,745	11
<i>By component</i>	72,072	75,419	(3,347)	(4)
Voice	34,509	38,139	(3,630)	(10)
Data	37,563	37,280	283	1
<i>Others</i> <sup>(2)</sup>	1,522	1,583	(61)	(4)

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

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





The following table shows other key measures of our cellular business as at and for the nine months ended September 30, 2015 and 2014:

	2015	2014	Increase (Decrease)	
			Amount	%
Cellular subscriber base	67,002,843	69,030,744	(2,027,901)	(3)
Prepaid	64,082,775	66,374,421	(2,291,646)	(3)
<i>Smart</i>	23,390,886	24,735,917	(1,345,031)	(5)
<i>TNT</i>	27,708,831	27,784,781	(75,950)	-
<i>Sun Cellular</i>	12,983,058	13,853,723	(870,665)	(6)
Postpaid	2,920,068	2,656,323	263,745	10
<i>Sun Cellular</i>	1,736,072	1,650,199	85,873	5
<i>Smart</i>	1,183,996	1,006,124	177,872	18
Systemwide traffic volumes (in million minutes)				
Calls	40,894	39,962	932	2
Domestic	38,985	37,468	1,517	4
<i>Inbound</i>	754	827	(73)	(9)
<i>Outbound</i>	38,231	36,641	1,590	4
International <sup>(1)</sup>	1,909	2,494	(585)	(23)
<i>Inbound</i>	1,643	2,133	(490)	(23)
<i>Outbound</i>	266	361	(95)	(26)
SMS/Data count (in million hits)	289,065	321,947	(32,882)	(10)
Text messages	287,629	320,507	(32,878)	(10)
Domestic	286,972	319,845	(32,873)	(10)
Bucket-Priced/Unlimited	260,576	296,592	(36,016)	(12)
Standard	26,396	23,253	3,143	14
International	657	662	(5)	(1)
Value-Added Services	1,436	1,440	(4)	-

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

Revenues generated from our prepaid cellular services amounted to Php54,483 million for the nine months ended September 30, 2015, a decrease of Php5,092 million, or 9%, as compared with Php59,575 million in the same period in 2014. Prepaid cellular service revenues accounted for 76% and 79% of cellular voice and data revenues for the nine months ended September 30, 2015 and 2014, respectively. The decrease in revenues from our prepaid cellular services was primarily due to lower voice and text messaging revenues, partially offset by an increase in mobile internet revenues. Revenues generated from postpaid cellular service amounted to Php17,589 million for the nine months ended September 30, 2015, an increase of Php1,745 million, or 11%, as compared with Php15,844 million earned in the same period in 2014, and accounted for 24% and 21% of cellular voice and data revenues for the nine months ended September 30, 2015 and 2014, respectively. The increase in our postpaid cellular service revenues was primarily due to a higher postpaid 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 Php3,630 million, or 10%, to Php34,509 million for the nine months ended September 30, 2015 from Php38,139 million in the same period in 2014 primarily due to lower international and domestic voice revenues, and preference for alternative calling options and other over-the-top, or OTT, services such as *Viber*, *Facebook Messenger*, etc. Cellular voice services accounted for 47% and 50% of our cellular service revenues for the nine months ended September 30, 2015 and 2014, respectively.



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

	2015	2014 <sup>(1)</sup>	Decrease	
			Amount	%
			(in millions)	
Voice services:				
<i>Domestic</i>				
Inbound	Php2,928	Php3,189	(Php261)	(8)
Outbound	23,156	24,163	(1,007)	(4)
	26,084	27,352	(1,268)	(5)
<i>International</i>				
Inbound	7,340	9,362	(2,022)	(22)
Outbound	1,085	1,425	(340)	(24)
	8,425	10,787	(2,362)	(22)
<b>Total</b>	<b>Php34,509</b>	<b>Php38,139</b>	<b>(Php3,630)</b>	<b>(10)</b>

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

Domestic voice service revenues decreased by Php1,268 million, or 5%, to Php26,084 million for the nine months ended September 30, 2015 from Php27,352 million in the same period in 2014, due to lower domestic outbound and inbound voice service revenues by Php1,007 million and Php261 million, respectively.

Revenues from our domestic inbound voice service decreased by Php261 million, or 8%, to Php2,928 million for the nine months ended September 30, 2015 from Php3,189 million in the same period in 2014 due to lower traffic originating from other mobile carriers. Domestic inbound call volumes decreased by 73 million minutes, or 9%, to 754 million minutes for the nine months ended September 30, 2015 from 827 million minutes in the same period in 2014.

Revenues from domestic outbound voice service decreased by Php1,007 million, or 4%, to Php23,156 million for the nine months ended September 30, 2015 from Php24,163 million in the same period in 2014 mainly due to lower standard and bucket voice revenues. Domestic outbound call volumes, however, increased by 1,590 million minutes, or 4%, to 38,231 million minutes for the nine months ended September 30, 2015 from 36,641 million minutes in the same period in 2014 resulting in lower yield. The increase was primarily attributable to higher unlimited voice traffic, partially offset by lower standard and bucket voice traffic.

International voice service revenues decreased by Php2,362 million, or 22%, to Php8,425 million for the nine months ended September 30, 2015 from Php10,787 million in the same period in 2014 primarily due to lower international inbound and outbound voice service revenues as a result of lower international voice traffic, partially offset by the effect of a higher weighted average exchange rate of the Philippine peso to the U.S. dollar. International inbound and outbound calls totaled 1,909 million minutes for the nine months ended September 30, 2015, a decrease of 585 million minutes, or 23%, from 2,494 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, increased by Php283 million, or 1%, to Php37,563 million for the nine months ended September 30, 2015 from Php37,280 million in the same period in 2014 primarily due to higher mobile internet revenues, partially offset by lower text messaging revenues. Cellular data services accounted for 51% and 48% of our cellular service revenues for the nine months ended September 30, 2015 and 2014, respectively.

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

	2015	2014 <sup>(1)</sup>	Increase (Decrease)	
			Amount	%
	(in millions)			
Text messaging				
Domestic	Php26,749	Php27,500	(Php751)	(3)
<i>Bucket-Priced/Unlimited</i>	18,490	19,042	(552)	(3)
<i>Standard</i>	8,259	8,458	(199)	(2)
International	1,963	2,416	(453)	(19)
	28,712	29,916	(1,204)	(4)
Mobile internet <sup>(2)</sup>	7,649	6,107	1,542	25
Value-added services <sup>(3)</sup>	1,202	1,257	(55)	(4)
<b>Total</b>	<b>Php37,563</b>	<b>Php37,280</b>	<b>Php283</b>	<b>1</b>

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

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

(3) 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 TNT 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 Php28,712 million for the nine months ended September 30, 2015, a decrease of Php1,204 million, or 4%, as compared with Php29,916 million in the same period in 2014, and accounted for 76% and 80% of our total cellular data service revenues for the nine months ended September 30, 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 Php18,490 million for the nine months ended September 30, 2015, a decrease of Php552 million, or 3%, as compared with Php19,042 million in the same period in 2014. Bucket-priced/unlimited text messages decreased by 36,016 million, or 12%, to 260,576 million for the nine months ended September 30, 2015 from 296,592 million in the same period in 2014.

Standard text messaging revenues, which include inbound and outbound standard SMS revenues, decreased by Php199 million, or 2%, to Php8,259 million for the nine months ended September 30, 2015 from Php8,458 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 OTT services, partly offset by an increase in domestic inbound SMS revenues. Inbound standard text messages increased by 4,513 million, or 31%, to 18,848 million for the nine months ended September 30, 2015 from 14,335 million in the same period in 2014, partially offset by the decline in outbound standard text messages by 1,370 million, or 15%, to 7,548 million for the nine months ended September 30, 2015 from 8,918 million in the same period in 2014.

International text messaging revenues amounted to Php1,963 million for the nine months ended September 30, 2015, a decrease of Php453 million, or 19%, from Php2,416 million in the same period in 2014. The decline in revenues was mainly due 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 Php1,542 million, or 25%, to Php7,649 million for the nine months ended September 30, 2015 from Php6,107 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 generated from various promotions previously launched, such as *Free Mobile Internet*, *Internet for All* and *Free Instagram*. Other data offerings, such as *Internet.org*, *Smart Big Bytes* and *Smart Life Entertainment* bundles, were also introduced during the year to boost data usage.

*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 Php61 million, or 4%, to Php1,522 million for the nine months ended September 30, 2015 from Php1,583 million in the same period in 2014 primarily due to lower revenues from inbound roaming. Other cellular services accounted for 2% of our cellular service revenues in each of the nine months ended September 30, 2015 and 2014.

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

As at September 30, 2015, our cellular subscribers totaled 67,002,843 a decrease of 2,027,901, or 3%, from the cellular subscriber base of 69,030,744 as at September 30, 2014. Our cellular prepaid subscriber base decreased by 2,291,646, or 3%, to 64,082,775 as at September 30, 2015 from 66,374,421 as at September 30, 2014, while our cellular postpaid subscriber base increased by 263,745, or 10%, to 2,920,068 as at September 30, 2015 from 2,656,323 as at September 30, 2014. The decrease in cellular subscriber base was primarily due to net decreases in Smart and *Sun Cellular* subscribers by 1,167,159 and 784,792, respectively, and lower *TNT* subscribers by 75,950. Prepaid subscribers accounted for 95% and 96% of our total subscriber base as at September 30, 2015 and 2014, respectively.

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

	2015	2014	Increase (Decrease)	
			Amount	%
Prepaid	(3,008,837)	(1,293,329)	(1,715,508)	133
<i>Smart</i>	(1,486,258)	127,230	(1,613,488)	(1,268)
<i>TNT</i>	(440,529)	(1,700,236)	1,259,707	(74)
<i>Sun Cellular</i>	(1,082,050)	279,677	(1,361,727)	(487)
Postpaid	154,620	278,446	(123,826)	(44)
<i>Smart</i>	143,775	116,428	27,347	23
<i>Sun Cellular</i> <sup>(1)</sup>	10,845	162,018	(151,173)	(93)
<b>Total</b>	<b>(2,854,217)</b>	<b>(1,014,883)</b>	<b>(1,839,334)</b>	<b>181</b>

<sup>(1)</sup> Net of 170,188 adjustment in the number of subscribers resulting from our periodic clean-up. Excluding the clean-up adjustment, activations for the nine months ended September 30, 2015 should have been 181,033, which registered an increase of 19,015, or 12%, from 162,018 in the same period in 2014.

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

	2015	2014
	(in %)	
Prepaid		
<i>Smart</i>	6.3	5.7
<i>TNT</i>	5.7	6.0
<i>Sun Cellular</i>	10.1	9.7
Postpaid		
<i>Smart</i>	2.7	2.7
<i>Sun Cellular</i>	3.4	1.8

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

	Gross <sup>(1)</sup>		Decrease		Net <sup>(2)</sup>		Decrease	
	2015	2014	Amount	%	2015	2014	Amount	%
Prepaid								
Smart	Php128	Php145	(Php17)	(12)	Php116	Php130	(14)	(11)
TNT	91	97	(6)	(6)	84	87	(3)	(3)
Sun Cellular	70	73	(3)	(4)	64	66	(2)	(3)
Postpaid								
Smart	1,054	1,086	(32)	(3)	1,042	1,076	(34)	(3)
Sun Cellular	438	474	(36)	(8)	435	471	(36)	(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 three quarters of 2015 and for the four quarters in 2014 were as follows:

	Prepaid						Postpaid				
	Smart		TNT		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	
Third Quarter	127	115	90	82	71	65	1,034	1,021	439	436	
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 Php514 million, or 7%, to Php8,046 million for the nine months ended September 30, 2015 from Php7,532 million in the same period in 2014, primarily due to an increase in prepaid revenues by Php755 million, or 32%, to Php3,142 million for the nine months ended September 30, 2015 from Php2,387 million in the same period in 2014, partially offset by lower postpaid revenues by Php241 million, or 5%, to Php4,904 million for the nine months ended September 30, 2015 from Php5,145 million in the same period in 2014.

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

	2015	2014	Increase (Decrease)	
			Amount	%
Wireless Broadband Revenues (in millions)	Php8,046	Php7,532	Php514	7
Prepaid	3,142	2,387	755	32
Postpaid	4,904	5,145	(241)	(5)
Wireless Broadband Subscribers	3,789,654	2,694,840	1,094,814	41
Prepaid	2,941,862	1,852,819	1,089,043	59
Smart	2,380,817	1,560,743	820,074	53
Sun	561,045	292,076	268,969	92
Postpaid	847,792	842,021	5,771	1
Smart	515,370	542,844	(27,474)	(5)
Sun	332,422	299,177	33,245	11

*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 3,789,654 subscribers as at September 30, 2015, a net increase of 1,094,814 subscribers, or 41%, as compared with 2,694,840 subscribers as at September 30, 2014, primarily due to a net increase in *Smart Broadband* subscribers by 792,600, or 38%, complemented by an increase in *Sun Broadband* subscribers by 302,214, or 51%, as at September 30, 2015. Our prepaid wireless broadband subscriber base increased by 1,089,043 subscribers, or 59%, to 2,941,862 subscribers as at September 30, 2015 from 1,852,819 subscribers as at September 30, 2014, and our postpaid wireless broadband subscriber base also increased by 5,771 subscribers, or 1%, to 847,792 subscribers as at September 30, 2015 from 842,021 subscribers as at September 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. *ULTERA*, our latest fixed wireless internet offering designed for the home, utilizes the TD-LTE technology.

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

#### *Others*

Revenues from our other services decreased by Php167 million, or 19%, to Php733 million for the nine months ended September 30, 2015 from Php900 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 the impact of higher weighted average exchange rate of Php45.07 for the nine months ended September 30, 2015 from Php44.26 for the nine months ended September 30, 2014 on our U.S. dollar and U.S. dollar-linked other service revenues.

#### *Digital*

Revenues from Digital services, as reported by Voyager, increased by Php175 million, or 26%, to Php861 million for the nine months ended September 30, 2015 from Php686 million in the same period in 2014 mainly attributable to PayMaya Philippines, Inc., or PayMaya's, share in Smart Money's peer-to-peer (P2P) transaction fees and revenues.

#### ***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 Php744 million, or 27%, to Php3,521 million for the nine months ended September 30, 2015 from Php2,777 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 Php63,888 million for the nine months ended September 30, 2015, an increase of Php184 million from Php63,704 million in the same period in 2014. A significant portion of the increase was attributable to higher expenses related to cost of sales, professional and other contracted services, asset impairment, taxes and licenses, and interconnection costs, partially offset by lower selling and promotions, compensation and employee benefits, depreciation and amortization, rent, communications, training and travel, amortization of intangible assets and other operating expenses. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 74% and 72% for the nine months ended September 30, 2015 and 2014, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the nine months ended September 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	Php11,524	18	Php11,859	19	(Php335)	(3)
Cost of sales	9,882	15	8,656	14	1,226	14
Rent	8,029	13	8,195	13	(166)	(2)
Repairs and maintenance	6,549	10	6,488	10	61	1
Interconnection costs	6,300	10	6,107	10	193	3
Selling and promotions	5,880	9	6,436	10	(556)	(9)
Compensation and employee benefits	5,513	9	6,068	10	(555)	(9)
Professional and other contracted services	4,069	6	3,753	6	316	8
Asset impairment	1,759	3	1,512	2	247	16
Taxes and licenses	1,629	3	1,388	2	241	17
Insurance and security services	889	1	913	1	(24)	(3)
Amortization of intangible assets	805	1	862	1	(57)	(7)
Communication, training and travel	707	1	811	1	(104)	(13)
Other expenses	353	1	656	1	(303)	(46)
<b>Total</b>	<b>Php63,888</b>	<b>100</b>	<b>Php63,704</b>	<b>100</b>	<b>Php184</b>	<b>-</b>

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

Depreciation and amortization charges decreased by Php335 million, or 3%, to Php11,524 million primarily due to a lower depreciable asset base.

Cost of sales increased by Php1,226 million, or 14%, to Php9,882 million primarily due to increased modems and devices issued for *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 Php166 million, or 2%, to Php8,029 million primarily due to lower leased circuit and dark fiber rental charges, as well as lower office building, site and pole rentals.

Repairs and maintenance expenses increased by Php61 million, or 1%, to Php6,549 million mainly due to higher maintenance and technical support costs on network and site facilities, an increase in site 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 Php193 million, or 3%, to Php6,300 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 decreased by Php556 million, or 9%, to Php5,880 million primarily due to lower costs of events, advertising, commissions and public relations expenses.

Compensation and employee benefits decreased by Php555 million, or 9%, to Php5,513 million primarily due to lower incentives and manpower rightsizing program, or MRP, costs, partly offset by higher salaries and employee benefits. Employee headcount decreased to 7,610 as at September 30, 2015 as compared with 7,737 as at September 30, 2014.

Professional and other contracted service fees increased by Php316 million, or 8%, to Php4,069 million primarily due to an increase in outsourced costs, legal and collection agency fees, partly offset by lower consultancy and contracted service fees.

Taxes and licenses increased by Php241 million, or 17%, to Php1,629 million due to higher business-related taxes and tax settlements for the nine months ended September 30, 2015.

Insurance and security services decreased by Php24 million, or 3%, to Php889 million primarily due to lower insurance premiums and office security expenses, partly offset by higher site security expenses.

Amortization of intangible assets decreased by Php57 million, or 7%, to Php805 million primarily due to lower license fees.

Communication, training and travel expenses decreased by Php104 million, or 13%, to Php707 million primarily due to lower fuel costs for vehicles as a result of lower average fuel cost per liter, partially offset by higher travel expenses.

Other expenses decreased by Php303 million, or 46%, to Php353 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 nine months ended September 30, 2015 and 2014:

	2015	2014 <sup>(1)</sup>	Change	
			Amount	%
	(in millions)			
Other Income (Expenses):				
Financing costs – net	(Php1,308)	(Php1,219)	(Php89)	7
Foreign exchange losses – net	(1,292)	(623)	(669)	107
Equity share in net losses of associates	(47)	–	(47)	–
Gains (losses) on derivative financial instruments – net	14	(32)	46	(144)
Interest income	239	152	87	57
Other income – net	602	797	(195)	(24)
<b>Total</b>	<b>(Php1,792)</b>	<b>(Php925)</b>	<b>(Php867)</b>	<b>94</b>

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

Our wireless business' other expenses amounted to Php1,792 million for the nine months ended September 30, 2015, an increase of Php867 million, or 94%, from Php925 million in the same period in 2014, primarily due to the combined effects of the following: (i) higher net foreign exchange losses by Php669 million on account of the revaluation of net foreign currency-denominated liabilities due to higher depreciation of the Philippine peso relative to the U.S. dollar to Php46.83 as at September 30, 2015 from Php44.74 as at December 31, 2014 compared with Php44.88 as at September 30, 2014 from Php44.40 as at December 31, 2013; (ii) a decrease in other income – net by Php195 million mainly due to gain on insurance claims in 2014, partly offset by higher income from consultancy and higher gain on sale of fixed assets; (iii) higher net financing costs by Php89 million primarily due to higher outstanding loan balances, higher weighted average interest rates on loans, an increase in accretion on financial liabilities, partly offset by lower financing charges and higher capitalized interest; (iv) equity share in net losses of Automated Fare Collection Services, Inc. of Php47 million for the nine months ended September 30, 2015; and (v) higher interest income by Php87 million mainly due to higher weighted average peso and dollar interest rates, increase in principal amount of dollar temporary cash investments and the depreciation of the Philippine peso to the U.S. dollar, partly offset by lower principal amount of peso temporary cash investments.

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

Provision for income tax decreased by Php1,178 million, or 18%, to Php5,253 million for the nine months ended September 30, 2015 from Php6,431 million in the same period in 2014 primarily due to lower taxable income. The effective tax rates for our wireless business were 25% and 26% for the nine months ended September 30, 2015 and 2014, respectively.

### ***Net Income***

As a result of the foregoing, our wireless business' net income decreased by Php2,015 million, or 11%, to Php15,822 million for the nine months ended September 30, 2015 from Php17,837 million recorded in the same period in 2014.



### **EBITDA**

Our wireless business' EBITDA decreased by Php2,718 million, or 7%, to Php35,196 million for the nine months ended September 30, 2015 from Php37,914 million in the same period in 2014.

### **Core Income**

Our wireless business' core income decreased by Php1,514 million, or 8%, to Php16,835 million for the nine months ended September 30, 2015 from Php18,349 million in the same period in 2014 on account of a lower wireless revenues and higher wireless-related operating and other expenses, partially offset by lower provision for income tax.

### **Fixed Line**

#### **Revenues**

Revenues generated from our fixed line business amounted to Php50,922 million for the nine months ended September 30, 2015, an increase of Php1,809 million, or 4%, from Php49,113 million in the same period in 2014.

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

	2015	%	2014 <sup>(1)</sup>	%	Increase (Decrease)	
					Amount	%
(in millions)						
Service Revenues:						
Local exchange	Php12,750	25	Php12,374	25	Php376	3
International long distance	6,823	13	8,398	17	(1,575)	(19)
National long distance	3,028	6	3,327	7	(299)	(9)
Data and other network	24,872	49	22,410	46	2,462	11
Miscellaneous	1,098	2	1,020	2	78	8
	48,571	95	47,529	97	1,042	2
Non-Service Revenues:						
Sale of computers, phone units and SIM cards, and point-product sales	2,351	5	1,584	3	767	48
<b>Total Fixed Line Revenues</b>	<b>Php50,922</b>	<b>100</b>	<b>Php49,113</b>	<b>100</b>	<b>Php1,809</b>	<b>4</b>

<sup>(1)</sup> Certain comparative information for the nine months ended September 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 Php1,042 million, or 2%, to Php48,571 million for the nine months ended September 30, 2015 from Php47,529 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 nine months ended September 30, 2015 and 2014:

	2015	2014	Increase (Decrease)	
			Amount	%
Total local exchange service revenues (in millions)	Php12,750	Php12,374	Php376	3
Number of fixed line subscribers	2,285,952	2,184,865	101,087	5
Postpaid	2,245,748	2,125,213	120,535	6
Prepaid	40,204	59,652	(19,448)	(33)
Number of fixed line employees	6,966	7,453	(487)	(7)
Number of fixed line subscribers per employee	328	293	35	12

Revenues from our local exchange service increased by Php376 million, or 3%, to Php12,750 million for the nine months ended September 30, 2015 from Php12,374 million in the same period in 2014, primarily due to higher weighted average postpaid billed lines. The percentage contribution of local exchange revenues to our total fixed line service revenues was 26% in each of the first nine months of 2015 and 2014.



### International Long Distance Service

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

	2015	2014	Decrease	
			Amount	%
Total international long distance service revenues (in millions)	Php6,823	Php8,398	(Php1,575)	(19)
Inbound	6,021	7,518	(1,497)	(20)
Outbound	802	880	(78)	(9)
International call volumes (in million minutes, except call ratio)	1,195	1,526	(331)	(22)
Inbound	1,017	1,304	(287)	(22)
Outbound	178	222	(44)	(20)
Inbound-outbound call ratio	5.7:1	5.9:1	–	–

Our total international long distance service revenues decreased by Php1,575 million, or 19%, to Php6,823 million for the nine months ended September 30, 2015 from Php8,398 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, partially offset by the increase in average billing and settlement rates in dollar terms and the effect of a higher weighted average exchange rate of the Philippine peso to the U.S. dollar to Php45.07 for the nine months ended September 30, 2015 from Php44.26 for the nine months ended September 30, 2014. The percentage contribution of international long distance service revenues to our total fixed line service revenues accounted for 14% and 18% for the nine months ended September 30, 2015 and 2014, respectively.

Correspondingly, our total international long distance service revenues, net of interconnection costs, decreased by Php537 million, or 17%, to Php2,621 million for the nine months ended September 30, 2015 from Php3,158 million in the same period in 2014. The decrease was primarily due to lower inbound and outbound call volumes and the effect of a higher weighted average exchange rate of the Philippine peso to the U.S. dollar.

### National Long Distance Service

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

	2015	2014	Decrease	
			Amount	%
Total national long distance service revenues (in millions)	Php3,028	Php3,327	(Php299)	(9)
National long distance call volumes (in million minutes)	577	624	(47)	(8)

Our national long distance service revenues decreased by Php299 million, or 9%, to Php3,028 million for the nine months ended September 30, 2015 from Php3,327 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 nine months ended September 30, 2015 and 2014, respectively. Our national long distance service revenues, net of interconnection costs, decreased by Php238 million, or 9%, to Php2,372 million for the nine months ended September 30, 2015 from Php2,610 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 nine months ended September 30, 2015 and 2014:

	2015	2014 <sup>(1)</sup>	Increase (Decrease)	
			Amount	%
Data and other network service revenues (in millions)	Php24,872	Php22,410	Php2,462	11
Domestic	17,492	16,114	1,378	9
<i>Broadband</i>	11,887	10,353	1,534	15
<i>Leased Lines and Others</i>	5,605	5,761	(156)	(3)
International				
<i>Leased Lines and Others</i>	5,482	4,762	720	15
Data Centers	1,898	1,534	364	24
Subscriber base				
<i>Broadband</i>	1,224,735	1,069,013	155,722	15

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

Our data and other network services posted revenues of Php24,872 million for the nine months ended September 30, 2015, an increase of Php2,462 million, or 11%, from Php22,410 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 center revenues. The percentage contribution of this service segment to our fixed line service revenues was 51% and 47% for the nine months ended September 30, 2015 and 2014, respectively.

#### Domestic

Domestic data services contributed Php17,492 million for the nine months ended September 30, 2015, an increase of Php1,378 million, or 9%, as compared with Php16,114 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 70% and 72% for the nine months ended September 30, 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 Php11,887 million for the nine months ended September 30, 2015, an increase of Php1,534 million, or 15%, from Php10,353 million in the same period in 2014 as a result of the increase in the number of subscribers by 155,722, or 15%, to 1,224,735 subscribers as at September 30, 2015 from 1,069,013 subscribers as at September 30, 2014. Broadband revenues accounted for 48% and 46% of total data and other network service revenues for the nine months ended September 30, 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. Leased lines and other data services contributed Php5,605 million in the first nine months of 2015, a decrease of Php156 million, or 3%, from Php5,761 million in the same period in 2014. The percentage contribution of leased lines and other data service revenues to the total data and other network services were 22% and 26% for the nine months ended September 30, 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 Php720 million, or 15%, to Php5,482 million for the nine months ended September 30, 2015 from Php4,762 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% for the nine months ended September 30, 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 September 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 Php364 million, or 24%, to Php1,898 million for the nine months ended September 30, 2015 from Php1,534 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 were 8% and 7% for the nine months ended September 30, 2015 and 2014, respectively.

### *Miscellaneous Services*

Miscellaneous service revenues are derived mostly from rental, outsourcing and facilities management fees, and directory advertising. These service revenues increased by Php78 million, or 8%, to Php1,098 million for the nine months ended September 30, 2015 from Php1,020 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% for the nine months ended September 30, 2015 and 2014, respectively.

### *Non-service Revenues*

Non-service revenues increased by Php767 million, or 48%, to Php2,351 million for the nine months ended September 30, 2015 from Php1,584 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 Php42,657 million for the nine months ended September 30, 2015, an increase of Php1,393 million, or 3%, as compared with Php41,264 million in the same period in 2014. The increase was primarily due to higher expenses related to compensation and employee benefits, asset impairment, professional and other contracted services, cost of sales, repairs and maintenance, taxes and licenses, and rent, partly offset by lower expenses related to interconnection costs, depreciation and amortization, and communication, training and travel. As a percentage of our total fixed line revenues, expenses associated with our fixed line business accounted for 84% in each of the nine months ended September 30, 2015 and 2014.

The following table shows the breakdown of our total fixed line-related expenses for the nine months ended September 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	Php10,877	25	Php9,726	24	Php1,151	12
Depreciation and amortization	9,663	23	10,038	24	(375)	(4)
Repairs and maintenance	5,149	12	4,939	12	210	4
Interconnection costs	4,921	12	6,056	15	(1,135)	(19)
Professional and other contracted services	3,330	8	2,914	7	416	14
Rent	1,885	4	1,796	4	89	5
Cost of sales	1,831	4	1,528	4	303	20
Selling and promotions	1,500	4	1,487	4	13	1
Taxes and licenses	1,170	3	1,046	2	124	12
Asset impairment	903	2	304	1	599	197
Insurance and security services	541	1	527	1	14	3
Communication, training and travel	405	1	453	1	(48)	(11)
Other expenses	482	1	450	1	32	7
<b>Total</b>	<b>Php42,657</b>	<b>100</b>	<b>Php41,264</b>	<b>100</b>	<b>Php1,393</b>	<b>3</b>

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

Compensation and employee benefits expenses increased by Php1,151 million, or 12%, to Php10,877 million primarily due to higher MRP costs and provision for pension. Employee headcount decreased to 9,523 for the nine months ended September 30, 2015 as compared with 9,662 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 Php375 million, or 4%, to Php9,663 million due to lower depreciable asset base.

Repairs and maintenance expenses increased by Php210 million, or 4%, to Php5,149 million primarily due to higher repairs and maintenance costs on cable and wire facilities, an increase in site electricity expenses, and higher office building maintenance costs, partially offset by lower office electricity charges and lower IT software maintenance costs.

Interconnection costs decreased by Php1,135 million, or 19%, to Php4,921 million primarily due to lower international interconnection/settlement costs as a result of a decrease in international inbound calls that terminated to other domestic carriers, and lower international outbound calls, and data and other network interconnection/settlement costs, particularly Fibernet and Infonet.

Professional and other contracted service expenses increased by Php416 million, or 14%, to Php3,330 million primarily due to higher contracted service fees, mailing and courier charges, and payment facility fees, partially offset by lower consultancy and technical service fees.

Rent expenses increased by Php89 million, or 5%, to Php1,885 million primarily due to higher leased circuit, office building, site and pole rental charges, partially offset by lower customer premises equipment rental charges.

Cost of sales increased by Php303 million, or 20%, to Php1,831 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.

Selling and promotion expenses increased by Php13 million, or 1%, to Php1,500 million primarily due to higher advertising and public relations expenses, partially offset by lower cost of events and commissions.

Taxes and licenses increased by Php124 million, or 12%, to Php1,170 million as a result of higher business-related taxes and tax settlement for the nine months ended September 30, 2015.

Asset impairment increased by Php599 million to Php903 million mainly due to higher provision for uncollectible receivables for the nine months ended September 30, 2015, partly offset by fixed asset impairment provision for the nine months ended September 30, 2014.

Insurance and security services increased by Php14 million, or 3%, to Php541 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 Php48 million, or 11%, to Php405 million mainly due to lower fuel consumption costs, partly offset by higher training and travel, and communication, and mailing and courier charges.

Other expenses increased by Php32 million, or 7%, to Php482 million primarily due to higher various business and operational-related expenses.

### ***Other Income (Expenses)***

The following table summarizes the breakdown of our total fixed line-related other income (expenses) for the nine months ended September 30, 2015 and 2014:

	2015	2014 <sup>(1)</sup>	Change	
			Amount	%
			(in millions)	
Other Income (Expenses):				
Financing costs – net	(Php3,279)	(Php2,673)	(Php606)	23
Foreign exchange losses – net	(772)	(128)	(644)	503
Equity share in net earnings (losses) of associates	(131)	88	(219)	(249)
Gains on derivative financial instruments – net	433	42	391	931
Interest income	448	242	206	85
Other income – net	1,367	2,706	(1,339)	(49)
<b>Total</b>	<b>(Php1,934)</b>	<b>Php277</b>	<b>(Php2,211)</b>	<b>(798)</b>

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

Our fixed line business' other expenses amounted to Php1,934 million for the nine months ended September 30, 2015, a change of Php2,211 million as against other income of Php277 million in the same period in 2014 mainly due to the combined effects of the following: (i) a decrease in other income – net by Php1,339 million due to gain on purchase price adjustment in 2014 in relation to the acquisition of Digitel, gain on fair value adjustment of investment property in 2014 and higher loss on sale of fixed assets; (ii) higher foreign exchange losses by Php644 million on account of revaluation of net foreign currency-denominated liabilities due to higher depreciation of the Philippine peso relative to the U.S. dollar to Php46.83 as at September 30, 2015 from Php44.74 as at December 31, 2014 compared with Php44.88 as at September 30, 2014 from Php44.40 as at December 31, 2013; (iii) higher financing costs by Php606 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 and lower capitalized interest; (iv) equity share in net losses of associates of Php131 million for the nine months ended September 30, 2015 as against equity share in net earnings of associates of Php88 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 Php206 million due to higher weighted average peso and dollar interest rates, increase in principal amount of dollar temporary cash investments and the depreciation of the Philippine peso to the U.S. dollar, partly offset by lower principal amount of peso temporary cash investments; and (vi) higher gain on derivative financial instruments by Php391 million on account of mark-to-market gain on forward purchase contracts due to higher level of depreciation of the Philippine peso relative to the U.S. dollar in the first nine months of 2015 compared with the same period in 2014 and wider dollar and peso interest rate differentials.

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

Provision for income tax amounted to Php1,965 million for the nine months ended September 30, 2015, a decrease of Php293 million, or 13%, from Php2,258 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 28% for the nine months ended September 30, 2015 and 2014, respectively.

### ***Net Income***

As a result of the foregoing, our fixed line business contributed a net income of Php4,366 million for the nine months ended September 30, 2015, a decrease of Php1,502 million, or 26%, as compared with Php5,868 million in the same period in 2014.

### **EBITDA**

Our fixed line business' EBITDA decreased by Php187 million, or 1%, to Php17,928 million for the nine months ended September 30, 2015 from Php18,115 million in the same period in 2014.

### **Core Income**

Our fixed line business' core income decreased by Php1,343 million, or 23%, to Php4,582 million for the nine months ended September 30, 2015 from Php5,925 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 nine months ended September 30, 2015 and 2014:

	2015	2014	Change	
			Amount	%
	(in millions)			
Other Income (Expenses):				
Equity share in net earnings of associates and joint ventures	Php2,846	Php2,599	Php247	10
Interest income	72	226	(154)	(68)
Gains on derivative financial instruments – net	–	3	(3)	(100)
Foreign exchange gains (losses) – net	(459)	10	(469)	(4,690)
Financing costs – net	(132)	(16)	(116)	725
Other income – net	3,012	1,543	1,469	95
<b>Total</b>	<b>Php5,339</b>	<b>Php4,365</b>	<b>Php974</b>	<b>22</b>

Other income increased by Php974 million, or 22%, to Php5,339 million for the nine months ended September 30, 2015 from Php4,365 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 sale of Meralco shares; (ii) higher equity share in net earnings of associates by Php247 million mainly due to an increase in equity share in the net earnings of Beta and Beacon; (iii) an increase in financing costs of Php116 million for the nine months ended September 30, 2015; and (iv) a decrease in interest income by Php154 million; and (v) foreign exchange losses of Php459 million in the first nine months of 2015 as against foreign exchange gains of Php10 million in the same period in 2014.

### **Net Income**

As a result of the foregoing, our other business segment registered a net income of Php5,167 million, an increase of Php935 million, or 22%, for the nine months ended September 30, 2015 from Php4,232 million in the same period in 2014.

### **Core Income**

Our other business segment's core income amounted to Php5,660 million for the nine months ended September 30, 2015, an increase of Php1,373 million, or 32%, as compared with Php4,287 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 nine months ended September 30, 2015 and 2014, as well as our consolidated capitalization and other consolidated selected financial data as at September 30, 2015 and December 31, 2014:

	For the Nine months ended September 30,	
	2015	2014
	(in millions)	
<b>Cash Flows</b>		
Net cash flows provided by operating activities	Php47,796	Php46,573
Net cash flows used in investing activities	(18,451)	(36,589)
<i>Capital expenditures</i>	23,297	15,981
Net cash flows used in financing activities	(22,596)	(18,517)
Net increase (decrease) in cash and cash equivalents	7,243	(8,211)
	<b>September 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	Php133,580	Php115,399
Obligations under finance lease	–	1
	133,580	115,400
Current portion of interest-bearing financial liabilities:		
Long-term debt maturing within one year	16,955	14,724
Obligations under finance lease maturing within one year	2	5
	16,957	14,729
Total interest-bearing financial liabilities	150,537	130,129
Total equity attributable to equity holders of PLDT	110,389	134,364
	Php260,926	Php264,493
<b>Other Selected Financial Data</b>		
Total assets	Php433,709	Php436,295
Property, plant and equipment	192,696	191,984
Cash and cash equivalents	33,902	26,659
Short-term investments	1,161	643

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

Our consolidated cash and cash equivalents and short-term investments totaled Php24,334 million as at September 30, 2014. Principal sources of consolidated cash and cash equivalents in the first nine months of 2014 were cash flows from operating activities amounting to Php46,573 million, proceeds from availment of long-term debt of Php39,692 million, dividends received of Php1,855 million, interest received of Php459 million and proceeds from disposal of property, plant and equipment of Php210 million. These funds were used principally for: (1) dividend payments of Php39,884 million; (2) purchase of available-for-sale financial investments of Php19,577 million; (3) capital outlays, including capitalized interest, of Php15,981 million; (4) debt principal and interest payments of Php11,664 million and Php3,599 million, respectively; (5) net payment of capital expenditures under long-term financing of Php2,435 million; (6) settlement of derivative financial instruments of Php485 million; (7) net payment for purchase of investment in debt securities of Php330 million; (8) deposit for future PDRs of Php300 million; (9) payment for purchase of investment in joint ventures and associates of Php300 million; and (10) payment for acquisition of shares of minority shareholders and purchase of investment in subsidiaries – net of cash acquired of Php188 million.



### ***Operating Activities***

Our consolidated net cash flows provided by operating activities increased by Php1,223 million, or 3%, to Php47,796 million for the nine months ended September 30, 2015 from Php46,573 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 settlement of LTIP in 2015, higher pension contribution, lower operating income, higher prepayments and higher level of settlement of other liabilities.

Cash flows provided by operating activities of our wireless business increased by Php2,359 million, or 7%, to Php33,867 million for the nine months ended September 30, 2015 from Php31,508 million in the same period in 2014 primarily due to lower level of settlement of accounts payable, lower corporate taxes paid and higher level of collection of outstanding receivables, partially offset by settlement of LTIP in 2015, lower operating income and higher prepayments. Cash flows provided by operating activities of our fixed line business decreased by Php1,819 million, or 12%, to Php13,366 million for the nine months ended September 30, 2015 from Php15,185 million in the same period in 2014, primarily due to the settlement of LTIP in 2015, higher pension contribution, lower operating income and higher level of net settlement of accounts payable and other liabilities, partially offset by higher level of collection of accounts receivable. Cash flows used in operating activities of our other business amounted to Php86 million for the nine months ended September 30, 2015 from Php27 million in the same period in 2014 primarily due to higher level of settlement of other liabilities.

### ***Investing Activities***

Consolidated net cash flows used in investing activities amounted to Php18,451 million for the nine months ended September 30, 2015, a decrease of Php18,138 million, or 50%, from Php36,589 million in the same period in 2014, primarily due to the combined effects of the following: (1) purchase of available-for-sale financial investments by Php19,577 million in 2014; (2) higher dividends received by Php3,689 million; (3) lower net payment for purchase of investment in debt securities by Php388 million; (4) higher interest received by Php253 million; (5) lower payment for purchase of investment in subsidiaries – net of cash acquired by Php187 million; (6) higher payment for purchase of short-term investments by Php553 million; (7) higher payment for purchase of investment in joint ventures and associates by Php655 million; and (8) higher capital expenditures by Php7,316 million.

Our consolidated capital expenditures, including capitalized interest, for the nine months ended September 30, 2015 totaled Php23,297 million, an increase of Php7,316 million, or 46%, as compared with Php15,981 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, which increased by Php8,757 million, or 100%, to Php17,530 million for the nine months ended September 30, 2015 from Php8,773 million in the same period in 2014, primarily focuses on expanding coverage and reach, as well as service enhancement. PLDT's capital spending, which decreased by Php1,405 million, or 22%, to Php5,054 million for the nine months ended September 30, 2015 from Php6,459 million in the same period in 2014, was principally used to finance the facility roll-out and expansion of our domestic fiber optic network, cable fortification and resiliency in various locations and acquisition of new platforms to complement introduction of new products and services. 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 Php22,596 million for the nine months ended September 30, 2015, an increase of Php4,079 million, or 22%, from Php18,517 million in the same period in 2014, resulting largely from the combined effects of the following: (1) lower proceeds from availment of long-term debt by Php8,825 million; (2) higher net payments of long-term debt by Php1,886 million; (3) higher interest payments by Php624 million; and (4) lower cash dividend payments by Php7,235 million.

### *Debt Financing*

Proceeds from availment of long-term debt for the nine months ended September 30, 2015 amounted to Php30,867 million, mainly from PLDT's and Smart's drawings related to the financing of our capital expenditure requirements and refinancing maturing loan obligations. Payments of principal and interest on our total debt amounted to Php13,550 million and Php4,223 million, respectively, for the nine months ended September 30, 2015.

Our consolidated long-term debt increased by Php20,412 million, or 16%, to Php150,535 million as at September 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 Php46.83 as at September 30, 2015 from Php44.74 as at December 31, 2014. As at September 30, 2015, the long-term debt levels of PLDT and Smart increased by 16% and 25%, to Php91,453 million and Php53,396 million, respectively, while DMPI's long-term debt level decreased by 34%, to Php5,686 million, as compared with December 31, 2014.

On February 25, 2015, PLDT signed a Php2,000 million term loan facility with Bank of the Philippine Islands, or 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 September 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, the 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 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. Three separate drawdowns of US\$50 million each for Tranche A were drawn on April 24, 2015, June 15, 2015 and August 24, 2015. The amount of US\$197 million, or Php9,248 million, net of unamortized debt discount, remained outstanding as at September 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 were drawn on March 23, 2015 and June 2, 2015. The amounts of US\$197 million, or Php9,229 million, net of unamortized debt discount, remained outstanding as at September 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 June 30, 2015 and remained outstanding as at September 30, 2015.

On August 3, 2015, PLDT signed a Php5,000 million term loan facility with Metropolitan Bank and Trust Company, or Metrobank, to partially finance capital expenditures and/or refinance its existing loan obligations, the proceeds of which will be utilized for its service improvements and expansion programs. The 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. The amount of Php2,500 million was partially drawn on September 23, 2015 and remained outstanding as at September 30, 2015.

On August 11, 2015, Smart signed a Php5,000 million term loan facility agreement with Metrobank to finance capital expenditures for its network upgrade and expansion program. The loan is payable over ten years with an annual amortization rate of 1% of the principal amount on the first year up to the ninth year commencing on the first year anniversary of the initial drawdown and the balance payable upon maturity on September 1, 2025. The amount of Php5,000 million loan was fully drawn on September 1, 2015 and remained outstanding as at September 30, 2015.

Approximately Php83,093 million principal amount of our consolidated outstanding long-term debt as at September 30, 2015 is scheduled to mature over the period from 2015 to 2019. Of this amount, Php42,543 million is attributable to PLDT, Php34,864 million to Smart and Php5,686 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 September 30, 2015, the outstanding balance of DMPI loans covered by PLDT guarantees is Php5,686 million. There are no outstanding Digitel loans covered by PLDT guarantees as at September 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 September 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 for the nine months ended September 30, 2015 amounted to Php32,649 million as compared with Php39,884 million paid to shareholders in the same period in 2014.

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

Earnings	Date			Amount	
	Approved	Record	Payable	Per share	Total Declared
(in millions, except per share amount)					
<b>2014</b>					
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
	August 5, 2014	August 20, 2014	September 15, 2014		13
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
	September 30, 2014	October 15, 2014	October 15, 2014	–	2
<b>Charged to Retained Earnings</b>					<b>Php14,953</b>
<b>2015</b>					
Common					
Regular Dividend	August 4, 2015	August 27, 2015	September 25, 2015 <sup>(2)</sup>	65.00	14,044
Preferred					
10% Cumulative Convertible Preferred Stock	May 5, 2015	May 19, 2015	May 30, 2015	1.00	–
Series IV Cumulative Non-convertible Redeemable Preferred Stock <sup>(1)</sup>	January 27, 2015	February 26, 2015	March 15, 2015	–	12
	May 5, 2015	May 26, 2015	June 15, 2015	–	12
	August 4, 2015	August 20, 2015	September 15, 2015		13
Voting Preferred Stock	March 3, 2015	March 19, 2015	April 15, 2015	–	2
	June 9, 2015	June 26, 2015	July 15, 2015	–	3
	August 25, 2015	September 15, 2015	October 15, 2015	–	2
<b>Charged to Retained Earnings</b>					<b>Php14,088</b>

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

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

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

## Contractual Obligations and Commercial Commitments

### Contractual Obligations

For a discussion of our consolidated contractual undiscounted obligations as at September 30, 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 Php20 million and Php32 million as at September 30, 2015 and December 31, 2014, respectively. 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 sale of certain assets.

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

The following table sets forth the estimated consolidated fair values of our financial assets and liabilities recognized as at September 30, 2015 and June 30, 2015 other than those whose carrying amounts are reasonable approximations of fair values:

	Fair Values	
	September 30, 2015	June 30, 2015
	(Unaudited) (in millions)	
Noncurrent Financial Assets		
Investments in debt securities and other long-term investments – net of current portion	Php1,250	Php987
Advances and other noncurrent assets – net of current portion	2,436	2,542
<b>Total noncurrent financial assets</b>	<b>Php3,686</b>	<b>Php3,529</b>
Noncurrent Financial Liabilities		
Interest-bearing financial liabilities	Php137,837	Php129,868
Customers' deposits	1,897	1,929
Deferred credits and other noncurrent liabilities	15,279	15,047
<b>Total noncurrent financial liabilities</b>	<b>Php155,013</b>	<b>Php146,844</b>

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

	September 30, 2015	June 30, 2015
		(Unaudited) (in millions)
Profit and Loss		
Interest income	Php590	Php364
Gains on derivative financial instruments – net	447	89
Accretion on financial liabilities	(163)	(108)
Interest on loans and other related items	(4,602)	(2,971)
Other Comprehensive Income		
Net fair value losses on cash flow hedges – net of tax	(289)	(22)
Net losses on available-for-sale financial investments – net of tax	(12,651)	(7,724)

## Impact of Inflation and Changing Prices

Inflation can be a significant factor in the Philippine economy, and we are continually seeking ways to minimize its impact. The average inflation rate in the Philippines for the nine months ended September 30, 2015 and 2014 were 1.6% and 4.4%, respectively. Moving forward, we currently expect inflation to remain low.

## PART II – OTHER INFORMATION

### *Incorporation of PLDT Capital Pte. Ltd.*

PLDT Capital Pte. Ltd., or PLDT Capital, was incorporated as a wholly-owned subsidiary of PLDT Online Investments Pte. Ltd., or PLDT Online, on August 12, 2015. As an investment arm, PLDT Capital is envisioned to be an important pillar in supporting the PLDT Group's digital pivot through collaboration with world-class pioneering companies in Silicon Valley and around the world.

As a realization of the Group's vision, PLDT Capital made the following investments:

### *Investment in Phunware, Inc.*

On September 3, 2015, PLDT Capital entered into a Memorandum of Understanding with Phunware Inc., or Phunware, where PLDT Capital will invest US\$5 million in a joint venture that will allow

PLDT's subsidiary, ePLDT, to exclusively market and distribute Phunware's targeted mobile and multiscreen solution in the Philippines and Southeast Asia.

PLDT Capital subscribed to a US\$5 million convertible promissory note issued by Phunware on September 3, 2015. Phunware is an expansive mobile delivery platform that creates, markets, and monetizes mobile application experiences across multiple screens. Through its pioneering Multiscreen as a Service platform, Phunware enables companies to engage seamlessly with their customers through mobile devices, from indoor and outdoor locations-based marketing and advertising to content management, notifications and analytics, to indoor mapping, navigation and wayfinding.

The US\$5 million convertible promissory note was issued and paid on September 4, 2015.

*Investment in AppCard, Inc.*

On October 9, 2015, PLDT Capital entered into a Convertible Preferred Stock Purchase Agreement with AppCard, Inc., or AppCard, for US\$5 million. AppCard is engaged in the business of developing, marketing, selling and servicing digital loyalty program platforms.

The US\$5 million convertible preferred stock was paid on October 9, 2015.

*Voyager's Acquisition of Takatack Technologies*

On August 6, 2015, Voyager, through Takatack Holdings Pte. Ltd. (formerly Takatack Pte. Ltd.), acquired 100% equity interest in Takatack Technologies Pte. Ltd., or Takatack Technologies, (formerly Paywhere Pte. Ltd.) for a total cash consideration of US\$5 million, of which US\$3 million was paid in August 2015 and US\$2 million is payable in 12 quarterly installments, subject to satisfaction of certain conditions. The acquisition is consistent with the PLDT Group's focus to build Voyager into a digital economy platforms enabler, allowing it to build its digital commerce business in the Philippines and other emerging markets. Takatack Technologies is a Singapore-based e-commerce platform behind the online store, TackThis!, a cloud-based e-commerce platform operating on a software as a service model that enables businesses to easily set-up and showcase their online businesses on various online platforms, among other things.

*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 September 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.

*eInnovations Holdings Pte. Ltd. Investment in MePay Global*

On January 6, 2015, PLDT, through eInnovations Holdings Pte. Ltd, or eInnovations, entered into a joint venture agreement with Rocket Internet SE (formerly 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.

On August 11, 2015, eInnovations invested €1.2 million into MePay Global.

eInnovations will further contribute the intellectual property, platforms and business operations of its market-leading mobile-first platform, PayMaya. Rocket contributed, among other things, its participation 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 first quarter of 2016.

On the mobile financial solutions side, Voyager launched *PayMaya Visa* card with *Beep*, a three-in-one product – a *Beep* card with stored Near Field Communication/value for use in Metro Manila's light rail system, a virtual *Visa* card which can be used to pay for online/e-commerce transactions and a physical *Visa* debit card.

---

*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 our 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 shareholders 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 a stake in Car Classifieds Philippines S.C.Sp. and Real Estate Classifieds Philippines S.C.Sp. iCommerce will have the option to increase its investment to 50% in PHIH. iCommerce paid approximately €7.4 million on October 27, 2015 for the first installment and the balance will be paid upon capital call.

*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, which were used by Beacon to partially settle its outstanding loans. 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 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. The convertible note was issued and paid on August 11, 2015.

**Related Party Transactions**

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

**ANNEX I – AGING OF ACCOUNTS RECEIVABLE**

The following table shows the aging of our consolidated receivables as at September 30, 2015:

Type of Accounts Receivable	Total	Current	31–60 Days	61–90 Days	Over 91 Days
	(in millions)				
Retail subscribers .....	Php20,222	Php6,291	Php1,690	Php441	Php11,800
Corporate subscribers .....	9,363	2,105	1,622	1,057	4,579
Foreign administrations .....	6,959	1,633	725	712	3,889
Domestic carriers .....	819	168	152	74	425
Dealers, agents and others .....	4,788	1,510	281	131	2,866
<b>Total</b>	<b>42,151</b>	<b>Php11,707</b>	<b>Php4,470</b>	<b>Php2,415</b>	<b>Php23,559</b>
Less: Allowance for doubtful accounts .....	17,964				
<b>Total Receivables - net</b> .....	<b>Php24,187</b>				



## ANNEX II – FINANCIAL SOUNDNESS INDICATORS

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

	2015	2014
Current Ratio <sup>(1)</sup>	0.52:1.0	0.47:1.0
Net Debt to Equity Ratio <sup>(2)</sup>	1.05:1.0	0.89:1.0
Net Debt to EBITDA Ratio <sup>(3)</sup>	1.56:1.0	1.45:1.0
Total Debt to EBITDA Ratio <sup>(4)</sup>	2.04:1.0	1.78:1.0
Asset to Equity Ratio <sup>(5)</sup>	3.93:1.0	3.40:1.0
Interest Coverage Ratio <sup>(6)</sup>	7.62:1.0	9.62:1.0
Profit Margin <sup>(7)</sup>	20%	22%
Return on Assets <sup>(8)</sup>	7%	8%
Return on Equity <sup>(9)</sup>	26%	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.

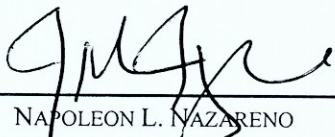
EBITDA for the period is measured as net income for the period excluding depreciation and amortization, amortization of intangible assets, asset impairment on noncurrent assets, financing cost, interest income, equity share in net earnings (losses) of associates and joint ventures, foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net, provision for (benefit from) income tax and other income (expenses) – net for the period.




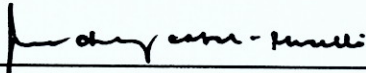
**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report for the first nine months 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  
(Principal Financial Officer)

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

Date: November 3, 2015