

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-C

Form Type

Not Applicable

Amendment Designation (if applicable)

December 31, 2015

Period Ended Date

Not Applicable

(Secondary License Type and File Number)



February 29, 2016

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

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

Gentlemen:

In accordance with Section 17.1(b) of the Securities Regulation Code and SRC Rule 17.1.1.1.3(b)2, we submit herewith a copy of SEC Form 17-C with Management's Discussion and Analysis and accompanying audited consolidated financial statements as at and for the year ended December 31, 2015.

Very truly yours,


MA. LOURDES C. RAUSA-CHAN
Corporate Secretary 



February 29, 2016

Securities & Exchange Commission
SEC Building, EDSA
Mandaluyong City

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

Gentlemen:

In accordance with Section 17.1(b) of the Securities Regulation Code and SRC Rule 17.1.1.1.3(a), we submit herewith two (2) copies of SEC Form 17-C with Management's Discussion and Analysis and accompanying audited consolidated financial statements as at and for the year ended December 31, 2015.

Very truly yours,


MA. LOURDES C. RAUSA-CHAN
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION
 CURRENT REPORT UNDER SECTION 17
 OF THE SECURITIES REGULATION CODE
 AND SRC RULE 17.1

1. **February 29, 2016**
Date of Report (Date of earliest event reported)
2. SEC Identification Number **PW-55**
3. BIR Tax Identification No. **000-488-793**
4. **PHILIPPINE LONG DISTANCE TELEPHONE COMPANY**
Exact name of issuer as specified in its charter
5. **PHILIPPINES**
Province, country or other jurisdiction
of Incorporation
6. _____ (SEC Use Only)
Industry Classification Code
7. **Ramon Cojuangco Building, Makati Avenue, Makati City**
Address of principal office
- 1200
Postal Code
8. **(632) 816-8553**
Issuer's telephone number, including area code
9. Not Applicable
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code and Sections 4 and 8 of the Revised Securities Act

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock	216,055,775 ⁽¹⁾
Amount of Debt Outstanding	Php160,892 million as at December 31, 2015

⁽¹⁾ Represents the total outstanding common shares (net of 2,724,111 Treasury shares).

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Our audited consolidated financial statements as at December 31, 2015 and 2014 and for the years ended December 31, 2015 and 2014 and related notes (pages F-1 to F-151) are filed as part of this report on Form 17-C.

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 audited 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 audited consolidated financial statements and the related notes. Our audited 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 audited 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 audited consolidated financial statements were made based on the exchange rate of Php47.12 to US\$1.00, the volume weighted average exchange rate as at December 31, 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

	Years ended December 31,		Increase (Decrease)	
	2015	2014 ⁽¹⁾	Amount	%
<i>(in millions, except for EBITDA margin, earnings per common share, net debt to equity ratio and operational data)</i>				
Consolidated Income Statement				
Revenues	Php171,103	Php170,835	Php268	–
Expenses	144,434	130,457	13,977	11
Other income (expenses)	(31)	3,770	(3,801)	(101)
Income before income tax	26,638	44,148	(17,510)	(40)
Net income for the period	22,075	34,090	(12,015)	(35)
Core income	35,212	37,410	(2,198)	(6)
EBITDA	70,218	76,750	(6,532)	(9)
EBITDA margin ⁽²⁾	43%	47%	–	–
Reported earnings per common share:				
Basic	101.85	157.51	(55.66)	(35)
Diluted	101.85	157.51	(55.66)	(35)
Core earnings per common share ⁽³⁾ :				
Basic	162.70	172.88	(10.18)	(6)
Diluted	162.70	172.88	(10.18)	(6)
Consolidated Statements of Financial Position				
Total assets	Php455,095	Php436,295	Php18,800	4
Property, plant and equipment	195,782	191,984	3,798	2
Cash and cash equivalents and short-term investments	47,884	27,302	20,582	75
Total equity attributable to equity holders of PLDT	113,608	134,364	(20,756)	(15)
Long-term debt, including current portion	160,892	130,123	30,769	24
Net debt ⁽⁴⁾ to equity ratio	0.99x	0.77x	–	–
Consolidated Statements of Cash Flows				
Net cash provided by operating activities	Php69,744	Php66,015	Php3,729	6
Net cash used in investing activities	(39,238)	(51,686)	12,448	(24)
<i>Capital expenditures</i>	43,175	34,759	8,416	24
Net cash used in financing activities	(11,385)	(19,897)	8,512	(43)
Operational Data				
Number of cellular subscribers	64,938,074	69,857,060	(4,918,986)	(7)
Number of fixed line subscribers	2,303,454	2,207,889	95,565	4
Number of broadband subscribers:				
<i>Fixed Line</i>	1,255,864	1,105,368	150,496	14
<i>Wireless</i>	3,932,820	2,986,146	946,674	32
Number of employees:				
<i>Fixed Line</i>	17,176	17,496	(320)	(2)
<i>LEC</i>	9,671	9,710	(39)	–
<i>Others</i>	7,039	7,405	(366)	(5)
<i>Wireless</i>	2,632	2,305	327	14
<i>Wireless</i>	7,505	7,786	(281)	(4)

(1) Certain comparative information for 2014 were reclassified to conform with the current presentation.

(2) EBITDA margin for the year 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 year.

(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\$	Yearend rates		Weighted average rates during the year	
	2015	2014	2015	2014
December 31, 2015	Php47.12	44.74	Php45.51	44.40
December 31, 2014	44.74	44.40	44.40	42.44
December 31, 2013	44.40	42.44	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 year 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 year 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 which delivers data and multi-media services in the Philippines. We have organized our business into business units based on our products and services and have three reportable operating segments which serve as the bases for management's decision to allocate resources and evaluate operating performance:

- *Wireless* — wireless telecommunications services provided by Smart Communications, Inc., or Smart, and Digital Mobile Philippines, Inc., or DMPI, which owns the *Sun Cellular* business and is a wholly-owned subsidiary of Digital Telecommunications Philippines, Inc., or Digitel, our cellular service providers; Voyager Innovations, Inc., or Voyager, and certain subsidiaries, our mobile applications and digital platforms developers and mobile financial services provider; Smart Broadband, Inc., or SBI, and subsidiary and Primeworld Digital Systems, Inc., or PDSI, our wireless broadband service providers; ACeS Philippines Cellular Satellite Corporation, or ACeS Philippines, our satellite operator; WiFun, Inc., our WiFi-enabler; and certain subsidiaries of PLDT Global Corporation, or PLDT Global, our mobile virtual network operations, or MVNO, provider;
- *Fixed Line* — fixed line telecommunications services primarily provided by PLDT. We also provide fixed line services through PLDT's subsidiaries, namely, PLDT Clark Telecom, Inc., PLDT Subic Telecom, Inc., PLDT-Philcom, Inc. or Philcom, and its subsidiaries, or Philcom Group, PLDT-Maratel, Inc., SBI, PDSI, Bonifacio Communications Corporation, PLDT Global and certain subsidiaries and Digitel, all of which together account for approximately 5% of our consolidated fixed line subscribers; and information and communications technology 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, Rack IT, 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; and bills printing and other value-added services, or VAS, related services provided by ePDS, Inc., or ePDS; and
- *Others* — PLDT Communications and Energy Ventures, Inc., or PCEV, PLDT Global Investment Holdings, Inc., Mabuhay Investments Corporation, PLDT Global Investments Corporation, PLDT Digital Investments Pte. Ltd., or PLDT Digital, and its subsidiary, our investment companies.

As at December 31, 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 years ended December 31, 2015 and 2014 are set forth below.

The following table shows the reconciliation of our consolidated EBITDA to our consolidated net income for the years ended December 31, 2015 and 2014:

	2015	2014 ⁽¹⁾
	(in millions)	
Consolidated EBITDA	Php70,218	Php76,750
Add (deduct) adjustments:		
Equity share in net earnings of associates and joint ventures	3,241	3,841
Interest income	799	752
Gains (losses) on derivative financial instruments – net	420	(101)
Asset impairment	(10,954)	(3,844)
Foreign exchange losses – net	(3,036)	(382)
Amortization of intangible assets	(1,076)	(1,149)
Financing costs – net	(6,259)	(5,320)
Provision for income tax	(4,563)	(10,058)
Depreciation and amortization	(31,519)	(31,379)
Other income – net	4,804	4,980
Total adjustments	(48,143)	(42,660)
Consolidated net income	Php22,075	Php34,090

⁽¹⁾ Certain comparative information for 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 years ended December 31, 2015 and 2014:

	2015	2014
	(in millions)	
Consolidated core income	Php35,212	Php37,410
Add (deduct) adjustments:		
Foreign exchange losses – net	(3,036)	(382)
Net income (loss) attributable to noncontrolling interests	10	(1)
Asset impairment	(10,954)	(3,844)
Core loss adjustment on equity share in net losses of associates and joint ventures	(179)	(79)
Gain on derivative financial instruments – net, excluding hedge costs	762	208
Net tax effect of aforementioned adjustments	260	778
Total adjustments	(13,137)	(3,320)
Consolidated net income	Php22,075	Php34,090

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 years ended December 31, 2015 and 2014. In each of the years ended December 31, 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)				
For the years ended December 31, 2015					
Revenues	Php115,513	Php68,865	Php-	(Php13,275)	Php171,103
Expenses	95,358	58,459	5,183	(14,566)	144,434
Other income (expenses)	(1,958)	(2,557)	5,775	(1,291)	(31)
Income before income tax	18,197	7,849	592	-	26,638
Provision for income tax	2,763	1,656	144	-	4,563
Net income/Segment profit	15,434	6,193	448	-	22,075
EBITDA	44,237	24,749	(59)	1,291	70,218
EBITDA margin ⁽¹⁾	40%	38%	-	-	43%
Core income	22,512	6,539	6,161	-	35,212
For the years ended December 31, 2014⁽²⁾					
Revenues	118,879	66,178	-	(14,222)	170,835
Expenses	89,102	56,855	56	(15,556)	130,457
Other income (expenses)	(724)	217	5,611	(1,334)	3,770
Income before income tax	29,053	9,540	5,555	-	44,148
Provision for income tax	7,158	2,818	82	-	10,058
Net income/Segment profit	21,895	6,722	5,473	-	34,090
EBITDA	50,917	24,555	(56)	1,334	76,750
EBITDA margin ⁽¹⁾	44%	38%	-	-	47%
Core income	25,176	6,691	5,543	-	37,410
Increase (Decrease)					
Revenues	(3,366)	2,687	-	947	268
Expenses	6,256	1,604	5,127	990	13,977
Other income (expenses)	(1,234)	(2,774)	164	43	(3,801)
Income before income tax	(10,856)	(1,691)	(4,963)	-	(17,510)
Provision for income tax	(4,395)	(1,162)	62	-	(5,495)
Net income/Segment profit	(6,461)	(529)	(5,025)	-	(12,015)
EBITDA	(6,680)	194	(3)	(43)	(6,532)
Core income	(2,664)	(152)	618	-	(2,198)

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

⁽²⁾ Certain comparative information for 2014 were reclassified to conform with the current presentation.

On a Consolidated Basis

Revenues

We reported consolidated revenues of Php171,103 million in 2015, an increase of Php268 million as compared with Php170,835 million 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 revenues, and an increase in our non-service revenues, partially offset by lower revenues from cellular and other services from our wireless business, and lower revenues from international and national long distance services from our fixed line business.

The following table shows the breakdown of our consolidated revenues by business segment for the years ended December 31, 2015 and 2014:

	2015	%	2014 ⁽¹⁾	%	Change	
					Amount	%
	(in millions)					
Wireless	Php115,513	68	Php118,879	69	(Php3,366)	(3)
Fixed line	68,865	40	66,178	39	2,687	4
Inter-segment transactions	(13,275)	(8)	(14,222)	(8)	947	(7)
Consolidated	Php171,103	100	Php170,835	100	Php268	-

⁽¹⁾ Certain comparative information for 2014 were reclassified to conform with the current presentation.

Expenses

Consolidated expenses increased by Php13,977 million, or 11%, to Php144,434 million in 2015 from Php130,457 million in 2014, as a result of higher expenses related to asset impairment, cost of sales, and operating expenses related to compensation and employee benefits, professional and other contracted services, repairs and maintenance, taxes and licenses, and other operating expenses, partially offset by lower expenses related to selling and promotions, rent, communication, training and travel, interconnection costs, insurance and security services, and amortization of intangible assets.

The following table shows the breakdown of our consolidated expenses by business segment for the years ended December 31, 2015 and 2014:

	2015	%	2014 ⁽¹⁾	%	Change	
					Amount	%
(in millions)						
Wireless	Php95,358	66	Php89,102	68	Php6,256	7
Fixed line	58,459	40	56,855	44	1,604	3
Others	5,183	4	56	–	5,127	9,155
Inter-segment transactions	(14,566)	(10)	(15,556)	(12)	990	(6)
Consolidated	Php144,434	100	Php130,457	100	Php13,977	11

⁽¹⁾ Certain comparative information for 2014 were reclassified to conform with the current presentation.

Other Income (Expenses)

Consolidated other expenses amounted to Php31 million in 2015, a change of Php3,801 million, or 101%, from consolidated other income of Php3,770 million in 2014, primarily due to the combined effects of the following: (i) higher foreign exchange losses by Php2,654 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; (ii) higher net financing costs by Php939 million due to higher outstanding loan balance and weighted average interest rate, a higher weighted average foreign exchange rate and a decrease in capitalized interest, partly offset by lower financing charges; (iii) a decrease in equity share in net earnings of associates by Php600 million due to lower share in net earnings of Asia Outsourcing Beta Limited, or Beta, and share in net losses of Cignal TV, Inc., or Cignal TV, in 2015, partially offset by higher net earnings of Beacon Electronic Asset Holdings, Inc., or Beacon; (iv) a decrease in other income by Php176 million due to gain on fair value adjustment of investment property and gain on purchase price adjustment in 2014 in relation to the acquisition of Digitel, partially offset by higher realized portion of deferred gain on the sale of Meralco shares; (v) higher interest income by Php47 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; and (vi) gains on derivative financial instruments of Php420 million in 2015 as against losses on derivative financial instruments of Php101 million in 2014 on account of a higher mark-to-market gain on long-term currency swaps and forward purchase contracts due to the depreciation of the Philippine peso relative to the U.S. dollar 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 years ended December 31, 2015 and 2014:

	2015	2014 ⁽¹⁾	Change	
			Amount	%
(in millions)				
Wireless	(Php1,958)	(Php724)	(Php1,234)	170
Fixed line	(2,557)	217	(2,774)	(1,278)
Others	5,775	5,611	164	3
Inter-segment transactions	(1,291)	(1,334)	43	(3)
Consolidated	(Php31)	Php3,770	(Php3,801)	(101)

⁽¹⁾ Certain comparative information for 2014 were reclassified to conform with the current presentation.

Net Income

Consolidated net income decreased by Php12,015 million, or 35%, to Php22,075 million in 2015, from Php34,090 million in 2014. The decrease was mainly due to the combined effects of the following: (i) an increase in consolidated expenses by Php13,977 million; (ii) a decrease in consolidated other income – net by Php3,801 million; (iii) a decrease in consolidated provision for income tax by Php5,495 million; and (iv) an increase in consolidated revenues by Php268 million. Our consolidated basic and diluted EPS decreased to Php101.85 in 2015 from consolidated basic and diluted EPS of Php157.51 in 2014. Our weighted average number of outstanding common shares was approximately 216.06 million in each of 2015 and 2014.



The following table shows the breakdown of our consolidated net income by business segment for the years ended December 31, 2015 and 2014:

	2015	%	2014	%	Change	
					Amount	%
(in millions)						
Wireless	Php15,434	70	Php21,895	64	(Php6,461)	(30)
Fixed line	6,193	28	6,722	20	(529)	(8)
Others	448	2	5,473	16	(5,025)	(92)
Consolidated	Php22,075	100	Php34,090	100	(Php12,015)	(35)

EBITDA

Our consolidated EBITDA amounted to Php70,218 million in 2015, a decrease of Php6,532 million, or 9%, as compared with Php76,750 million in 2014, primarily due to higher cost of sales and provision for doubtful accounts, as well as higher operating expenses driven by compensation and employee benefits, professional and other contracted services, and other operating expenses, partially offset by lower selling and promotions, rent, communication, training and travel, and interconnection costs, as well as higher consolidated revenues.

The following table shows the breakdown of our consolidated EBITDA by business segment for the years ended December 31, 2015 and 2014:

	2015	%	2014 ⁽¹⁾	%	Change	
					Amount	%
(in millions)						
Wireless	Php44,237	63	Php50,917	66	(Php6,680)	(13)
Fixed line	24,749	35	24,555	32	194	1
Others	(59)	—	(56)	—	(3)	5
Inter-segment transactions	1,291	2	1,334	2	(43)	(3)
Consolidated	Php70,218	100	Php76,750	100	(Php6,532)	(9)

⁽¹⁾ Certain comparative information for 2014 were reclassified to conform with the current presentation.

Core Income

Our consolidated core income amounted to Php35,212 million in 2015, a decrease of Php2,198 million, or 6%, as compared with Php37,410 million 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 Php162.70 in 2015 from Php172.88 in 2014.

The following table shows the breakdown of our consolidated core income by business segment for the years ended December 31, 2015 and 2014:

	2015	%	2014	%	Change	
					Amount	%
(in millions)						
Wireless	Php22,512	64	Php25,176	67	(Php2,664)	(11)
Fixed line	6,539	19	6,691	18	(152)	(2)
Others	6,161	17	5,543	15	618	11
Consolidated	Php35,212	100	Php37,410	100	(Php2,198)	(6)

On a Business Segment Basis

Wireless

Revenues

We generated revenues from our wireless business of Php115,513 million in 2015, a decrease of Php3,366 million, or 3%, from Php118,879 million in 2014.



The following table summarizes our total revenues from our wireless business for the years ended December 31, 2015 and 2014 by service segment:

	2015	%	2014 ⁽¹⁾	%	Increase (Decrease)	
					Amount	%
(in millions)						
Service Revenues:						
Cellular	Php97,738	85	Php102,780	87	(Php5,042)	(5)
Wireless broadband and others						
Wireless broadband	10,991	9	10,019	8	972	10
Others	936	1	1,182	1	(246)	(21)
Digital platforms and mobile financial services	1,051	1	1,056	1	(5)	–
	110,716	96	115,037	97	(4,321)	(4)
Non-Service Revenues:						
Sale of cellular handsets, cellular subscriber identification module, or SIM,-packs and broadband data modems	4,797	4	3,842	3	955	25
Total Wireless Revenues	Php115,513	100	Php118,879	100	(Php3,366)	(3)

⁽¹⁾ Certain comparative information for 2014 were reclassified to conform with the current presentation.

Service Revenues

Our wireless service revenues in 2015 decreased by Php4,321 million, or 4%, to Php110,716 million as compared with Php115,037 million in 2014, mainly as a result of lower revenues from voice and text messaging services, as well as other services, partially offset by higher revenues from mobile internet and broadband revenues. As a percentage of our total wireless revenues, service revenues accounted for 96% and 97% in 2015 and 2014, respectively.

Cellular Service

Our cellular service revenues in 2015 amounted to Php97,738 million, a decrease of Php5,042 million, or 5%, from Php102,780 million in 2014. Cellular service revenues accounted for 88% and 89% of our wireless service revenues in 2015 and 2014, respectively.

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

In 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 “Smart Life” where we aim to provide our customers with “Entertainment On-the-Go, Urban Comfort 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. This promotion was valid until January 31, 2016.

On September 8, 2015, we announced a partnership with *Uber*, the world’s largest ride-sharing technology company as part of our “Urban Comfort On-the-Go” portfolio. Under the partnership, Smart will install 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 a 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, whether their destination is within the Philippines or overseas. From October 29, 2015 until January 2016, all Smart subscribers received a Php2,500 Airbnb discount for a minimum booking of Php8,000 at any Airbnb accommodation partner within the Philippines and abroad.

In November 2015, Smart made available the latest variants of the iPhone series to its customers. Subscribers can get iPhone 6s and iPhone 6s Plus for free starting at Plan 2000 and Plan 2499, respectively. iPhone Plan 2000 comes with 150 minutes of voice calls, 200 SMS, 10GB consumable data with all-month surf and Choose Your VAS subscription, while iPhone Plan 2499 comes with 300 minutes of voice calls, 300 SMS, 15GB consumable data with all-month surf and Choose Your VAS subscription.

The following table shows the breakdown of our cellular service revenues for the years ended December 31, 2015 and 2014:

	2015	2014 ⁽¹⁾	Increase (Decrease)	
			Amount	%
	(in millions)			
Cellular service revenues	Php97,738	Php102,780	(Php5,042)	(5)
<i>By service type</i>				
Prepaid	95,454	100,777	(5,323)	(5)
Postpaid	71,781	79,124	(7,343)	(9)
	23,673	21,653	2,020	9
<i>By component</i>				
Voice	95,454	100,777	(5,323)	(5)
Data	45,481	51,065	(5,584)	(11)
	49,973	49,712	261	1
<i>Others⁽²⁾</i>	2,284	2,003	281	14

(1) Certain comparative information for 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 and other Smart subsidiaries.

The following table shows other key measures of our cellular business as at and for the years ended December 31, 2015 and 2014:

	2015	2014	Increase (Decrease)	
			Amount	%
Cellular subscriber base	64,938,074	69,857,060	(4,918,986)	(7)
Prepaid	61,980,425	67,091,612	(5,111,187)	(8)
<i>Smart</i>	22,892,303	24,877,144	(1,984,841)	(8)
<i>TNT</i>	28,054,160	28,149,360	(95,200)	–
<i>Sun Cellular</i>	11,033,962	14,065,108	(3,031,146)	(22)
Postpaid	2,957,649	2,765,448	192,201	7
<i>Sun Cellular</i>	1,727,923	1,725,227	2,696	–
<i>Smart</i>	1,229,726	1,040,221	189,505	18
Systemwide traffic volumes (in million minutes)				
Calls	56,987	52,766	4,221	8
Domestic	54,505	49,525	4,980	10
<i>Inbound</i>	983	1,120	(137)	(12)
<i>Outbound</i>	53,522	48,405	5,117	11
International	2,482	3,241	(759)	(23)
<i>Inbound</i>	2,136	2,770	(634)	(23)
<i>Outbound</i>	346	471	(125)	(27)
SMS/Data count (in million hits)	380,436	424,344	(43,908)	(10)
Text messages	378,475	422,358	(43,883)	(10)
Domestic	377,663	421,476	(43,813)	(10)
Bucket-Priced/Unlimited	342,653	389,321	(46,668)	(12)
Standard	35,010	32,155	2,855	9
International	812	882	(70)	(8)
Value-Added Services	1,961	1,986	(25)	(1)

Revenues generated from our prepaid cellular services amounted to Php71,781 million in 2015, a decrease of Php7,343 million, or 9%, as compared with Php79,124 million in 2014. Prepaid cellular service revenues accounted for 75% and 79% of cellular voice and data revenues in 2015 and 2014, respectively. The decrease in revenues from our prepaid cellular services was primarily due to lower voice and text messaging revenues, as well as lower prepaid cellular subscriber base, partially offset by an increase in mobile internet revenues. Revenues generated from postpaid cellular service amounted to Php23,673 million in 2015, an increase of Php2,020 million, or 9%, as compared with Php21,653 million earned in 2014, and accounted for 25% and 21% of cellular voice and data revenues in 2015 and 2014, respectively. The increase in our postpaid cellular service revenues was primarily due to our growing 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 Php5,584 million, or 11%, to Php45,481 million in 2015 from Php51,065 million 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 in 2015 and 2014, respectively.

The following table shows the breakdown of our cellular voice revenues for the years ended December 31, 2015 and 2014:

	2015	2014 ⁽¹⁾	Decrease	
			Amount	%
		(in millions)		
Voice services:				
<i>Domestic</i>				
Inbound	Php3,819	Php4,324	(Php505)	(12)
Outbound	30,685	32,556	(1,871)	(6)
	34,504	36,880	(2,376)	(6)
<i>International</i>				
Inbound	9,608	12,302	(2,694)	(22)
Outbound	1,369	1,883	(514)	(27)
	10,977	14,185	(3,208)	(23)
Total	Php45,481	Php51,065	(Php5,584)	(11)

⁽¹⁾ Certain comparative information for 2014 were reclassified to conform with the current presentation.

Domestic voice service revenues decreased by Php2,376 million, or 6%, to Php34,504 million in 2015 from Php36,880 million in 2014, due to lower domestic outbound and inbound voice service revenues by Php1,871 million and Php505 million, respectively.

Revenues from our domestic inbound voice service decreased by Php505 million, or 12%, to Php3,819 million in 2015 from Php4,324 million in 2014 due to lower traffic originating from other mobile carriers. Domestic inbound call volumes decreased by 137 million minutes, or 12%, to 983 million minutes in 2015 from 1,120 million minutes in 2014.

Revenues from domestic outbound voice service decreased by Php1,871 million, or 6%, to Php30,685 million in 2015 from Php32,556 million in 2014 mainly due to lower standard and bucket voice revenues. Domestic outbound call volumes, however, increased by 5,117 million minutes, or 11%, to 53,522 million minutes in 2015 from 48,405 million minutes in 2014 resulting in lower yield. The increase was primarily attributable to higher unlimited and bucket voice traffic, partially offset by lower standard voice traffic.

International voice service revenues decreased by Php3,208 million, or 23%, to Php10,977 million in 2015 from Php14,185 million 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 2,482 million minutes in 2015, a decrease of 759 million minutes, or 23%, from 3,241 million minutes in 2014.

Data Services

Cellular revenues from our data services, which include all text messaging-related services, as well as VAS, mobile internet and other data revenues, increased by Php261 million, or 1%, to Php49,973 million in 2015 from Php49,712 million 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

in 2015 and 2014, respectively.

The following table shows the breakdown of our cellular data service revenues for the years ended December 31, 2015 and 2014:

	2015	2014 ⁽¹⁾	Increase (Decrease)	
			Amount	%
	(in millions)			
Text messaging				
Domestic	Php35,422	Php36,605	(Php1,183)	(3)
<i>Bucket-Priced/Unlimited</i>	24,680	25,111	(431)	(2)
<i>Standard</i>	10,742	11,494	(752)	(7)
International	2,536	3,189	(653)	(20)
	37,958	39,794	(1,836)	(5)
Mobile internet ⁽²⁾	10,421	8,253	2,168	26
Value-added services ⁽³⁾	1,594	1,665	(71)	(4)
Total	Php49,973	Php49,712	Php261	1

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

Text messaging-related services contributed revenues of Php37,958 million in 2015, a decrease of Php1,836 million, or 5%, as compared with Php39,794 million in 2014, and accounted for 76% and 80% of our total cellular data service revenues in 2015 and 2014, respectively. The decrease in revenues from text messaging-related services resulted mainly from lower outbound standard and bucket-priced/unlimited SMS, as well as lower international text messaging revenues. Text messaging revenues from various bucket-priced/unlimited SMS offers totaled Php24,680 million in 2015, a decrease of Php431 million, or 2%, as compared with Php25,111 million in 2014. Bucket-priced/unlimited text messages decreased by 46,668 million, or 12%, to 342,653 million in 2015 from 389,321 million in 2014.

Standard text messaging revenues, which include inbound and outbound standard SMS revenues, decreased by Php752 million, or 7%, to Php10,742 million in 2015 from Php11,494 million 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 4,953 million, or 24%, to 25,197 million in 2015 from 20,244 million in 2014, partially offset by the decline in outbound standard text messages by 2,098 million, or 18%, to 9,813 million in 2015 from 11,911 million in 2014.

International text messaging revenues amounted to Php2,536 million in 2015, a decrease of Php653 million, or 20%, from Php3,189 million in 2014. The decline in revenues was mainly due to lower international SMS rates driven by enhanced bucket offers combined with the impact of lower international text messages which declined by 70 million, or 8%, to 812 million in 2015 from 882 million in 2014, 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 Php2,168 million, or 26%, to Php10,421 million in 2015 from Php8,253 million 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, such as *Free Mobile Internet*, *Internet for All* and *Free Instagram*. Other data offerings, such as *Smart Big Bytes*, *Smart Life Entertainment* bundles and *Internet.org*, 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*, increased by Php281 million, or 14%, to Php2,284 million in 2015 from Php2,003 million in 2014 primarily due to higher share of Smart in PayMaya's peer-to-peer (P2P) transaction fees and other subscriber-related income, partially offset by lower revenues from inbound roaming. Other cellular services accounted for 2% of our cellular service revenues in each of 2015 and 2014.

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

As at December 31, 2015, our cellular subscribers totaled 64,938,074 a decrease of 4,918,986, or 7%, from the cellular subscriber base of 69,857,060 as at December 31, 2014. Our cellular prepaid subscriber base decreased by 5,111,187, or 8%, to 61,980,425 as at December 31, 2015 from 67,091,612 as at December 31, 2014, while our cellular postpaid subscriber base increased by 192,201, or 7%, to 2,957,649 as at December 31, 2015 from 2,765,448 as at December 31, 2014. The decrease in cellular subscriber base was primarily due to net decreases in Smart and Sun Cellular subscribers by 1,795,336 and 3,028,450, respectively, and lower TNT subscribers by 95,200. Prepaid subscribers accounted for 95% and 96% of our total subscriber base as at December 31, 2015 and 2014, respectively.

Our net subscriber activations (reductions) for the years ended December 31, 2015 and 2014 were as follows:

	2015	2014	Increase (Decrease)	
			Amount	%
Prepaid	(5,111,187)	(576,138)	(4,535,049)	787
Smart	(1,984,841)	268,457	(2,253,298)	(839)
TNT	(95,200)	(1,335,657)	1,240,457	(93)
Sun Cellular ⁽¹⁾	(3,031,146)	491,062	(3,522,208)	(717)
Postpaid	192,201	387,571	(195,370)	(50)
Smart	189,505	150,525	38,980	26
Sun Cellular ⁽²⁾	2,696	237,046	(234,350)	(99)
Total	(4,918,986)	(188,567)	(4,730,419)	2,509

⁽¹⁾ Net of 1,400,331 adjustment in the number of subscribers resulting from our periodic clean-up. Excluding the clean-up adjustment, net reductions in 2015 should have been 1,630,815, which registered a decrease of 2,121,877, or 432%, from 491,062 activations in 2014.

⁽²⁾ Net of 218,497 adjustment in the number of subscribers resulting from our periodic clean-up. Excluding the clean-up adjustment, activations in 2015 should have been 221,193, which registered a decrease of 15,853, or 7%, from 237,046 in 2014.

The following table summarizes our average monthly churn rates for the years ended December 31, 2015 and 2014:

	2015	2014
	(in %)	
Prepaid		
Smart	6.5	5.8
TNT	5.7	5.8
Sun Cellular	11.4	9.7
Postpaid		
Smart	2.8	2.7
Sun Cellular	3.7	1.8

The following table summarizes our average monthly cellular ARPUs for the years ended December 31, 2015 and 2014:

	Gross ⁽¹⁾		Decrease		Net ⁽²⁾		Decrease	
	2015	2014	Amount	%	2015	2014	Amount	%
Prepaid								
Smart	Php126	Php143	(17)	(12)	Php115	Php129	(14)	(11)
TNT	91	97	(6)	(6)	84	88	(4)	(5)
Sun Cellular	71	72	(1)	(1)	66	66	–	–
Postpaid								
Smart	1,048	1,088	(40)	(4)	1,035	1,078	(43)	(4)
Sun Cellular	448	481	(33)	(7)	445	477	(32)	(7)

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

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



Our average monthly prepaid and postpaid ARPUs per quarter of 2015 and 2014 were as follows:

	Prepaid						Postpaid				
	Smart		TNT		Sun Cellular		Smart		Sun Cellular		
	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	
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	
Fourth Quarter	122	113	91	83	77	71	1,029	1,014	479	475	
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 MVNOs of PLDT Global's subsidiaries.

Wireless Broadband

Revenues from our wireless broadband services increased by Php972 million, or 10%, to Php10,991 million in 2015 from Php10,019 million in 2014, primarily due to an increase in prepaid revenues by Php1,189 million, or 37%, to Php4,362 million in 2015 from Php3,173 million in 2014, partially offset by lower postpaid revenues by Php217 million, or 3%, to Php6,629 million in 2015 from Php6,846 million in 2014 mainly due to the migration of Canopy and WiMax subscribers to TD-LTE and other PLDT fixed broadband plans.

The following table shows information of our wireless broadband revenues for the years ended December 31, 2015 and 2014 and subscriber base as at December 31, 2015 and 2014:

	2015	2014	Increase (Decrease)	
			Amount	%
Wireless Broadband Revenues (in millions)	Php10,991	Php10,019	Php972	10
Prepaid	4,362	3,173	1,189	37
Postpaid	6,629	6,846	(217)	(3)
Wireless Broadband Subscribers	3,932,820	2,986,146	946,674	32
Prepaid	3,083,435	2,142,566	940,869	44
Smart	2,526,230	1,795,039	731,191	41
Sun	557,205	347,527	209,678	60
Postpaid	849,385	843,580	5,805	1
Smart	531,728	514,327	17,401	3
Sun	317,657	329,253	(11,596)	(4)

Smart Broadband and Sun Broadband Wireless, which offer a number of wireless broadband services, had a total of 3,932,820 subscribers as at December 31, 2015, a net increase of 946,674 subscribers, or 32%, as compared with 2,986,146 subscribers as at December 31, 2014, primarily due to a net increase in Smart Broadband subscribers by 748,592, or 32%, complemented by an increase in Sun Broadband subscribers by 198,082, or 29%, as at December 31, 2015. Our prepaid wireless broadband subscriber base increased by 940,869 subscribers, or 44%, to 3,083,435 subscribers as at December 31, 2015 from 2,142,566 subscribers as at December 31, 2014, and our postpaid wireless broadband subscriber base also increased by 5,805 subscribers, or 1%, to 849,385 subscribers as at December 31, 2015 from 843,580 subscribers as at December 31, 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 continues to grow the wireless broadband revenues with our new campaign for the *SmartBro Pocket WiFi* where subscribers can “Share the Smart Life” through various data-sharing plans among several subscribers.

Smart Broadband also has an additional array of surfing packages such as *Big Bytes*, a volume-based charging offer, *Flexitime* packages which are time-based charging offers with different validity periods, and *Surf Max* packages which offer all-day internet surfing. *LTE Pocket WiFi* is now free at *Big Bytes Plan 999*.

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. *Sun Broadband* has a selection of broadband offerings which includes *Non-Stop Surf* packages for light or casual browsers, *Surf Net Mega* packages for the heavy internet users, and *Unlimited Surf* loads for subscribers who want the most affordable unlimited surfing.

Others

Revenues from our other services decreased by Php246 million, or 21%, to Php936 million in 2015 from Php1,182 million in 2014, primarily due to a decrease in the number of ACeS Philippines’ subscribers, lower revenue contribution from MVNOs of PLDT Global, partially offset by the impact of higher weighted average exchange rate of Php45.51 for the year ended December 31, 2015 from Php44.40 for the year ended December 31, 2014 on our U.S. dollar and U.S. dollar-linked other service revenues.

Digital Platforms and Mobile Financial Services

Revenues from digital platforms and mobile financial services, as reported by Voyager, decreased by Php5 million to Php1,051 million in 2015 from Php1,056 million in 2014 mainly attributable to the decrease in Chikka’s value-added services.

Non-Service Revenues

Our wireless non-service revenues consist of proceeds from sales of cellular handsets, cellular SIM-packs and broadband data modems, tablets and accessories. Our wireless non-service revenues increased by Php955 million, or 25%, to Php4,797 million in 2015 from Php3,842 million 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 Php95,358 million in 2015, an increase of Php6,256 million, or 7%, from Php89,102 million in 2014. A significant portion of the increase was attributable to higher expenses related to asset impairment, cost of sales, depreciation and amortization, compensation and employee benefits, professional and other contracted services, interconnection costs, taxes and licenses, and other operating expenses, partially offset by lower selling and promotions, rent, communications, training and travel, repairs and maintenance, insurance and security services, and amortization of intangible assets. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 83% and 75% in 2015 and 2014, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the years ended December 31, 2015 and 2014 and the percentage of each expense item in relation to the total:

	2015	%	2014 ⁽¹⁾	%	Increase (Decrease)	
					Amount	%
	(in millions)					
Depreciation and amortization	Php17,218	18	Php16,375	18	Php843	5
Cost of sales	13,873	15	11,632	13	2,241	19
Rent	10,657	11	11,008	12	(351)	(3)
Repairs and maintenance	8,577	9	8,666	10	(89)	(1)
Interconnection costs	8,513	9	8,229	9	284	3
Asset impairment	8,446	9	5,620	6	2,826	50
Compensation and employee benefits	7,725	8	6,944	8	781	11
Selling and promotions	7,712	8	8,512	10	(800)	(9)
Professional and other contracted services	5,613	6	5,299	6	314	6
Taxes and licenses	3,124	3	2,944	3	180	6
Insurance and security services	1,190	1	1,274	2	(84)	(7)
Amortization of intangible assets	1,076	1	1,149	1	(73)	(6)
Communication, training and travel	958	1	1,072	1	(114)	(11)
Other expenses	676	1	378	1	298	79
Total	Php95,358	100	Php89,102	100	Php6,256	7

⁽¹⁾ Certain comparative information for 2014 were reclassified to conform with the current presentation.

Depreciation and amortization charges increased by Php843 million, or 5%, to Php17,218 million primarily due to a higher depreciable asset base and accelerated depreciation on service delivery platforms equipment.

Cost of sales increased by Php2,241 million, or 19%, to Php13,873 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 Php351 million, or 3%, to Php10,657 million primarily due to lower leased circuit and dark fiber rental charges, as well as lower site, office building and pole rentals.

Repairs and maintenance expenses decreased by Php89 million, or 1%, to Php8,577 million mainly due to lower site fuel consumption costs and maintenance costs on IT hardware, partially offset by higher maintenance and technical support costs on expanded network and site facilities, an increase in site electricity and higher maintenance costs on IT software.

Interconnection costs increased by Php284 million, or 3%, to Php8,513 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.

Asset impairment increased by Php2,826 million, or 50%, to Php8,446 million primarily due to higher fixed asset impairment provision, provision for inventory obsolescence and provision for doubtful accounts.

Compensation and employee benefits increased by Php781 million, or 11%, to Php7,725 million primarily due to higher salaries, manpower rightsizing program, or MRP, costs, and provision for pension, partly offset by lower incentives and employee benefits. Employee headcount decreased to 7,505 as at December 31, 2015 as compared with 7,786 as at December 31, 2014.

Selling and promotion expenses decreased by Php800 million, or 9%, to Php7,712 million primarily due to lower costs of events, advertising, commissions and public relations expenses.

Professional and other contracted service fees increased by Php314 million, or 6%, to Php5,613 million primarily due to an increase in facility usage costs, legal and other service fees, partly offset by lower consultancy, audit and contracted service fees.

Taxes and licenses increased by Php180 million, or 6%, to Php3,124 million due to higher business-related taxes and tax settlements in 2015.

Insurance and security services decreased by Php84 million, or 7%, to Php1,190 million primarily due to lower site and office security expenses, as well as lower group health insurance premiums.

Amortization of intangible assets decreased by Php73 million, or 6%, to Php1,076 million primarily due to lower license fees.

Communication, training and travel expenses decreased by Php114 million, or 11%, to Php958 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 increased by Php298 million, or 79%, to Php676 million primarily due to higher various business and operational-related expenses.

Other Expenses

The following table summarizes the breakdown of our total wireless-related other income (expenses) for the years ended December 31, 2015 and 2014:

	2015	2014 ⁽¹⁾	Change	
			Amount	%
			(in millions)	
Other Income (Expenses):				
Financing costs – net	(Php1,799)	(Php1,646)	(Php153)	9
Foreign exchange losses – net	(1,622)	(464)	(1,158)	250
Equity share in net losses of associates	(81)	(11)	(70)	636
Loss on derivative financial instruments – net	–	(34)	34	(100)
Interest income	308	217	91	42
Other income – net	1,236	1,214	22	2
Total	(Php1,958)	(Php724)	(Php1,234)	170

⁽¹⁾ Certain comparative information for 2014 were reclassified to conform with the current presentation.

Our wireless business' other expenses amounted to Php1,958 million in 2015, an increase of Php1,234 million, or 170%, from Php724 million in 2014, primarily due to the combined effects of the following: (i) higher net foreign exchange losses by Php1,158 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; (ii) higher net financing costs by Php153 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; (iii) higher equity share in net losses of Automated Fare Collection Services, Inc. by Php70 million; (iv) an increase in other income – net by Php22 million mainly due to higher income from consultancy and higher gain on sale of fixed assets, partly offset by lower gain on insurance claims; and (v) higher interest income by Php91 million mainly due to higher weighted average peso and dollar interest rates, increase in principal amount of temporary cash investments and the depreciation of the Philippine peso to the U.S. dollar.

Provision for Income Tax

Provision for income tax decreased by Php4,395 million, or 61%, to Php2,763 million in 2015 from Php7,158 million in 2014 primarily due to lower taxable income and recognition of deferred tax assets. The effective tax rates for our wireless business were 15% and 25% in 2015 and 2014, respectively.

Net Income

As a result of the foregoing, our wireless business' net income decreased by Php6,461 million, or 30%, to Php15,434 million in 2015 from Php21,895 million in 2014.

EBITDA

Our wireless business' EBITDA decreased by Php6,680 million, or 13%, to Php44,237 million in 2015 from Php50,917 million in 2014.

Core Income

Our wireless business' core income decreased by Php2,664 million, or 11%, to Php22,512 million in 2015 from Php25,176 million in 2014 on account of higher wireless-related operating and other expenses and lower wireless revenues, partially offset by lower provision for income tax.

Fixed Line

Revenues

Revenues generated from our fixed line business amounted to Php68,865 million in 2015, an increase of Php2,687 million, or 4%, from Php66,178 million in 2014.

The following table summarizes our total revenues from our fixed line business for the years ended December 31, 2015 and 2014 by service segment:

	2015	%	2014 ⁽¹⁾	%	Increase (Decrease)	
					Amount	%
(in millions)						
Service Revenues:						
Local exchange	Php17,076	25	Php16,587	25	Php489	3
International long distance	9,219	13	11,404	17	(2,185)	(19)
National long distance	3,958	6	4,365	7	(407)	(9)
Data and other network	33,748	49	30,332	46	3,416	11
Miscellaneous	1,474	2	1,419	2	55	4
	65,475	95	64,107	97	1,368	2
Non-Service Revenues:						
Sale of computers, phone units and SIM cards, and point-product sales	3,390	5	2,071	3	1,319	64
Total Fixed Line Revenues	Php68,865	100	Php66,178	100	Php2,687	4

⁽¹⁾ Certain comparative information for 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 Php1,368 million, or 2%, to Php65,475 million in 2015 from Php64,107 million 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 years ended December 31, 2015 and 2014:

	2015	2014	Increase (Decrease)	
			Amount	%
Total local exchange service revenues (in millions)	Php17,076	Php16,587	Php489	3
Number of fixed line subscribers	2,303,454	2,207,889	95,565	4
Postpaid	2,269,883	2,149,846	120,037	6
Prepaid	33,571	58,043	(24,472)	(42)
Number of fixed line employees	7,039	7,405	(366)	(5)
Number of fixed line subscribers per employee	327	298	29	10

Revenues from our local exchange service increased by Php489 million, or 3%, to Php17,076 million in 2015 from Php16,587 million 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 2015 and 2014.



International Long Distance Service

The following table shows our international long distance service revenues and call volumes for the years ended December 31, 2015 and 2014:

	2015	2014	Decrease	
			Amount	%
Total international long distance service revenues (in millions)	Php9,219	Php11,404	(Php2,185)	(19)
Inbound	8,138	10,237	(2,099)	(21)
Outbound	1,081	1,167	(86)	(7)
International call volumes (in million minutes, except call ratio)	1,590	2,028	(438)	(22)
Inbound	1,359	1,739	(380)	(22)
Outbound	231	289	(58)	(20)
Inbound-outbound call ratio	5.9:1	6.0:1	–	–

Our total international long distance service revenues decreased by Php2,185 million, or 19%, to Php9,219 million in 2015 from Php11,404 million 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, as well as lower average settlement rate in dollar terms, partially offset by the increase in average billing rate in dollar terms and the effect of a higher weighted average exchange rate of the Philippine peso to the U.S. dollar to Php45.51 for the year ended December 31, 2015 from Php44.40 for the year ended December 31, 2014. The percentage contribution of international long distance service revenues to our total fixed line service revenues accounted for 14% and 18% in 2015 and 2014, respectively. Correspondingly, our total international long distance service revenues, net of interconnection costs, decreased by Php916 million, or 21%, to Php3,487 million in 2015 from Php4,403 million in 2014.

National Long Distance Service

The following table shows our national long distance service revenues and call volumes for the years ended December 31, 2015 and 2014:

	2015	2014	Decrease	
			Amount	%
Total national long distance service revenues (in millions)	Php3,958	Php4,365	(Php407)	(9)
National long distance call volumes (in million minutes)	769	819	(50)	(6)

Our national long distance service revenues decreased by Php407 million, or 9%, to Php3,958 million in 2015 from Php4,365 million 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 2015 and 2014, respectively. Our national long distance service revenues, net of interconnection costs, decreased by Php333 million, or 10%, to Php3,091 million in 2015 from Php3,424 million in 2014.

Data and Other Network Services

The following table shows information of our data and other network service revenues for the years ended December 31, 2015 and 2014:

	2015	2014 ⁽¹⁾	Increase (Decrease)	
			Amount	%
Data and other network service revenues (in millions)	Php33,748	Php30,332	Php3,416	11
Domestic	23,816	21,848	1,968	9
<i>Broadband</i>	16,141	14,076	2,065	15
<i>Leased Lines and Others</i>	7,675	7,772	(97)	(1)
International				
<i>Leased Lines and Others</i>	7,328	6,412	916	14
Data Center and ICT	2,604	2,072	532	26
Subscriber base				
<i>Broadband</i>	1,255,864	1,105,368	150,496	14

(1) Certain comparative information for 2014 were reclassified to conform with the current presentation.

Our data and other network services posted revenues of Php33,748 million in 2015, an increase of Php3,416 million, or 11%, from Php30,332 million 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 and ICT revenues. The percentage contribution of this service segment to our fixed line service revenues was 52% and 47% in 2015 and 2014, respectively.

Domestic

Domestic data services contributed Php23,816 million in 2015, an increase of Php1,968 million, or 9%, as compared with Php21,848 million in 2014 mainly due to sustained market traction on Broadband such as DSL and *Fibr*, as a result of higher internet connectivity requirements, and key Private Networking Solutions such as IP-VPN, Metro Ethernet and *Shops.Work*. The percentage contribution of domestic data service revenues to total data and other network services were 70% and 72% in 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 Php16,141 million in 2015, an increase of Php2,065 million, or 15%, from Php14,076 million in 2014 as a result of the increase in the number of subscribers by 150,496, or 14%, to 1,255,864 subscribers as at December 31, 2015 from 1,105,368 subscribers as at December 31, 2014. Broadband revenues accounted for 48% and 46% of total data and other network service revenues in 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 service revenues contributed Php7,675 million in 2015, a decrease of Php97 million, or 1%, from Php7,772 million 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% in 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 Php916 million, or 14%, to Php7,328 million in 2015 from Php6,412 million in 2014, primarily due to higher i-Gate revenues and IP-VPN local access services, an increase in revenues from various global service providers and the favorable effect of a higher weighted average exchange rate of the Philippine peso relative to the U.S. dollar. The percentage contribution of international data service revenues to total data and other network service revenues were 22% and 21% in 2015 and 2014, respectively.

Data Center and ICT

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 December 31, 2015, ePLDT Group had a total of 3,150 rack capacity in six locations covering Metro Manila, Subic and Cebu. Data center revenues increased by Php532 million, or 26%, to Php2,604 million in 2015 from Php2,072 million in 2014 mainly due to higher revenues from colocation, cloud and big data services. Cloud services include cloud contact center, cloud IaaS, cloud SaaS, managed security services and cloud professional services and accounted for 22% and 20% of data center revenues in 2015 and 2014, respectively. The percentage contribution of this service segment to our total data and other network service revenues were 8% and 7% in 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 Php55 million, or 4%, to Php1,474 million in 2015 from Php1,419 million in 2014 mainly due to higher outsourcing and management fees, and royalties from directory services. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues was 2% in each of 2015 and 2014.

Non-service Revenues

Non-service revenues increased by Php1,319 million, or 64%, to Php3,390 million in 2015 from Php2,071 million in 2014, primarily due to higher sale of *Telpad* units, equipment for *PLDT UNO*, a managed unified communications offering, *FabTAB* for *myDSL* retention and computer-bundled sales, partially offset by lower sale of *TVolution* units and several managed *PABX* and *OnCall* solutions.

Expenses

Expenses related to our fixed line business totaled Php58,459 million in 2015, an increase of Php1,604 million, or 3%, as compared with Php56,855 million in 2014. The increase was primarily due to higher expenses related to compensation and employee benefits, asset impairment, cost of sales, professional and other contracted services, repairs and maintenance, and rent, partly offset by lower expenses related to interconnection costs, depreciation and amortization, taxes and licenses, communication, training and travel, and other operating expenses. As a percentage of our total fixed line revenues, expenses associated with our fixed line business accounted for 85% and 86% in 2015 and 2014, respectively.



The following table shows the breakdown of our total fixed line-related expenses for the years ended December 31, 2015 and 2014 and the percentage of each expense item to the total:

	2015	%	2014 ⁽¹⁾	%	Increase (Decrease)	
					Amount	%
	(in millions)					
Depreciation and amortization	Php14,301	24	Php15,004	27	(Php703)	(5)
Compensation and employee benefits	13,899	24	11,825	21	2,074	18
Repairs and maintenance	7,028	12	6,956	12	72	1
Interconnection costs	6,666	11	8,030	14	(1,364)	(17)
Professional and other contracted services	4,382	8	4,171	7	211	5
Rent	2,768	5	2,706	5	62	2
Cost of sales	2,759	5	1,903	3	856	45
Selling and promotions	2,036	4	2,126	4	(90)	(4)
Taxes and licenses	1,425	2	1,568	3	(143)	(9)
Asset impairment	1,286	2	426	1	860	202
Insurance and security services	715	1	717	1	(2)	-
Communication, training and travel	549	1	643	1	(94)	(15)
Other expenses	645	1	780	1	(135)	(17)
Total	Php58,459	100	Php56,855	100	Php1,604	3

⁽¹⁾ Certain comparative information for 2014 were reclassified to conform with the current presentation.

Depreciation and amortization charges decreased by Php703 million, or 5%, to Php14,301 million due to lower depreciable asset base as a result of higher accelerated depreciation in 2014.

Compensation and employee benefits expenses increased by Php2,074 million, or 18%, to Php13,899 million primarily due to higher MRP costs, salaries and employee benefits and provision for pension. Employee headcount decreased to 9,671 as at December 31, 2015 as compared with 9,710 as at December 31, 2014 mainly due to lower PLDT headcount as a result of the MRP in 2015.

Repairs and maintenance expenses increased by Php72 million, or 1%, to Php7,028 million primarily due to higher repairs and maintenance costs on cable and wire facilities, and an increase in site electricity expenses, partially offset by lower office electricity charges and lower maintenance costs on buildings.

Interconnection costs decreased by Php1,364 million, or 17%, to Php6,666 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 Php211 million, or 5%, to Php4,382 million primarily due to higher contracted service fees, mailing and courier charges, and legal fees, partially offset by lower consultancy fees.

Rent expenses increased by Php62 million, or 2%, to Php2,768 million primarily due to higher leased circuit, and office building rental charges, partially offset by lower customer premises equipment rental charges.

Cost of sales increased by Php856 million, or 45%, to Php2,759 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.

Selling and promotion expenses decreased by Php90 million, or 4%, to Php2,036 million primarily due to lower cost of events and public relations, partially offset by higher advertising and commissions expenses.

Taxes and licenses decreased by Php143 million, or 9%, to Php1,425 million as a result of lower business-related taxes, partly offset by a higher tax settlement in 2015.

Asset impairment increased by Php860 million to Php1,286 million mainly due to higher provision for uncollectible receivables in 2015, partly offset by fixed asset impairment provision in 2014.

Insurance and security services decreased by Php2 million to Php715 million primarily due to lower insurance and bond premiums, partially offset by higher expenses on office security services and group health insurance premiums.

Communication, training and travel expenses decreased by Php94 million, or 15%, to Php549 million mainly due to lower fuel consumption costs, partly offset by higher training and travel, and communication, and mailing and courier charges.

Other expenses decreased by Php135 million, or 17%, to Php645 million primarily due to lower various business and operational-related expenses.

Other Income (Expenses)

The following table summarizes the breakdown of our total fixed line-related other income (expenses) for the years ended December 31, 2015 and 2014:

	2015	2014 ⁽¹⁾	Change	
			Amount	%
	(in millions)			
Other Income (Expenses):				
Financing costs – net	(Php4,509)	(Php3,724)	(Php785)	21
Foreign exchange losses – net	(892)	(39)	(853)	2,187
Equity share in net earnings of associates	38	63	(25)	(40)
Gains on derivative financial instruments – net	420	11	409	3,718
Interest income	620	350	270	77
Other income – net	1,766	3,556	(1,790)	(50)
Total	(Php2,557)	Php217	(Php2,774)	(1,278)

⁽¹⁾ Certain comparative information for 2014 were reclassified to conform with the current presentation.

Our fixed line business' other expenses amounted to Php2,557 million in 2015, a change of Php2,774 million as against other income of Php217 million in 2014 mainly due to the combined effects of the following: (i) a decrease in other income – net by Php1,790 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 in 2015; (ii) higher foreign exchange losses by Php853 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; (iii) higher financing costs by Php785 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) lower equity share in net earnings of associates by Php25 million mainly due to the share in net losses of Cignal TV; (v) an increase in interest income by Php270 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; and (vi) higher gain on derivative financial instruments by Php409 million on account of mark-to-market gain on long-term currency swaps and forward purchase contracts due to higher level of depreciation of the Philippine peso relative to the U.S. dollar and wider dollar and peso interest rate differentials.

Provision for Income Tax

Provision for income tax amounted to Php1,656 million in 2015, a decrease of Php1,162 million, or 41%, from Php2,818 million in 2014 primarily due to lower taxable income and reversal of deferred tax liability. The effective tax rates for our fixed line business were 21% and 30% in 2015 and 2014, respectively.

Net Income

As a result of the foregoing, our fixed line business contributed a net income of Php6,193 million in 2015, a decrease of Php529 million, or 8%, as compared with Php6,722 million in 2014.

EBITDA

Our fixed line business' EBITDA increased by Php194 million, or 1%, to Php24,749 million in 2015 from Php24,555 million in 2014.

Core Income

Our fixed line business' core income decreased by Php152 million, or 2%, to Php6,539 million in 2015 from Php6,691 million in 2014, primarily as a result of higher fixed line operating expenses and higher other expenses, partially offset by higher fixed line revenues and lower provision for income tax.

Others

Expenses

Expenses related to our other business totaled Php5,183 million in 2015, an increase of Php5,127 million as compared with Php56 million in 2014 primarily due to recognition of impairment loss on our investment in Rocket Internet SE (formerly Rocket Internet AG), or Rocket, resulting from the decline in Rocket share price to €28.24 with a fair value of Php14,587 million as at December 31, 2015 as compared with our original acquisition cost of Php19,711 million in August 2014.

Other Income

The following table summarizes the breakdown of other income – net for other business segment for the years ended December 31, 2015 and 2014:

	2015	2014	Change	
			Amount	%
			(in millions)	
Other Income (Expenses):				
Equity share in net earnings of associates and joint ventures	Php3,284	Php3,789	(Php505)	(13)
Interest income	99	295	(196)	(66)
Losses on derivative financial instruments – net	–	(78)	78	(100)
Foreign exchange gains (losses) – net	(522)	121	(643)	(531)
Financing costs – net	(179)	(60)	(119)	198
Other income – net	3,093	1,544	1,549	100
Total	Php5,775	Php5,611	Php164	3

Other income increased by Php164 million, or 3%, to Php5,775 million in 2015 from Php5,611 million in 2014 primarily due to the combined effects of the following: (i) higher other income – net by Php1,549 million due to higher realized portion of deferred gain on the sale of Meralco shares; (ii) an increase in financing costs by Php119 million for the year ended December 31, 2015; (iii) a decrease in interest income by Php196 million; (iv) lower equity share in net earnings of associates by Php505 million mainly due to equity share in net losses of Cignal TV in 2015 and a decrease in the equity share in net earnings of Beta; and (v) foreign exchange losses of Php522 million in 2015 as against foreign exchange gains of Php121 million in 2014.

Net Income

As a result of the foregoing, our other business segment registered a net income of Php448 million, a decrease of Php5,025 million, or 92%, in 2015 from Php5,473 million in 2014.

Core Income

Our other business segment's core income amounted to Php6,161 million in 2015, an increase of Php618 million, or 11%, as compared with Php5,543 million in 2014 mainly as a result of higher other income.

Liquidity and Capital Resources

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

	For the years ended December 31,	
	2015	2014
	(in millions)	
Cash Flows		
Net cash flows provided by operating activities	Php69,744	Php66,015
Net cash flows used in investing activities	(39,238)	(51,686)
<i>Capital expenditures</i>	43,175	34,759
Net cash flows used in financing activities	(11,385)	(19,897)
Net increase (decrease) in cash and cash equivalents	19,796	(5,246)
	December 31,	
	2015	2014
	(in millions)	
Capitalization		
Long-term portion of interest-bearing financial liabilities – net of current portion:		
Long-term debt	Php143,982	Php115,399
Obligations under finance lease	–	1
	143,982	115,400
Current portion of interest-bearing financial liabilities:		
Long-term debt maturing within one year	16,910	14,724
Obligations under finance lease maturing within one year	1	5
	16,911	14,729
Total interest-bearing financial liabilities	160,893	130,129
Total equity attributable to equity holders of PLDT	113,608	134,364
	Php274,501	Php264,493
Other Selected Financial Data		
Total assets	Php455,095	Php436,295
Property, plant and equipment	195,782	191,984
Cash and cash equivalents	46,455	26,659
Short-term investments	1,429	643

Our consolidated cash and cash equivalents and short-term investments totaled Php47,884 million as at December 31, 2015. Principal sources of consolidated cash and cash equivalents in 2015 were cash flows from operating activities amounting to Php69,744 million, proceeds from availment of long-term debt of Php44,367 million, dividends received of Php5,544 million, interest received of Php939 million, proceeds from disposal of property, plant and equipment of Php334 million, net additions to capital expenditures under long-term financing of Php311 million and proceeds from redemption of investment in debt securities of Php292 million. These funds were used principally for: (1) capital outlays, including capitalized interest, of Php43,175 million; (2) dividend payments of Php32,532 million; (3) debt principal and interest payments of Php17,084 million and Php5,407 million, respectively; (4) purchase of investment in associates and joint ventures of Php1,274 million; (5) payment for purchase of available-for-sale investments of Php925 million; (6) net payment for purchase of short-term investments of Php725 million; and (7) settlement of derivative financial instruments of Php638 million.

Our consolidated cash and cash equivalents and short-term investments totaled Php27,302 million as at December 31, 2014. Principal sources of consolidated cash and cash equivalents in 2014 were cash flows from operating activities amounting to Php66,015 million, proceeds from availment of long-term debt of Php41,329 million, dividends received of Php1,855 million, net proceeds from maturity and redemption of investment in debt securities of Php1,602 million, interest received of Php582 million and proceeds from disposal of property, plant and equipment of Php253 million. These funds were used principally for: (1) dividend payments of Php39,900 million; (2) capital outlays, including capitalized interest, of Php34,759 million; (3) purchase of investments available for sale of Php19,711 million; (4) debt principal and interest payments of Php15,726 million and Php4,736 million, respectively; (5) settlement of derivative financial instruments of Php596 million; (6) deposit for future PDRs of Php300 million; (7) payment for purchase of investment in associates and joint ventures of Php300 million; and (8) payment for acquisition of shares of minority shareholders and purchase of investment in subsidiaries – net of cash acquired of Php202 million.

Operating Activities

Our consolidated net cash flows provided by operating activities increased by Php3,729 million, or 6%, to Php69,744 million in 2015 from Php66,015 million in 2014, primarily due to higher level of collection of outstanding receivables, lower level of settlement of accounts payable and lower corporate taxes paid, partially offset by lower operating income, settlement of LTIP in 2015, higher pension contribution and higher prepayments.

Cash flows provided by operating activities of our wireless business decreased by Php2,965 million, or 6%, to Php46,919 million in 2015 from Php49,884 million in 2014 primarily due to lower operating income, settlement of LTIP in 2015, higher pension contribution and higher prepayments, partially offset by lower corporate taxes paid, lower level of settlement of accounts payable and higher level of collection of outstanding receivables. Cash flows provided by operating activities of our fixed line business increased by Php4,411 million, or 24%, to Php22,556 million in 2015 from Php18,145 million in 2014, primarily due to higher level of collection of accounts receivable, lower level of settlement of accounts payable and higher operating income, partially offset by the settlement of LTIP in 2015, higher pension contribution and higher level of settlement of other liabilities. Cash flows provided by operating activities of our other business amounted to Php740 million in 2015 as against cash flows used in operating activities of Php1,818 million in 2014 primarily due to higher level of collection of accounts receivables, lower settlement of accounts payable and higher operating income, partly offset by higher level of settlement of accrued expenses and other liabilities.

Investing Activities

Consolidated net cash flows used in investing activities amounted to Php39,238 million in 2015, a decrease of Php12,448 million, or 24%, from Php51,686 million in 2014, primarily due to the combined effects of the following: (1) lower purchase of available-for-sale financial investments by Php18,786 million; (2) higher dividends received by Php3,689 million; (3) higher interest received by Php357 million; (4) higher capital expenditures by Php8,416 million; (5) net proceeds from redemption of investment in debt securities by Php1,310 million; (6) higher payment for purchase of investment in joint ventures and associates by Php974 million; and (7) higher payment for purchase of short-term investments by Php806 million.

Our consolidated capital expenditures, including capitalized interest, in 2015 totaled Php43,175 million, an increase of Php8,416 million, or 24%, as compared with Php34,759 million in 2014, primarily due to Smart Group's and PLDT's higher capital spending. Smart Group's capital spending, which increased by Php7,919 million, or 36%, to Php30,043 million in 2015 from Php22,124 million in 2014, primarily focused on expanding 3G, 4G and LTE coverage and reach, as well as capacity and service enhancements. PLDT's capital spending, which increased by Php562 million, or 5%, to Php11,259 million in 2015 from Php10,697 million 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, as well as the expansion of our data center. The balance represented other subsidiaries' capital spending.

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

Financing Activities

On a consolidated basis, cash flows used in financing activities amounted to Php11,385 million in 2015, a decrease of Php8,512 million, or 43%, from Php19,897 million in 2014, resulting largely from the combined effects of the following: (1) lower cash dividend payments by Php7,368 million; (2) higher proceeds from availment of long-term debt by Php3,038 million; (3) net additions to capital expenditures under long-term financing by Php395 million; (4) higher net payments of long-term debt by Php1,358 million; (5) higher interest payments by Php671 million; and (6) proceeds from issuance of capital stock of Php166 million in 2014.

Debt Financing

Proceeds from availment of long-term debt for the year ended December 31, 2015 amounted to Php44,367 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 Php17,084 million and Php5,407 million, respectively, for the year ended December 31, 2015.

Our consolidated long-term debt increased by Php30,769 million, or 24%, to Php160,892 million as at December 31, 2015 from Php130,123 million as at December 31, 2014 primarily due to drawings from our term loan facilities and the effect of the depreciation of the Philippine peso relative to the U.S. dollar to Php47.12 as at December 31, 2015 from Php44.74 as at December 31, 2014, partially offset by debt amortizations and prepayments. As at December 31, 2015, the long-term debt levels of PLDT and Smart increased by 19% and 45% to Php94,124 million and Php61,864 million, respectively, while DMPI's long-term debt level decreased by 43% to Php4,904 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 December 31, 2015.

On February 26, 2015, PLDT signed a US\$200 million term loan facility with The Bank of Tokyo-Mitsubishi UFJ, Ltd., as the lender and 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 million which carries a floating interest rate on the first year and a fixed interest rate on the second year until maturity of the loan. Both Tranches are payable over seven years commencing on the date which falls 36 months after the date of the agreement, with semi-annual amortizations of 23.75% of the loan amount on the first and second repayment dates and seven semi-annual amortizations of 7.5% of the loan amount starting on the third repayment date with final installment on February 25, 2022. 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\$198 million, or Php9,320 million, net of unamortized debt issuance cost, remained outstanding as at December 31, 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 amount of US\$197 million, or Php9,299 million, net of unamortized debt issuance cost, remained outstanding as at December 31, 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 December 31, 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 on September 23, 2015. Two drawdowns of Php2,500 million each were made on September 23, 2015 and November 27, 2015. The amount of Php5,000 million remained outstanding as at December 31, 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. The amount of Php4,975 million, net of unamortized debt issuance cost remained outstanding as at December 31, 2015.

On December 7, 2015, Smart signed a US\$100 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 seven years in thirteen equal semi-annual installments commencing on the date which falls 12 months after the date of the loan agreement, with final installment on December 7, 2022. No drawdown was made but the loan had incurred US\$2 million, or Php77 million, debt issuance cost as at December 31, 2015.

On December 11, 2015, Smart signed a Php5,000 million term loan facility agreement with BPI 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 December 21, 2025. The amount of Php5,000 million loan was fully drawn on December 21, 2015 and remained outstanding as at December 31, 2015.

On December 16, 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 and a half years with an annual amortization rate of 1% of the principal amount on the first year up to the tenth year commencing on the first year anniversary of the initial drawdown and the balance payable upon maturity on June 29, 2026. The amount of Php5,000 million loan was fully drawn on December 28, 2015 and remained outstanding as at December 31, 2015.

On December 18, 2015, Smart signed a Php7,000 million term loan facility agreement with China Banking Corporation to finance capital expenditures for its network upgrade and expansion program. The loan is payable over seven years in fourteen semi-annual installments commencing on the sixth month after the initial drawdown, with final installment on December 28, 2022. The amount of Php1,000 million loan was partially drawn on December 28, 2015 and remained outstanding as at December 31, 2015. The amount of Php6,000 million was drawn on February 24, 2016.

Approximately Php97,613 million principal amount of our consolidated outstanding long-term debt as at December 31, 2015 is scheduled to mature over the period from 2016 to 2020. Of this amount, Php53,897 million is attributable to PLDT, Php38,812 million to Smart and Php4,904 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 audited consolidated financial statements.

Debt Covenants

Our consolidated debt instruments contain restrictive covenants, including covenants that require us to comply with specified financial ratios and other financial tests, calculated in conformity with PFRS, at relevant measurement dates, principally at the end of each quarterly period. We have complied with all of our maintenance financial ratios as required under our loan covenants and other debt instruments. Furthermore, certain of DMPI's debt instruments contain provisions wherein DMPI may be declared in default in case of a change in control in DMPI.

As at December 31, 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 audited 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. In 2015, we are paying out dividends of approximately 75% of our core earnings. The accumulated equity in the net earnings of our subsidiaries, which form part of our retained earnings, are not available for distribution unless realized in the form of dividends from such subsidiaries.

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

Consolidated cash dividend payments in 2015 amounted to Php32,532 million as compared with Php39,900 million paid to shareholders in 2014.



The following table shows the dividends declared to shareholders from the earnings for the years ended December 31, 2015 and 2014:

Earnings	Date			Amount	
	Approved	Record	Payable	Per share	Total Declared
(in millions, except per share amount)					
2015					
Common					
Regular Dividend	August 4, 2015	August 27, 2015	September 25, 2015 ⁽¹⁾	65.00	Php14,044
	February 29, 2016	March 14, 2016	April 1, 2016	57.00	12,315
Preferred					
Series II 10% Cumulative Convertible Preferred Stock	May 5, 2015	May 19, 2015	May 30, 2015	1.00	–
Series IV Cumulative Non-convertible Redeemable Preferred Stock ⁽²⁾	Various	Various	Various	–	49
Voting Preferred Stock	Various	Various	Various	–	10
Charged to Retained Earnings					26,418
2014					
Common					
Regular Dividend	August 5, 2014	August 28, 2014	September 26, 2014	69.00	14,908
	March 3, 2015	March 17, 2015	April 16, 2015	61.00	13,179
Special Dividend	March 3, 2015	March 17, 2015	April 16, 2015	26.00	5,618
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock ⁽¹⁾	Various	Various	Various	–	49
10% Cumulative Convertible Preferred Stock	Various	Various	Various	1.00	–
Voting Preferred Stock	Various	Various	Various	–	10
Charged to Retained Earnings					Php33,764

⁽¹⁾ 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.

⁽²⁾ Dividends were declared based on total amount paid up.

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

Contractual Obligations and Commercial Commitments

Contractual Obligations

For a discussion of our consolidated contractual undiscounted obligations as at December 31, 2015 and 2014, see Note 28 – Financial Assets and Liabilities – Liquidity Risks to the accompanying audited consolidated financial statements.

Commercial Commitments

Our outstanding consolidated commercial commitments, in the form of letters of credit, amounted to Php46 million and Php32 million as at December 31, 2015 and 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 audited consolidated financial statements.

The following table sets forth the estimated consolidated fair values of our financial assets and liabilities recognized as at December 31, 2015 and September 30, 2015 other than those whose carrying amounts are reasonable approximations of fair values:

	Fair Values	
	December 31, 2015	September 30, 2015
	(Audited)	(Unaudited)
	(in millions)	
Noncurrent Financial Assets		
Investments in debt securities and other long-term investments – net of current portion	Php972	Php1,250
Advances and other noncurrent assets – net of current portion	2,305	2,436
Total noncurrent financial assets	Php3,277	Php3,686
Noncurrent Financial Liabilities		
Interest-bearing financial liabilities	Php145,731	Php137,837
Customers' deposits	1,868	1,897
Deferred credits and other noncurrent liabilities	17,973	15,279
Total noncurrent financial liabilities	Php165,572	Php155,013

The following table sets forth the amount of gains (losses) recognized for the financial assets and liabilities for the years ended December 31, 2015 and the nine months ended September 30, 2015:

	December 31,	September 30,
	2015	2015
	(Audited)	(Unaudited)
	(in millions)	
Profit and Loss		
Interest income	Php799	Php590
Gains on derivative financial instruments – net	420	447
Accretion on financial liabilities	(231)	(163)
Interest on loans and other related items	(6,289)	(4,602)
Other Comprehensive Income		
Net fair value gains (losses) on cash flow hedges – net of tax	31	(289)
Net losses on available-for-sale financial investments – net of tax	(8,135)	(12,651)

Impact of Inflation and Changing Prices

Inflation can be a significant factor in the Philippine economy, and we are continually seeking ways to minimize its impact. The average inflation rate in the Philippines for the years ended December 31, 2015 and 2014 were 1.4% and 4.1%, 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, USA and around the world.

In 2015, PLDT Capital made the following investments:

Investment in Phunware, Inc.

On September 3, 2015, PLDT Capital subscribed to an 8% US\$5 million Convertible Promissory Note, or Note, issued by Phunware, Inc., or Phunware, a Delaware corporation. 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, indoor mapping, navigation and wayfinding.

The US\$5 million Note was issued and paid on September 4, 2015. On December 18, 2015, PLDT Capital subscribed to Series F Preferred Shares of Phunware for a total consideration of US\$3 million. On the same date, the Note and its related interest were converted to additional Phunware Series F Preferred Shares.

On September 3, 2015, PLDT Capital also entered into a Memorandum of Understanding with Phunware to establish a joint venture that will exclusively market and distribute Phunware's targeted mobile and multiscreen solutions in the Philippines and the rest of Southeast Asia. Consequently, on November 11, 2015, PLDT Capital incorporated Phunware Southeast Asia Pte. Ltd., which will be the vehicle through which the joint venture will conduct its operations in the region.

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, a Delaware corporation, is engaged in the business of developing, marketing, selling and servicing digital loyalty program platforms.

The US\$5 million Convertible Series B Preferred Stock was paid on October 9, 2015.

Investment in Matrixx

On December 18, 2015, PLDT Capital entered into a Stock and Warrant Purchase Agreement with Matrixx Software, Inc., or Matrixx, a Delaware corporation. Matrixx provides the IT foundation to move to an all-digital service environment with a new real-time technology platform designed to handle the surge in interactions without forcing the compromises of conventional technology. Under the terms of the agreement, PLDT Capital subscribed to Convertible Series B Preferred Stock of Matrixx for a total consideration of US\$5 million, or Php237 million, and is entitled to purchase additional Series B Preferred Stock upon occurrence of certain conditions on or before March 15, 2016.

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 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 company behind the online store, TackThis!, a cloud-based e-commerce platform operating on a software as a service model that enables companies to easily set-up and showcase their 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 paid on May 28, 2015, for purposes of incorporation. 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' Investment in ECommerce Pay Holding S.à r.l., or MePay Global

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

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

On February 3, 2016, eInnovations further contributed, via its subsidiary ePay Investments Pte. Ltd., the intellectual property, platforms and business operations of its market-leading mobile-first platform, PayMaya, as had been agreed in the joint venture agreement. Rocket has contributed from the beginning of the joint venture, among other things, its participations in Paymill Holding GmbH and Payleven Holding GmbH, two of the leading payment platforms for high growth, small-and-medium sized e-commerce businesses across Europe.

iCommerce's Investment in Philippines Internet Holding S.à r.l., or PHIH

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

PHIH focuses on creating and developing online businesses in the Philippines, leveraging local market and business model insights, facilitating commercial, strategic and investment partnerships, enabling local recruiting and sourcing, and accelerating the rollout of online startups.

PLDT, through iCommerce, invested for a 33.33% ownership stake in PHIH. iCommerce has the option to increase its investment to 50%. iCommerce became a shareholder of PHIH on October 14, 2015 and paid approximately €7.4 million on October 27, 2015 for the first installment. The carrying value of the investment in PHIH amounted to €30.6 million, or Php1,595 million, including subscription payable of €22.6 million, or Php1,176 million, as at December 31, 2015.

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

On April 14, 2015, Beacon and MPIC entered into a Share Purchase Agreement to sell 112.71 million common shares, comprising of approximately 10% interest in Meralco to MPIC at a price of Php235 per share for an aggregate consideration of Php26,487 million. MPIC settled a portion of the consideration amounting to Php1,000 million on April 14, 2015 and Php17,000 million on June 29, 2015, 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% from 22.48%, while MPIC's effective interest in Meralco, through its direct ownership of Meralco shares and through Beacon, increased to 32.48% from 27.48% as at December 31, 2015 and 2014, respectively. 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, or Php686 million. The convertible note was issued and paid on August 11, 2015. iFlix will use the funds to continue to roll out the iFlix subscription video-on-demand services across the Southeast Asian region, acquire rights to new content, and produce original programming to market to potential customers.

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

Related Party Transactions

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

ANNEX I – AGING OF ACCOUNTS RECEIVABLE

The following table shows the aging of our consolidated receivables as at December 31, 2015:

Type of Accounts Receivable	Total	Current	31–60 Days	61–90 Days	Over 91 Days
	(in millions)				
Retail subscribers	Php19,750	Php5,908	Php1,494	Php559	Php11,789
Corporate subscribers	9,263	2,391	1,767	779	4,326
Foreign administrations	5,514	1,365	782	704	2,663
Domestic carriers	540	186	53	67	234
Dealers, agents and others	5,752	858	1,823	120	2,951
Total	40,819	Php10,708	Php5,919	Php2,229	Php21,963
Less: Allowance for doubtful accounts	15,921				
Total Receivables - net	Php24,898				

ANNEX II – FINANCIAL SOUNDNESS INDICATORS

The following table shows our financial soundness indicators as at December 31, 2015 and 2014:

	2015	2014
Current Ratio ⁽¹⁾	0.58:1.0	0.53:1.0
Net Debt to Equity Ratio ⁽²⁾	0.99:1.0	0.77:1.0
Net Debt to EBITDA Ratio ⁽³⁾	1.61:1.0	1.34:1.0
Total Debt to EBITDA Ratio ⁽⁴⁾	2.29:1.0	1.69:1.0
Asset to Equity Ratio ⁽⁵⁾	4.01:1.0	3.25:1.0
Interest Coverage Ratio ⁽⁶⁾	5.20:1.0	9.24:1.0
Profit Margin ⁽⁷⁾	13%	20%
Return on Assets ⁽⁸⁾	5%	8%
Return on Equity ⁽⁹⁾	18%	25%
EBITDA Margin ⁽¹⁰⁾	43%	47%

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

⁽²⁾ Net Debt to equity ratio is measured as total debt (long-term debt, including current portion and notes payable) less cash and cash equivalent and short-term investments divided by total equity attributable to equity holders of PLDT.

⁽³⁾ Net Debt to EBITDA ratio is measured as total debt (long-term debt, including current portion and notes payable) less cash and cash equivalent and short-term investments divided by EBITDA for the period.

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

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

⁽⁶⁾ Interest coverage ratio is measured by EBIT, or earnings before interest and taxes for the period, divided by total financing cost for the period.

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

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

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

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

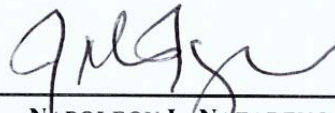
⁽¹⁰⁾ EBITDA for the period is measured as net income for the period excluding depreciation and amortization, amortization of intangible assets, asset impairment on noncurrent assets, financing cost, interest income, equity share in net earnings (losses) of associates and joint ventures, foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net, provision for (benefit from) income tax and other income (expenses) – net for the year.

SIGNATURES

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

Registrant: PHILIPPINE LONG DISTANCE TELEPHONE COMPANY

Signature and Title:



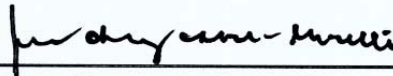
NAPOLEON L. NAZARENO
President and Chief Executive Officer

Signature and Title:



ANABELLE LIM-CHUA
Senior Vice President and Treasurer
(Principal Financial Officer)

Signature and Title:



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

Date: February 29, 2016