

SEC Number
File Number

PW-55

**PHILIPPINE LONG DISTANCE
TELEPHONE COMPANY**

(Company's Full Name)

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

(Company's Address)

(632) 816-8556

(Telephone Number)

Not Applicable

(Fiscal Year Ending)
(month & day)

SEC Form 17-Q

Form Type

Not Applicable

Amendment Designation (if applicable)

March 31, 2015

Period Ended Date

Not Applicable

(Secondary License Type and File Number)



May 5, 2015

SECURITIES & EXCHANGE COMMISSION
SEC Building, EDSA
Mandaluyong City

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

Gentlemen:

In accordance with Section 17.1(b) of the Securities Regulation Code and SRC Rule 17.1, we submit herewith two (2) copies of SEC Form 17-Q with Management's Discussion and Analysis and accompanying unaudited consolidated financial statements for the three (3) months ended March 31, 2015.

Very truly yours,


MA. LOURDES C. RAUSA-CHAN
Corporate Secretary 



May 5, 2015

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

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

Gentlemen:

In accordance with Section 17.1(b) of the Securities Regulation Code and SRC Rule 17.1, we submit herewith a copy of SEC Form 17-Q with Management's Discussion and Analysis and accompanying unaudited consolidated financial statements for the three (3) months ended March 31, 2015.

Very truly yours,

A handwritten signature in black ink, appearing to read "LRausa-Chan", is written over the signature line.

MA. LOURDES C. RAUSA-CHAN

Corporate Secretary

COVER SHEET

SEC Registration Number

P	W	-	5	5					
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Company Name

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

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

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

Form Type

1	7	-	Q
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Department requiring the report

M	S	R	D
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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

jacabal@pldt.com.ph

Company's Telephone Number/s

(02) 816-8534

Mobile Number

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No. of Stockholders

11,864 as at March 31, 2015

Annual Meeting
Month/Day

Every 2 nd Tuesday in June

Fiscal Year
Month/Day

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

June Cheryl A. Cabal-Revilla

Email Address

jacabal@pldt.com.ph

Telephone Number/s

(02) 816-8534

Mobile Number

--

Contact Person's Address

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended March 31, 2015
2. SEC Identification Number PW-55 3. BIR Tax Identification No. 000-488-793
4. Philippine Long Distance Telephone Company
Exact name of registrant as specified in its charter
5. Republic of the Philippines
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. Ramon Cojuangco Building, Makati Avenue, Makati City 0721
Address of registrant's principal office Postal Code
8. (632) 816-8556
Registrant's telephone number, including area code
9. Not Applicable
Former name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Capital Stock, Php5 par value	216,055,775 shares as at March 31, 2015

11. Are any or all of these securities listed on the Philippine Stock Exchange?

Yes No

12. Check whether the registrant

(a) has filed all reports required to be filed by Section 17 of the SRC during the preceding ten months (or for such shorter period that the registrant was required to file such reports):

Yes No

(b) has been subject to such filing requirements for the past 90 days.

Yes No

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Our consolidated financial statements as at March 31, 2015 (unaudited) and December 31, 2014 (audited) and for the three months ended March 31, 2015 and 2014 (unaudited) and related notes (pages F-1 to F-169) are filed as part of this report on Form 17-Q.

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

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

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

The financial information appearing in this report and in the accompanying unaudited consolidated financial statements is stated in Philippine pesos. All references to "Philippine pesos," "Php" or "pesos" are to the lawful currency of the Philippines; all references to "U.S. dollars," "US\$" or "dollars" are to the lawful currency of the United States; all references to "Japanese yen," "JP¥" or "yen" are to the lawful currency of Japan and all references to "Euro" or "€" are to the lawful currency of the European Union. Unless otherwise indicated, translations of Philippine peso amounts into U.S. dollars in this report and in the accompanying unaudited consolidated financial statements were made based on the exchange rate of Php44.73 to US\$1.00, the volume weighted average exchange rate as at March 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

	Three Months ended March 31,		Increase (Decrease)	
	2015	2014	Amount	%
<i>(in millions, except for EBITDA margin, earnings per common share, net debt to equity ratio and operational data)</i>				
Revenues	Php42,553	Php42,564	(Php11)	-
Expenses	30,435	30,333	102	-
Other income (expenses)	138	(94)	232	(247)
Income before income tax	12,256	12,137	119	1
Net income for the period	9,398	9,392	6	-
Core income	9,280	9,762	(482)	(5)
EBITDA	19,282	19,722	(440)	(2)
EBITDA margin ⁽¹⁾	48%	48%	-	-
Reported earnings per common share:				
Basic	43.38	43.34	0.04	-
Diluted	43.38	43.34	0.04	-
Core earnings per common share ⁽²⁾ :				
Basic	42.88	45.12	(2.24)	(5)
Diluted	42.88	45.12	(2.24)	(5)

	March 31,		December 31,	
	2015	2014	Amount	%
Consolidated Statements of Financial Position				
Total assets	Php440,531	Php436,295	Php4,236	1
Property, plant and equipment	188,058	191,984	(3,926)	(2)
Cash and cash equivalents and short-term investments	46,990	27,302	19,688	72
Total equity attributable to equity holders of PLDT	118,488	134,364	(15,876)	(12)
Long-term debt, including current portion	135,205	130,123	5,082	4
Net debt ⁽³⁾ to equity ratio	0.74x	0.77x	-	-

	Three Months ended March 31,		Increase (Decrease)	
	2015	2014	Amount	%
Consolidated Statements of Cash Flows				
Net cash provided by operating activities	Php16,146	Php17,341	(1,195)	(7)
Net cash provided by (used in) investing activities	1,016	(4,366)	5,382	(123)
<i>Capital expenditures</i>	2,954	2,221	733	33
Net cash provided by financing activities	1,502	15,687	(14,185)	(90)
Operational Data				
Number of cellular subscribers	69,622,147	70,495,472	(873,325)	(1)
Number of fixed line subscribers	2,234,115	2,103,516	130,599	6
Number of broadband subscribers:	4,529,056	3,570,431	958,625	27
<i>Fixed Line</i>	1,137,616	1,018,549	119,067	12
<i>Wireless</i>	3,391,440	2,551,882	839,558	33
Number of employees:	17,429	17,962	(533)	(3)
<i>Fixed Line</i>	9,839	10,282	(443)	(4)
<i>LEC</i>	7,490	7,515	(25)	-
<i>Others</i>	2,349	2,767	(418)	(15)
<i>Wireless</i>	7,590	7,680	(90)	(1)

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

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

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

Exchange Rates – per US\$	Month-end rates		Weighted average rates during the period	
	March 31, 2015	December 31, 2014	March 31, 2014	December 31, 2013
	Php44.73	44.74	Php44.42	44.40
		44.81		44.88
		44.40		42.44

Performance Indicators

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

EBITDA

EBITDA for the period is measured as net income excluding depreciation and amortization, amortization of intangible assets, asset impairment on noncurrent assets, financing costs, interest income, equity share in net earnings (losses) of associates and joint ventures, foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net, provision for (benefit from) income tax and other income – net. EBITDA is monitored by the management for each business unit separately for purposes of making decisions about resource allocation and performance assessment. EBITDA is presented also as a supplemental disclosure because our management believes that it is widely used by investors in their analysis of the performance of PLDT and to assist them in their comparison of PLDT's performance with that of other companies in the technology, media and telecommunications sector. We also present EBITDA because it is used by some investors as a way to measure a company's ability to incur and service debt, make capital expenditures and meet working capital requirements. Companies in the technology, media and telecommunications sector have historically reported EBITDA as a supplement to financial measures in accordance with PFRS. EBITDA should not be considered as an alternative to net income as an indicator of our performance, as an alternative to cash flows from operating activities, as a measure of liquidity or as an alternative to any other measure determined in accordance with PFRS. Unlike net income, EBITDA does not include depreciation and amortization or financing costs and, therefore, does not reflect current or future capital expenditures or the cost of capital. We compensate for these limitations by using EBITDA as only one of several comparative tools, together with PFRS-based measurements, to assist in the evaluation of operating performance. Such PFRS-based measurements include income before income tax, net income, cash flows from operations and cash flow data. We have significant uses of cash flows, including capital expenditures, interest payments, debt principal repayments, taxes and other non-recurring charges, which are not reflected in EBITDA. Our calculation of EBITDA may be different from the calculation methods used by other companies and, therefore, comparability may be limited.

Core Income

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

Overview

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

- *Wireless* — wireless telecommunications services provided by Smart Communications, Inc., or Smart, and Digital Mobile Philippines, Inc., or DMPI, which owns the *Sun Cellular* business and is a wholly-owned subsidiary of Digital Telecommunications Philippines, Inc., or Digitel, our cellular service providers; Voyager Innovations, Inc., or Voyager, and certain subsidiaries, our mobile applications developers and mobile payment services provider; Smart Broadband, Inc., or SBI, and subsidiary and Primeworld Digital Systems, Inc., or PDSI, our wireless broadband service providers; Chikka Holdings Limited, or Chikka, and its subsidiaries, or Chikka Group, our wireless content operators; ACeS Philippines Cellular Satellite Corporation, or ACeS Philippines, our satellite operator; WiFun, Inc., our portal enabler company; and certain subsidiaries of PLDT Global, our mobile virtual network operations, or MVNO, provider;
- *Fixed Line* — fixed line telecommunications services primarily provided by PLDT. We also provide fixed line services through PLDT's subsidiaries, namely, PLDT Clark Telecom, Inc., PLDT Subic Telecom, Inc., PLDT-Philcom, Inc. or Philcom, and its subsidiaries, or Philcom Group, PLDT-Maratel, Inc., SBI, PDSI, Bonifacio Communications Corporation, PLDT Global Corporation, or PLDT Global, and certain subsidiaries and Digitel, all of which together account for approximately 5% of our consolidated fixed line subscribers; and information and communications infrastructure and services for internet applications, internet protocol, or IP-based solutions and multimedia content delivery provided by ePLDT, Inc., or ePLDT, IP Converge Data Services, Inc., or IPCDSI, ABM Global Solutions, Inc., or AGS, and its subsidiaries, or AGS Group, and Curo Teknika, Inc.; distribution of Filipino channels and content provided by Pilipinas Global Network Limited and its subsidiaries; air transportation services provided by Pacific Global One Aviation Co., Inc.; and bills printing and other value-added services, or VAS, related services provided by ePDS, Inc., or ePDS; and
- *Others* — PLDT Global Investment Holdings, Inc., Mabuhay Investments Corporation, PLDT Global Investments Corporation, PLDT Communications and Energy Ventures, Inc., or PCEV, PLDT Digital Pte. Ltd., or PLDT Digital, and its subsidiary, our investment companies.

As at March 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 three months ended March 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 three months ended March 31, 2015 and 2014:

	2015	2014
	(in millions)	
EBITDA	Php19,282	Php19,722
Add (deduct) adjustments:		
Equity share in net earnings of associates and joint ventures	653	716
Interest income	184	192
Foreign exchange gains (losses) – net	43	(735)
Gains on derivative financial instruments – net	30	187
Amortization of intangible assets	(268)	(286)
Financing costs – net	(1,535)	(1,324)
Provision for income tax	(2,858)	(2,745)
Depreciation and amortization	(6,896)	(7,205)
Other income – net	763	870
Total adjustments	(9,884)	(10,330)
Consolidated net income	Php9,398	Php9,392

The following table shows the reconciliation of our consolidated core income to our consolidated net income for the three months ended March 31, 2015 and 2014:

	2015	2014
	(in millions)	
Consolidated core income	Php9,280	Php9,762
Add (deduct) adjustments:		
Gains on derivative financial instruments – net, excluding hedge costs	105	265
Foreign exchange gains (losses) – net	43	(735)
Net income attributable to noncontrolling interests	11	13
Core income adjustment on equity share in net losses of associates and joint ventures	(7)	(21)
Net tax effect of aforementioned adjustments	(34)	108
Total adjustments	118	(370)
Consolidated net income	Php9,398	Php9,392



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 three months ended March 31, 2015 and 2014. In each of the three months ended March 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 three months ended March 31, 2015					
Revenues	Php29,176	Php16,651	Php-	(Php3,274)	Php42,553
Expenses	20,571	13,532	2	(3,670)	30,435
Other income (expenses)	93	(511)	952	(396)	138
Income before income tax	8,698	2,608	950	-	12,256
Provision for income tax	2,044	805	9	-	2,858
Net income/Segment profit	6,654	1,803	941	-	9,398
EBITDA	12,603	6,285	(2)	396	19,282
EBITDA margin ⁽¹⁾	45%	39%	-	-	48%
Core income	6,599	1,738	943	-	9,280
For the three months ended March 31, 2014					
Revenues	29,824	16,241	-	(3,501)	42,564
Expenses	20,721	13,444	1	(3,833)	30,333
Other income (expenses)	(751)	75	914	(332)	(94)
Income before income tax	8,352	2,872	913	-	12,137
Provision for income tax	1,985	732	28	-	2,745
Net income/Segment profit	6,367	2,140	885	-	9,392
EBITDA	13,297	6,094	(1)	332	19,722
EBITDA margin ⁽¹⁾	46%	39%	-	-	48%
Core income	6,782	2,094	886	-	9,762
Increase (Decrease)					
Revenues	(648)	410	-	227	(11)
Expenses	(150)	88	1	163	102
Other income (expenses)	844	(586)	38	(64)	232
Income before income tax	346	(264)	37	-	119
Provision for income tax	59	73	(19)	-	113
Net income/Segment profit	287	(337)	56	-	6
EBITDA	(694)	191	(1)	64	(440)
Core income	(183)	(356)	57	-	(482)

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

On a Consolidated Basis

Revenues

We reported consolidated revenues of Php42,553 million in the first three months of 2015, a decrease of Php11 million as compared with Php42,564 million in the same period in 2014, primarily due to lower revenues from cellular, and satellite and other services from our wireless business and lower revenues from national and international long distance services from our fixed line business, partially offset by higher revenues from data and other network, local exchange and miscellaneous services from our fixed line business, higher wireless broadband revenues, and an increase in our non-service revenues.

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

	2015	%	2014	%	Change	
					Amount	%
	(in millions)					
Wireless	Php29,176	69	Php29,824	70	(Php648)	(2)
Fixed line	16,651	39	16,241	38	410	3
Inter-segment transactions	(3,274)	(8)	(3,501)	(8)	227	(6)
Consolidated	Php42,553	100	Php42,564	100	(Php11)	-

Expenses

Consolidated expenses increased by Php102 million to Php30,435 million in the first three months of 2015 from Php30,333 million in the same period in 2014, as a result of higher expenses related to repairs and maintenance, cost of sales, asset impairment, professional and other contracted services, taxes and licenses, and insurance and security, partially offset by lower expenses related to depreciation and amortization, compensation and employee benefits, selling and promotions, communication, training and travel, rent, interconnection costs, amortization of intangible assets and other operating expenses.

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

	2015	%	2014	%	Change	
					Amount	%
	(in millions)					
Wireless	Php20,571	68	Php20,721	68	(Php150)	(1)
Fixed line	13,532	44	13,444	45	88	1
Others	2	-	1	-	1	100
Inter-segment transactions	(3,670)	(12)	(3,833)	(13)	163	(4)
Consolidated	Php30,435	100	Php30,333	100	Php102	-

Other Income (Expenses)

Consolidated other income amounted to Php138 million in the first three months of 2015, a change of Php232 million as against other expenses of Php94 million in the same period in 2014, primarily due to the combined effects of the following: (i) net foreign exchange gains of Php43 million in the first three months of 2015 as against net foreign exchange losses of Php735 million in the same period in 2014 on account of revaluation of net foreign currency-denominated liabilities due to the appreciation of the Philippine peso relative to the U.S. dollar to Php44.73 as at March 31, 2015 from Php44.74 as at December 31, 2014 as against the depreciation of the Philippine peso relative to the U. S. dollar to Php44.81 as at March 31, 2014 from Php44.40 as at December 31, 2013; (ii) lower interest income by Php8 million due to lower interest income on held-to-maturity investments and appreciation of the Philippine peso to the U.S. dollar, partially offset by higher weighted average interest rates and higher principal amounts of placements; (iii) a decrease in the equity share in net earnings of associates by Php63 million mainly due to lower equity share in net earnings of Beacon Electric Asset Holdings, Inc., or Beacon, Asia Outsourcing Beta Limited, or Beta, and Signal TV, Inc., or Signal TV; (iv) a decrease in other income – net by Php107 million mainly due to pension savings in 2014, partly offset by higher gain on insurance claims and higher income from consultancy; (v) lower net gains on derivative financial instruments by Php157 million due to narrower dollar and peso interest rate differential and the appreciation of the Philippine peso relative to the U.S. dollar; and (vi) higher net financing costs by Php211 million mainly due to an increase in outstanding loan balance, higher weighted average interest rates and an increase in accretion of financial liabilities and lower capitalized interests, partly offset by lower financing charges.



The following table shows the breakdown of our consolidated other income (expenses) by business segment for the three months ended March 31, 2015 and 2014:

	2015	2014	Change	
			Amount	%
(in millions)				
Wireless	Php93	(Php751)	Php844	(112)
Fixed line	(511)	75	(586)	(781)
Others	952	914	38	4
Inter-segment transactions	(396)	(332)	(64)	19
Consolidated	Php138	(Php94)	Php232	(247)

Net Income

Consolidated net income decreased by Php6 million to Php9,398 million in the first three months of 2015, from Php9,392 million in the same period in 2014. The decrease was mainly due to the combined effects of the following: (i) an increase in consolidated provision for income tax by Php113 million; (ii) an increase in consolidated expenses by Php102 million; (iii) a decrease in consolidated revenues by Php11 million; and (iv) an increase in consolidated other income – net by Php232 million. Our consolidated basic and diluted EPS decreased to Php43.38 in the first three months of 2015 from consolidated basic and diluted EPS of Php43.34 in the same period in 2014. Our weighted average number of outstanding common shares was approximately 216.06 million in each of the three months ended March 31, 2015 and 2014.

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

	2015		2014		Change	
	Amount	%	Amount	%	Amount	%
(in millions)						
Wireless	Php6,654	71	Php6,367	68	Php287	5
Fixed line	1,803	19	2,140	23	(337)	(16)
Others	941	10	885	9	56	6
Consolidated	Php9,398	100	Php9,392	100	Php6	–

EBITDA

Our consolidated EBITDA amounted to Php19,282 million in the first three months of 2015, a decrease of Php440 million, or 2%, as compared with Php19,722 million in the same period in 2014, primarily due to higher cost of sales and operating expenses driven by repairs and maintenance, professional and other contracted services, taxes and licenses, and insurance and security services, as well as lower consolidated revenues, and higher provision for doubtful accounts, partially offset by lower expenses relating to compensation and employee benefits, selling and promotions, communication, training and travel, and rent.

The following table shows the breakdown of our consolidated EBITDA from continuing operations by business segment for the three months ended March 31, 2015 and 2014:

	2015		2014		Change	
	Amount	%	Amount	%	Amount	%
(in millions)						
Wireless	Php12,603	65	Php13,297	67	(Php694)	(5)
Fixed line	6,285	33	6,094	31	191	3
Others	(2)	–	(1)	–	(1)	100
Inter-segment transactions	396	2	332	2	64	19
Continuing operations	Php19,282	100	Php19,722	100	(Php440)	(2)

Core Income

Our consolidated core income amounted to Php9,280 million in the first three months of 2015, a decrease of Php482 million, or 5%, as compared with Php9,762 million in the same period in 2014, primarily due to higher consolidated expenses, higher provision for income tax and lower consolidated revenues, partially offset by higher other income – net. Our consolidated basic and diluted core EPS, decreased to Php42.88 in the first three months of 2015 from Php45.12 in the same period in 2014.

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

	2015	%	2014	%	Change	
					Amount	%
(in millions)						
Wireless	Php6,599	71	Php6,782	70	(Php183)	(3)
Fixed line	1,738	19	2,094	21	(356)	(17)
Others	943	10	886	9	57	6
Consolidated	Php9,280	100	Php9,762	100	(Php482)	(5)

On a Business Segment Basis

Wireless

Revenues

We generated revenues from our wireless business of Php29,176 million in the first three months of 2015, a decrease of Php648 million, or 2%, from Php29,824 million in the same period in 2014.

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

	2015	%	2014	%	Increase (Decrease)	
					Amount	%
(in millions)						
Service Revenues:						
Cellular	Php25,143	86	Php26,171	88	(Php1,028)	(4)
Wireless broadband, satellite and others						
Wireless broadband	2,528	9	2,474	8	54	2
Satellite and others	215	1	316	1	(101)	(32)
	27,886	96	28,961	97	(1,075)	(4)
Non-Service Revenues:						
Sale of cellular handsets, cellular subscriber identification module, or SIM,-packs and broadband data modems	1,290	4	863	3	427	49
Total Wireless Revenues	Php29,176	100	Php29,824	100	(Php648)	(2)

Service Revenues

Our wireless service revenues in the first three months of 2015 decreased by Php1,075 million, or 4%, to Php27,886 million as compared with Php28,961 million in the same period in 2014, mainly as a result of lower revenues from voice and text messaging services, as well as satellite and other services, partially offset by higher revenues from mobile internet and VAS services, as well as an increase in broadband service revenues. Our dollar-linked revenues were affected by the appreciation of the Philippine peso relative to the U.S. dollar to Php44.73 for the three months ended March 31, 2015 from Php44.81 for the three months ended March 31, 2014. As a percentage of our total wireless revenues, service revenues accounted for 96% and 97% in the first three months of 2015 and 2014, respectively.

Cellular Service

Our cellular service revenues in the first three months of 2015 amounted to Php25,143 million, a decrease of Php1,028 million, or 4%, from Php26,171 million in the same period in 2014. Cellular service revenues accounted for 90% in each of our wireless service revenues in the first three months of 2015 and 2014.



We have focused on segmenting the market by offering sector-specific, value-driven packages for our subscribers. These include load buckets which provide a fixed number of messages and calls of preset duration with prescribed validity. Smart and Sun Cellular also provide buckets which offer voice, text and hybrid bundles available to all networks, as well as packages with unlimited voice, text, data, and combinations thereof, whose denominations depend on the duration and nature of the packages.

On September 26, 2014, we launched our *Free Mobile internet* promotion whereby subscribers can avail of 30MB of data usage per day, excluding video streaming, Voice over Internet Protocol and chat applications, free of charge. The promotion was effective until February 5, 2015 and extended until February 28, 2015 to also include video streaming.

On March 3, 2015, we introduced our *Internet for All* promotion, whereby Smart, Talk 'N Text and Sun Cellular prepaid subscribers can enjoy up to 30MB of data usage per day by availing of unique value-packed bundles. This promotion is valid until May 15, 2015.

On March 5, 2015, we launched *Smart Big Bytes*, our newest volume-based offering, which can be used by Smart Prepaid and Postpaid, as well as SmartBro Prepaid and Postpaid subscribers, for any internet transaction, varying from up to 150MB of data usage per day, to up to 5000MB of data usage for 30 days, plus bonus access to the more popular apps depending on the availed prepaid buckets. This promotion is valid until May 15, 2015.

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

The following table shows the breakdown of our cellular service revenues for the three months ended March 31, 2015 and 2014:

	2015	2014	Increase (Decrease)	
			Amount	%
	(in millions)			
Cellular service revenues	Php25,143	Php26,171	(Php1,028)	(4)
<i>By service type</i>	24,368	25,426	(1,058)	(4)
Prepaid	18,668	20,311	(1,643)	(8)
Postpaid	5,700	5,115	585	11
<i>By component</i>	24,368	25,426	(1,058)	(4)
Voice	11,914	12,811	(897)	(7)
Data	12,454	12,615	(161)	(1)
<i>Others⁽¹⁾</i>	775	745	30	4

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



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

	2015	2014	Increase (Decrease)	
			Amount	%
Cellular subscriber base	69,622,147	70,495,472	(873,325)	(1)
Prepaid	66,721,243	68,030,812	(1,309,569)	(2)
<i>Smart</i>	24,819,813	24,959,498	(139,685)	(1)
<i>Talk 'N Text</i>	28,055,224	29,490,125	(1,434,901)	(5)
<i>Sun Cellular</i>	13,846,206	13,581,189	265,017	2
Postpaid	2,900,904	2,464,660	436,244	18
<i>Sun Cellular</i>	1,812,098	1,536,270	275,828	18
<i>Smart</i>	1,088,806	928,390	160,416	17
Systemwide traffic volumes (in million minutes)				
Calls	13,014	13,293	(279)	(2)
Domestic	12,319	12,415	(96)	(1)
<i>Inbound</i>	257	280	(23)	(8)
<i>Outbound</i>	12,062	12,135	(73)	(1)
International	695	878	(183)	(21)
<i>Inbound</i>	591	745	(154)	(21)
<i>Outbound</i>	104	133	(29)	(22)
SMS/Data count (in million hits)				
Text messages	96,854	113,524	(16,670)	(15)
Domestic	96,343	113,030	(16,687)	(15)
Bucket-Priced/Unlimited	96,133	112,834	(16,701)	(15)
Standard	87,379	105,326	(17,947)	(17)
International	8,754	7,508	1,246	17
International	210	196	14	7
Value-Added Services	511	494	17	3
Mobile internet (in TB)	21,598	7,497	14,101	188

Revenues generated from our prepaid cellular services amounted to Php18,668 million in the first three months of 2015, a decrease of Php1,643 million, or 8%, as compared with Php20,311 million in the same period in 2014. Prepaid cellular service revenues accounted for 77% and 80% of cellular voice and data revenues in the first three months of 2015 and 2014, respectively. Revenues generated from postpaid cellular service amounted to Php5,700 million in the first three months of 2015, an increase of Php585 million, or 11%, as compared with Php5,115 million earned in the same period in 2014, and accounted for 23% and 20% of cellular voice and data revenues in the first three months of 2015 and 2014, respectively. The decrease in revenues from our prepaid cellular services was primarily due to lower international voice, and domestic and international text messaging revenues, partially offset by an increase in mobile internet and VAS revenues. The increase in our postpaid cellular service revenues was primarily due to a higher subscriber base.

Voice Services

Cellular revenues from our voice services, which include all voice traffic and voice VAS, such as voicemail and outbound international roaming, decreased by Php897 million, or 7%, to Php11,914 million in the first three months of 2015 from Php12,811 million in the same period in 2014 primarily due to lower international voice revenues. Cellular voice services accounted for 47% and 49% of our cellular service revenues in the first three months of 2015 and 2014, respectively.



The following table shows the breakdown of our cellular voice revenues for the three months ended March 31, 2015 and 2014:

	2015	2014	Increase (Decrease)	
			Amount	%
	(in millions)			
Voice services:				
<i>Domestic</i>				
Inbound	Php1,002	Php1,077	(Php75)	(7)
Outbound	7,917	7,891	26	-
	8,919	8,968	(49)	(1)
<i>International</i>				
Inbound	2,608	3,343	(735)	(22)
Outbound	387	500	(113)	(23)
	2,995	3,843	(848)	(22)
Total	Php11,914	Php12,811	(Php897)	(7)

Domestic voice service revenues decreased by Php49 million, or 1%, to Php8,919 million in the first three months of 2015 from Php8,968 million in the same period in 2014, primarily due to lower domestic inbound voice service revenues by Php75 million, partially offset by higher domestic outbound voice service revenues by Php26 million.

Revenues from our domestic inbound voice service decreased by Php75 million, or 7%, to Php1,002 million in the first three months of 2015 from Php1,077 million in the same period in 2014 due to lower traffic originating from other mobile carriers. Domestic inbound call volumes decreased by 23 million minutes, or 8%, to 257 million minutes in the first three months of 2015 from 280 million minutes in the same period in 2014.

Revenues from domestic outbound voice service increased by Php26 million to Php7,917 million in the first three months of 2015 from Php7,891 million in the same period in 2014 mainly due to higher unlimited and bucket voice revenues, partially offset by lower standard voice revenues. Domestic outbound call volumes decreased by 73 million minutes, or 1%, to 12,062 million minutes in the first three months of 2015 from 12,135 million minutes in the same period in 2014 primarily due to lower standard and bucket voice traffic, partially offset by higher unlimited voice traffic resulting in higher yield for domestic outbound voice service.

International voice service revenues decreased by Php848 million, or 22%, to Php2,995 million in the first three months of 2015 from Php3,843 million in the same period in 2014 primarily due to lower international inbound voice service revenues by Php735 million, or 22%, to Php2,608 million in the first three months of 2015 from Php3,343 million in the same period in 2014, as well as the decline in international outbound voice service revenues by Php113 million, or 23%, to Php387 million in the first three months of 2015 from Php500 million in the same period in 2014. The decrease in international voice service revenues was due to lower international voice traffic and lower weighted average exchange rate of the Philippine peso to the U.S. dollar. International inbound and outbound calls totaled 695 million minutes, a decrease of 183 million minutes, or 21%, from 878 million minutes in the same period in 2014.

Data Services

Cellular revenues from our data services, which include all text messaging-related services, as well as VAS and mobile internet, decreased by Php161 million, or 1%, to Php12,454 million in the first three months of 2015 from Php12,615 million in the same period in 2014 primarily due to lower text messaging revenues, partially offset by higher mobile internet and VAS revenues. Cellular data services accounted for 50% and 48% of our cellular service revenues in the first three months of 2015 and 2014, respectively.



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

	2015	2014	Increase (Decrease)	
			Amount	%
	(in millions)			
Text messaging				
Domestic	Php9,016	Php9,526	(Php510)	(5)
<i>Bucket-Priced/Unlimited</i>	6,133	6,659	(526)	(8)
<i>Standard</i>	2,883	2,867	16	1
International	682	807	(125)	(15)
	9,698	10,333	(635)	(6)
Mobile internet ⁽¹⁾	2,235	1,872	363	19
Value-added services ⁽²⁾	521	410	111	27
Total	Php12,454	Php12,615	(Php161)	(1)

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

⁽²⁾ Includes revenues from SMS-based VAS (info-on-demand and voice text services, net of allocated discounts and content provider costs); multi-media messaging system, or MMS-based VAS (point-to-point MMS and content download services, such as ringtone, logo or music downloads, net of allocated discounts and content provider costs); Pasa Load/Give-a-load (which allows prepaid and postpaid subscribers to transfer small denominations of air time credits to other prepaid subscribers and Dial *SOS which allows Smart and Talk 'N Text prepaid subscribers to borrow Php4 of load (Php3 on-net SMS plus Php1 air time) from Smart which will be deducted upon their next top-up); and revenues for financial services which include revenues from Smart Money Clicks via Smart Menu and mobile banking. Smart Money Clicks includes the following services: balance inquiry, re-load prepaid accounts, bills payment, card management and internet purchases.

Text messaging-related services contributed revenues of Php9,698 million in the first three months of 2015, a decrease of Php635 million, or 6%, as compared with Php10,333 million in the same period in 2014, and accounted for 78% and 82% of our total cellular data service revenues in the first three months of 2015 and 2014, respectively. The decrease in revenues from text messaging-related services resulted mainly from lower bucket-priced/unlimited SMS, as well as lower international text messaging revenues, partly offset by higher standard SMS revenues. Text messaging revenues from various bucket-priced/unlimited SMS offers totaled Php6,133 million in the first three months of 2015, a decrease of Php526 million, or 8%, as compared with Php6,659 million in the same period in 2014. Bucket-priced/unlimited text messages decreased by 17,947 million, or 17%, to 87,379 million in the first three months of 2015 from 105,326 million in the same period in 2014.

Standard text messaging revenues, which includes inbound and outbound standard SMS revenues, increased by Php16 million, or 1%, to Php2,883 million in the first three months of 2015 from Php2,867 million in the same period in 2014, mainly due to an increase in domestic inbound SMS revenues, partly offset by a decrease in outbound standard SMS revenues primarily as a result of increased preference for messaging through various mobile apps, social networking sites and other over-the-top, or OTT, services. Inbound standard text messages increased by 1,576 million, or 35%, to 6,045 million in the first three months of 2015 from 4,469 million in the same period in 2014, partially offset by the decline in outbound standard text messages by 330 million, or 11%, to 2,709 million in the first three months of 2015 from 3,039 million in the same period in 2014.

International text messaging revenues amounted to Php682 million in the first three months of 2015, a decrease of Php125 million, or 15%, from Php807 million in the same period in 2014. Despite higher SMS traffic, revenues declined due mainly to lower international SMS rates driven by various promotions launched, enhanced bucket offers and the unfavorable effect of lower weighted average exchange rate of the Philippine peso to the U.S. dollar.

Mobile internet service revenues increased by Php363 million, or 19%, to Php2,235 million in the first three months of 2015 from Php1,872 million in the same period in 2014 as a result of higher traffic for mobile internet browsing mainly due to prevalent use of mobile apps, social networking sites and other OTT services. Mobile internet service registered 21,598 terabyte, or TB, in the first three months of 2015, including traffic from the "Free Internet" promotion launched from September 2014 to February 2015, and "Internet for All" launched on March 3, 2015, an increase of 14,101TB, or 188%, from 7,497TB in the same period in 2014.

VAS contributed revenues of Php521 million in the first three months of 2015, an increase of Php111 million, or 27%, as compared with Php410 million in the same period in 2014, primarily due to higher revenues from MMS-based, partially offset by lower revenues from *Pasa Load/Give-a-Load* and SMS-based VAS.

Others

Revenues from our other cellular services, which include mobile applications and mobile payment services, as well as other non-subscriber-related revenues consisting of inbound international roaming fees and share in revenues from *PLDT WeRoam* and *PLP*, increased by Php30 million, or 4%, to Php775 million in the first three months of 2015 from Php745 million in the same period in 2014 primarily due to SMI's share in Smart Money's peer-to-peer transaction fees and revenues generated from the partnership with Landbank on Department of Social Welfare and Development's Conditional Cash Transfer Program, and higher revenues from Voyager.

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

As at March 31, 2015, our cellular subscribers totaled 69,622,147 a decrease of 873,325, or 1%, over the cellular subscriber base of 70,495,472 as at March 31, 2014. Our cellular prepaid subscriber base decreased by 1,309,569, or 2%, to 66,721,243 as at March 31, 2015 from 68,030,812 as at March 31, 2014, while our cellular postpaid subscriber base increased by 436,244, or 18%, to 2,900,904 as at March 31, 2015 from 2,464,660 as at March 31, 2014. The net decrease in subscriber base was primarily due to lower *Talk 'N Text* subscribers by 1,434,901, or 5%, partially offset by an increase in *Sun Cellular* subscribers by 540,845, or 4%, and a net increase in Smart subscribers by 20,731. Prepaid subscribers accounted for 96% and 97% of our total subscriber base as at March 31, 2015 and 2014, respectively.

Our net subscriber activations (reductions) for the three months ended March 31, 2015 and 2014 were as follows:

	2015	2014	Increase (Decrease)	
			Amount	%
Prepaid	(370,369)	363,062	(733,431)	(202)
<i>Smart</i>	(57,331)	350,811	(408,142)	(116)
<i>Talk 'N Text</i>	(94,136)	5,108	(99,244)	(1,943)
<i>Sun Cellular</i>	(218,902)	7,143	(226,045)	(3,165)
Postpaid	135,456	86,783	48,673	56
<i>Smart</i>	48,585	38,694	9,891	26
<i>Sun Cellular</i>	86,871	48,089	38,782	81
Total	(234,913)	449,845	(684,758)	(152)

The following table summarizes our average monthly churn rates for the three months ended March 31, 2015 and 2014:

	2015	2014
	(in %)	
Prepaid		
<i>Smart</i>	5.8	5.1
<i>Talk 'N Text</i>	5.6	5.2
<i>Sun Cellular</i>	10.2	9.6
Postpaid		
<i>Smart</i>	2.6	2.5
<i>Sun Cellular</i>	1.8	1.6

For *Smart Prepaid* subscribers, the average monthly churn rate in the first three months of 2015 and 2014 were 5.8% and 5.1%, respectively, while the average monthly churn rate for *Talk 'N Text* subscribers were 5.6% and 5.2% in the first three months of 2015 and 2014, respectively. The average monthly churn rate for *Sun Cellular* prepaid subscribers were 10.2% and 9.6% in the first three months of 2015 and 2014, respectively.

The average monthly churn rate for *Smart Postpaid* subscribers in the first three months of 2015 and 2014 were 2.6% and 2.5%, respectively, while for *Sun Cellular* postpaid subscribers were 1.8% and 1.6% in the first three months of 2015 and 2014, respectively.



The following table summarizes our average monthly cellular ARPUs for the three months ended March 31, 2015 and 2014:

	Gross ⁽¹⁾		Increase (Decrease)		Net ⁽²⁾		Increase (Decrease)	
	2015	2014	Amount	%	2015	2014	Amount	%
Prepaid								
Smart	Php130	Php147	(Php17)	(12)	Php118	Php132	(Php14)	(11)
Talk 'N Text	93	97	(4)	(4)	85	87	(2)	(2)
Sun Cellular	68	75	(7)	(9)	63	67	(4)	(6)
Postpaid								
Smart	1,049	1,098	(49)	(4)	1,039	1,086	(47)	(4)
Sun Cellular	452	478	(26)	(5)	449	476	(27)	(6)

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

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

Our average monthly prepaid and postpaid ARPUs for the first quarter of 2015 and for the four quarters in 2014 were as follows:

	Prepaid						Postpaid			
	Smart		Talk 'N Text		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
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, Satellite and Other Services

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

Wireless Broadband

Revenues from our wireless broadband services increased by Php54 million, or 2%, to Php2,528 million in the first three months of 2015 from Php2,474 million in the same period in 2014, primarily due to an increase in prepaid revenues by Php120 million, or 16%, to Php894 million in the first three months of 2015 from Php774 million in the same period in 2014, partially offset by lower postpaid revenues by Php66 million, or 4%, to Php1,634 million in the first three months of 2015 from Php1,700 million in the same period in 2014.

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

	2015	2014	Increase (Decrease)	
			Amount	%
Wireless Broadband Revenues (in millions)	Php2,528	Php2,474	Php54	2
Prepaid	894	774	120	16
Postpaid	1,634	1,700	(66)	(4)
Wireless Broadband Subscribers	3,391,440	2,551,882	839,558	33
Prepaid	2,534,768	1,731,103	803,665	46
Smart	2,110,120	1,435,216	674,904	47
Sun	424,648	295,887	128,761	44
Postpaid	856,672	820,779	35,893	4
Smart	503,552	568,217	(64,665)	(11)
Sun	353,120	252,562	100,558	40

Smart Broadband and *Sun Broadband Wireless*, SBI's and DMPI's broadband services, respectively, offer a number of wireless broadband services and had a total of 3,391,440 subscribers as at March 31, 2015, a net increase of 839,558 subscribers, or 33%, as compared with 2,551,882 subscribers as at March 31, 2014, primarily due to a net increase in *Smart Broadband* subscribers by 610,239, or 30%, complemented by an increase in *Sun Broadband* subscribers by 229,319, or 42%, as at March 31, 2015. Our prepaid wireless broadband subscriber base increased by 803,665 subscribers, or 46%, to 2,534,768 subscribers as at March 31, 2015 from 1,731,103 subscribers as at March 31, 2014, and our postpaid wireless broadband subscriber base also increased by 35,893 subscribers, or 4%, to 856,672 subscribers as at March 31, 2015 from 820,779 subscribers as at March 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 also has an additional array of load packages that offer time-based charging with different validity periods, as well as *Always On* packages, which offer volume-based charging.

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

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

Satellite and Other Services

Revenues from our satellite and other services decreased by Php101 million, or 32%, to Php215 million in the first three months of 2015 from Php316 million in the same period in 2014, primarily due to a decrease in the number of ACeS Philippines' subscribers, lower revenue contribution from MVNO of PLDT Global and lower weighted average exchange rate of Php44.42 in the three months ended March 31, 2015 from Php44.88 for the three months ended March 31, 2014 on our U.S. dollar and U.S. dollar-linked satellite and other service revenues.

Non-Service Revenues

Our wireless non-service revenues consist of proceeds from sales of cellular handsets, cellular SIM-packs and broadband data modems and accessories. Our wireless non-service revenues increased by Php427 million, or 49%, to Php1,290 million in the first three months of 2015 from Php863 million in the same period in 2014, primarily due to increased availments for broadband *Pocket Wifi*, broadband accessories and computer packages, as well as higher 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 Php20,571 million in the first three months of 2015, a decrease of Php150 million, or 1%, from Php20,721 million in the same period in 2014. A significant portion of this decrease was attributable to lower depreciation and amortization, compensation and employee benefits, selling and promotions, taxes and licenses, communications, training and travel, rent, asset impairment, amortization of intangible assets and other operating expenses, partially offset by higher expenses related to cost of sales, professional and other contracted services, interconnection costs, and repairs and maintenance. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 71% and 69% in the first three months of 2015 and 2014, respectively.

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

	2015	%	2014	%	Increase (Decrease)	
					Amount	%
(in millions)						
Depreciation and amortization	Php3,730	18	Php3,908	19	(Php178)	(5)
Cost of sales	3,217	16	2,926	14	291	10
Rent	2,678	13	2,724	13	(46)	(2)
Repairs and maintenance	2,194	11	2,153	10	41	2
Interconnection costs	2,106	10	2,036	10	70	3
Compensation and employee benefits	1,781	9	1,940	9	(159)	(8)
Selling and promotions	1,550	7	1,706	8	(156)	(9)
Professional and other contracted services	1,280	6	1,142	6	138	12
Asset impairment	581	3	599	3	(18)	(3)
Taxes and licenses	539	3	592	3	(53)	(9)
Insurance and security services	304	1	306	2	(2)	(1)
Amortization of intangible assets	268	1	286	1	(18)	(6)
Communication, training and travel	231	1	279	1	(48)	(17)
Other expenses	112	1	124	1	(12)	(10)
Total	Php20,571	100	Php20,721	100	(Php150)	(1)

Depreciation and amortization charges decreased by Php178 million, or 5%, to Php3,730 million primarily due to a lower depreciable asset base.

Cost of sales increased by Php291 million, or 10%, to Php3,217 million primarily due to increased handset and modem issuances for cellular and broadband activation and retention, and higher average cost of cellular handsets/SIM-packs and broadband modems.

Rent expenses decreased by Php46 million, or 2%, to Php2,678 million primarily due to a decrease in leased circuit rental charges resulting from our expanded network, and lower dark fiber, site, pole and office building rental.

Repairs and maintenance expenses increased by Php41 million, or 2%, to Php2,194 million mainly due to higher expenses on site maintenance and electricity, and higher maintenance costs on IT software, partially offset by lower site fuel consumption costs and maintenance costs on IT hardware.

Interconnection costs increased by Php70 million, or 3%, to Php2,106 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.

Compensation and employee benefits expenses decreased by Php159 million, or 8%, to Php1,781 million primarily due to lower long-term incentive plan, or LTIP, and manpower rightsizing program, or MRP, costs, partly offset by higher salaries and employee benefits, and provision for pension. Employee headcount decreased to 7,590 as at March 31, 2015 as compared with 7,680 as at March 31, 2014.

Selling and promotion expenses decreased by Php156 million, or 9%, to Php1,550 million primarily due to lower costs of events, commissions expense, advertising costs and public relations expense.

Professional and other contracted service fees increased by Php138 million, or 12%, to Php1,280 million primarily due to an increase in outsourced costs, management, call center, market research and legal fees, as well as higher collection agency fees, partly offset by lower consultancy service fees.

Asset impairment decreased by Php18 million, or 3%, to Php581 million primarily due to lower provision for uncollectible receivables, partially offset by higher provision for write-down of inventories to net realizable value.

Taxes and licenses decreased by Php53 million, or 9%, to Php539 million due to lower business-related taxes.

Insurance and security services decreased by Php2 million to Php304 million primarily due to lower group health insurance and bond premiums, partly offset by higher site security expenses.

Amortization of intangible assets decreased by Php18 million, or 6%, to Php268 million primarily due to lower license fees paid for exclusive partnership and use of music catalogues.

Communication, training and travel expenses decreased by Php48 million, or 17%, to Php231 million primarily due to lower fuel consumption costs for vehicles, and lower communication charges.

Other expenses decreased by Php12 million, or 10%, to Php112 million primarily due to lower various business and operational-related expenses.

Other Income (Expenses)

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

	2015	2014	Change	
			Amount	%
	(in millions)			
Other Income (Expenses):				
Interest income	Php89	Php52	Php37	71
Foreign exchange gains (losses) – net	49	(544)	593	(109)
Gains (Losses) on derivative financial instruments – net	15	(2)	17	(850)
Equity share in net losses of associates	(9)	–	(9)	(100)
Financing costs – net	(426)	(391)	(35)	9
Other income – net	375	134	241	180
Total	Php93	(Php751)	Php844	(112)

Our wireless business' other income amounted to Php93 million in the first three months of 2015, a change of Php844 million, or 112%, as against other expenses of Php751 million in the same period in 2014, primarily due to the combined effects of the following: (i) net foreign exchange gains of Php49 million in the first three months of 2015 from net foreign exchange losses of Php544 million in the same period in 2014 million on account of the revaluation of net foreign currency-denominated liabilities due to the appreciation of the Philippine peso relative to the U.S. dollar to Php44.73 as at March 31, 2015 from Php44.74 as at December 31, 2014 as against the depreciation of the Philippine peso relative to the U.S. dollar to Php44.81 as at March 31, 2014 from Php44.40 as at December 31, 2013; (ii) an increase in other income – net by Php241 million mainly due to higher gain on insurance claims and higher income from consultancy; (iii) higher interest income by Php37 million mainly due to higher amounts of peso and dollar placements and higher yielding investments; (iv) net gains on derivative financial instruments of Php15 million in the first three months of 2015 as against net losses on derivative financial instruments of Php2 million in the same period in 2014 mainly due to the weakening of the peso relative to the forward purchase contract rates; (v) equity share in net losses of associates by Php9 million; and (vi) higher net financing costs by Php35 million primarily due to an increase on accretion on financial liabilities, higher average interest rates on loans and higher capitalized interest, partly offset by lower financing charges.

Provision for Income Tax

Provision for income tax increased by Php59 million, or 3%, to Php2,044 million in the first three months of 2015 from Php1,985 million in the same period in 2014 primarily due to higher taxable income. The effective tax rates for our wireless business were 23% and 24% in the first three months of 2015 and 2014, respectively.

Net Income

As a result of the foregoing, our wireless business' net income increased by Php287 million, or 5%, to Php6,654 million in the first three months of 2015 from Php6,367 million recorded in the same period in 2014.

EBITDA

Our wireless business' EBITDA decreased by Php694 million, or 5%, to Php12,603 million in the first three months of 2015 from Php13,297 million in the same period in 2014.

Core Income

Our wireless business' core income decreased by Php183 million, or 3%, to Php6,599 million in the first three months of 2015 from Php6,782 million in the same period in 2014 on account of a decrease in wireless revenues and higher provision for income tax, partially offset by an increase in other income and lower wireless-related operating expenses.

Fixed Line

Revenues

Revenues generated from our fixed line business amounted to Php16,651 million in the first three months of 2015, an increase of Php410 million, or 3%, from Php16,241 million in the same period in 2014.

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

	2015	%	2014	%	Increase (Decrease)	
					Amount	%
	(in millions)					
Service Revenues:						
Local exchange	Php4,196	25	Php4,111	25	Php85	2
International long distance	2,255	14	2,859	18	(604)	(21)
National long distance	1,018	6	1,099	7	(81)	(7)
Data and other network	8,074	49	7,385	45	689	9
Miscellaneous	393	2	324	2	69	21
	15,936	96	15,778	97	158	1
Non-Service Revenues:						
Sale of computers, phone units and SIM cards	715	4	463	3	252	54
Total Fixed Line Revenues	Php16,651	100	Php16,241	100	Php410	3

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 Php158 million, or 1%, to Php15,936 million in the first three months of 2015 from Php15,778 million in the same period in 2014 due to an increase in revenues from our data and other network, and 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 three months ended March 31, 2015 and 2014:

	2015	2014	Increase (Decrease)	
			Amount	%
Total local exchange service revenues (in millions)	Php4,196	Php4,111	Php85	2
Number of fixed line subscribers	2,234,115	2,103,516	130,599	6
Postpaid	2,174,071	2,041,830	132,241	6
Prepaid	60,044	61,686	(1,642)	(3)
Number of fixed line employees	7,490	7,515	(25)	-
Number of fixed line subscribers per employee	298	280	18	6

Revenues from our local exchange service increased by Php85 million, or 2%, to Php4,196 million in the first three months of 2015 from Php4,111 million in the same period in 2014, primarily due to higher weighted average postpaid billed lines and an increase in ARPU, partially offset by a decrease in installation and activation charges. The percentage contribution of local exchange revenues to our total fixed line service revenues was 26% in each of the first three months of 2015 and 2014.

International Long Distance Service

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

	2015	2014	Increase (Decrease)	
			Amount	%
Total international long distance service revenues (in millions)	Php2,255	Php2,859	(Php604)	(21)
Inbound	1,984	2,545	(561)	(22)
Outbound	271	314	(43)	(14)
International call volumes (in million minutes, except call ratio)	408	510	(102)	(20)
Inbound	344	429	(85)	(20)
Outbound	64	81	(17)	(21)
Inbound-outbound call ratio	5.4:1	5.3:1	-	-

Our total international long distance service revenues decreased by Php604 million, or 21%, to Php2,255 million in the first three months of 2015 from Php2,859 million in the same period in 2014, primarily due to lower call volumes, the decrease in average settlement rate in dollar terms and the lower weighted average exchange rate of the Philippine peso to the U.S. dollar to Php44.42 as at March 31, 2015 from Php44.88 as at March 31, 2014, partially offset by the increase in average billing rate in dollar terms. The percentage contribution of international long distance service revenues to our total fixed line service revenues accounted for 14% and 18% in the first three months of 2015 and 2014, respectively.

Our revenues from inbound international long distance service decreased by Php561 million, or 22%, to Php1,984 million in the first three months of 2015 from Php2,545 million in the same period in 2014 primarily due to lower inbound call volumes, the lower weighted average exchange rate of the Philippine peso to the U.S. dollar and a decrease in average settlement rate in dollar terms.

Our revenues from outbound international long distance service decreased by Php43 million, or 14%, to Php271 million in the first three months of 2015 from Php314 million in the same period in 2014, primarily due to the decrease in call volumes and the lower weighted average exchange rate of the Philippine peso to the U.S. dollar, partially offset by the increase in the average billing rate in dollar terms.

Our total international long distance service revenues, net of interconnection costs, decreased by Php247 million, or 22%, to Php853 million in the first three months of 2015 from Php1,100 million in the same period in 2014. The decrease was primarily due to the effect of lower international inbound service revenues as a result of a lower inbound call volumes, decrease in the average settlement rate in dollar terms and the net effect of a lower international outbound service revenues as a result of lower outbound call volumes, partly offset by an increase in the weighted average revenue per minute, or ARPM, due to higher average billing rate in dollar terms.

National Long Distance Service

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

	2015	2014	Decrease	
			Amount	%
Total national long distance service revenues (in millions)	Php1,018	Php1,099	(Php81)	(7)
National long distance call volumes (in million minutes)	193	200	(7)	(4)

Our national long distance service revenues decreased by Php81 million, or 7%, to Php1,018 million in the first three months of 2015 from Php1,099 million in the same period in 2014, primarily due to a

decrease in call volumes. The percentage contribution of national long distance revenues to our fixed line service revenues were 6% and 7% in the three months ended March 31, 2015 and 2014, respectively. Our national long distance service revenues, net of interconnection costs, decreased by Php79 million, or 9%, to Php786 million in the first three months of 2015 from Php865 million in the same period in 2014, primarily due to a decrease in call volumes.

Data and Other Network Services

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

	2015	2014	Increase (Decrease)	
			Amount	%
Data and other network service revenues (in millions)	Php8,074	Php7,385	Php689	9
Domestic	5,680	5,347	333	6
<i>Broadband</i>	3,812	3,468	344	10
<i>Leased Lines and Others</i>	1,868	1,879	(11)	(1)
International				
<i>Leased Lines and Others</i>	1,792	1,547	245	16
Data Centers	602	491	111	23
Subscriber base				
<i>Broadband</i>	1,137,616	1,018,549	119,067	12
<i>SWUP</i>	37,608	30,607	7,001	23

Our data and other network services posted revenues of Php8,074 million in the first three months of 2015, an increase of Php689 million, or 9%, from Php7,385 million in the same period in 2014, primarily due to higher domestic data revenues from DSL, *Fibr* and *Shops.Work*, international data revenues primarily from i-Gate, and data centers revenues. The percentage contribution of this service segment to our fixed line service revenues was 51% and 47% in the first three months of 2015 and 2014, respectively.

Domestic

Domestic data services contributed Php5,680 million in the first three months of 2015, an increase of Php333 million, or 6%, as compared with Php5,347 million in the same period in 2014 mainly due to higher DSL and *Fibr* revenues, and *Shops.Work* subscribers as customer locations and bandwidth requirements continued to expand and higher demand for offshoring and outsourcing services. The percentage contribution of domestic data service revenues to total data and other network services were 70% and 72% in the first three months of 2015 and 2014, respectively.

Broadband

Broadband data services include *DSL* broadband internet service, which is intended for individual internet users, small and medium enterprises, and large corporations with multiple branches, and *Fibr*, our most advanced broadband internet connection. Broadband data revenues amounted to Php3,812 million in the first three months of 2015, an increase of Php344 million, or 10%, from Php3,468 million in the same period in 2014 as a result of the increase in the number of subscribers by 119,067, or 12%, to 1,137,616 subscribers as at March 31, 2015 from 1,018,549 subscribers as at March 31, 2014. Broadband revenues accounted for 47% of total data and other network service revenues in each of the first three months of 2015 and 2014.

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; (4) *Shops.Work*, our connectivity solution for retailers and franchisers that links company branches to their head office; and (5) *Shops. Work Unplugged*, or *SWUP*, our wireless VPN service that powers mobile point-of-sale terminals and off-site bank ATMs, as well as other retail outlets located in remote areas. As at March 31, 2015, *SWUP* had a total subscriber base

of 37,608, up by 7,001, or 23%, from 30,607 subscribers as at March 31, 2014. Leased lines and other data revenues amounted to Php1,868 million in the first three months of 2015, a decrease of Php11 million, or 1%, from Php1,879 million in the same period in 2014, primarily due to lower Diginet revenues, partially offset by higher revenues from *Shops.Work*, *SWUP* and IP-VPN. The percentage contribution of leased lines and other data service revenues to the total data and other network services were 23% and 25% in the first three months of 2015 and 2014, respectively.

International

Leased Lines and Others

International leased lines and other data services consist mainly of: (1) i-Gate, our premium dedicated internet access service that provides high speed, reliable and managed connectivity to the global internet, and is intended for enterprises and VAS providers; (2) Fibernet, which provides cost-effective and reliable bilateral point-to-point private networking connectivity, through the use of our extensive international alliances to offshore and outsourcing, banking and finance, and semiconductor industries; and (3) other international managed data services in partnership with other global service providers, which provide data networking services to multinational companies. International data service revenues increased by Php245 million, or 16%, to Php1,792 million in the first three months of 2015 from Php1,547 million in the same period in 2014, primarily due to higher i-Gate revenues and IP-VPN local access services, and an increase in revenues from various global service providers, partially offset by the unfavorable effect of lower weighted average exchange rate of the Philippine peso relative to the U.S. dollar. The percentage contribution of international data service revenues to total data and other network service revenues were 22% and 21% in the first three months of 2015 and 2014, respectively.

Data Centers

Data centers provide colocation or rental services, server hosting, disaster recovery and business continuity services, intrusion detection, security services, such as managed firewalls. As at March 31, 2015, ePLDT Group had a total of 2,463 rack capacity in six locations covering Metro Manila, Subic and Cebu. Data center revenues increased by Php111 million, or 23%, to Php602 million in the first three months of 2015 from Php491 million in the same period in 2014 mainly due to higher revenues from colocation and managed services. The percentage contribution of this service segment to our total data and other network service revenues were 8% and 7% in the first three months of 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 Php69 million, or 21%, to Php393 million in the first three months of 2015 from Php324 million in the same period in 2014 mainly due to higher outsourcing and management fees, and royalty from directory services. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues were 3% and 2% in the first three months of 2015 and 2014, respectively.

Non-service Revenues

Non-service revenues increased by Php252 million, or 54%, to Php715 million in the first three months of 2015 from Php463 million in the same period in 2014, primarily due to higher sale of equipment for *PLDT UNO*, a managed unified communications offering, and *Telpad* units, an increase in computer-bundled sales, *FabTAB* for *myDSL* retention, and several managed PABX and *OnCall* solution, partially offset by lower sale of 2-in-1 wireless HOME bundles.

Expenses

Expenses related to our fixed line business totaled Php13,532 million in the first three months of 2015, an increase of Php88 million, or 1%, as compared with Php13,444 million in the same period in 2014. The increase was primarily due to higher expenses related to asset impairment, taxes and licenses, professional and other contracted services, repairs and maintenance, selling and promotions, insurance and security services, partly offset by lower expenses related to interconnection costs, depreciation and amortization, rent, communication, training and travel, cost of sales, compensation



and employee benefits, and other operating expenses. As a percentage of our total fixed line revenues, expenses associated with our fixed line business accounted for 81% and 83% in the first three months of 2015 and 2014, respectively.

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

	2015	%	2014	%	Increase (Decrease)	
					Amount	%
	(in millions)					
Compensation and employee benefits	Php3,204	24	Php3,225	24	(Php21)	(1)
Depreciation and amortization	3,166	23	3,297	25	(131)	(4)
Interconnection costs	1,652	12	2,033	15	(381)	(19)
Repairs and maintenance	1,617	12	1,496	11	121	8
Professional and other contracted services	1,167	9	1,026	8	141	14
Rent	535	4	569	4	(34)	(6)
Taxes and licenses	510	4	329	3	181	55
Cost of sales	491	4	523	4	(32)	(6)
Selling and promotions	467	3	416	3	51	12
Asset impairment	285	2	38	-	247	650
Insurance and security services	183	1	169	1	14	8
Communication, training and travel	119	1	153	1	(34)	(22)
Other expenses	136	1	170	1	(34)	(20)
Total	Php13,532	100	Php13,444	100	Php88	1

Compensation and employee benefits expenses decreased by Php21 million, or 1%, to Php3,204 million primarily due to lower LTIP costs, partially offset by higher salaries and employee benefits, and provision for pension. Employee headcount decreased to 9,839 in the first three months of 2015 as compared with 10,282 in the same period in 2014 mainly due to a decrease in ePLDT Group's headcount.

Depreciation and amortization charges decreased by Php131 million, or 4%, to Php3,166 million due to lower depreciable asset base.

Interconnection costs decreased by Php381 million, or 19%, to Php1,652 million primarily due to lower international interconnection/settlement costs as a result of a decrease in international inbound calls that terminated to other domestic carriers and international outbound calls, and data and other network interconnection/settlement costs, particularly Fibernet and Infonet.

Repairs and maintenance expenses increased by Php121 million, or 8%, to Php1,617 million primarily due to higher repairs and maintenance costs on cable and wire facilities, as well as central office/telecoms equipment, an increase in site electricity expenses, and higher office building and IT hardware maintenance costs, partially offset by lower office electricity charges.

Professional and other contracted service expenses increased by Php141 million, or 14%, to Php1,167 million primarily due to higher contracted and payment facility fees, partially offset by lower consultancy and technical service fees.

Rent expenses decreased by Php34 million, or 6%, to Php535 million primarily due to decrease in domestic leased circuit and customer premises equipment rental charges, partially offset by higher international leased circuit and office building rental charges.

Taxes and licenses increased by Php181 million, or 55%, to Php510 million as a result of higher business-related taxes.

Cost of sales decreased by Php32 million, or 6%, to Php491 million primarily due to lower sale of 2-in-1 wireless HOME bundles, partially offset by 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 increased by Php51 million, or 12%, to Php467 million primarily due to higher advertising expenses and cost of events, partially offset by lower commissions and public relations expenses.

Asset impairment increased by Php247 million to Php285 million mainly due to higher provision for uncollectible receivables, partly offset by lower provision for write-down of inventories to net realizable value in the first three months of 2014.

Insurance and security services increased by Php14 million, or 8%, to Php183 million primarily due to higher expenses on office security services and group health insurance premiums, partially offset by lower insurance and bond premiums.

Communication, training and travel expenses decreased by Php34 million, or 22%, to Php119 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 Php34 million, or 20%, to Php136 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 three months ended March 31, 2015 and 2014:

	2015	2014	Change	
			Amount	%
	(in millions)			
Other Income (Expenses):				
Interest income	Php127	Php75	Php52	69
Gains on derivative financial instruments – net	15	182	(167)	(92)
Equity share in net earnings (losses) of associates	(2)	26	(28)	(108)
Foreign exchange losses – net	(11)	(207)	196	(95)
Financing costs – net	(1,121)	(945)	(176)	19
Other income – net	481	944	(463)	(49)
Total	(Php511)	Php75	(Php586)	(781)

Our fixed line business' other expenses amounted to Php511 million in the first three months of 2015, a change of Php586 million as against other income of Php75 million in the same period in 2014 due to the combined effects of the following: (i) a decrease in other income – net by Php463 million due to reversal of prior years' provision and pension savings in 2014, partially offset by higher gain on sale of fixed assets; (ii) higher financing costs by Php176 million mainly due to higher outstanding debt balance, lower capitalized interest and higher financing charges, partially offset by the effect of the appreciation of the weighted average exchange rate of the Philippine peso to the U.S. dollar; (iii) lower gain on derivative financial instruments by Php167 million due to narrower dollar and peso interest rate differentials and appreciation of the Philippine peso relative to the U.S. dollar; (iv) equity share in net losses of associates of Php2 million in the first three months of 2015 as against equity share in net earnings of associates of Php26 million in the same period in 2014 mainly due to the decrease in the share in net earnings of Cignal TV; (v) an increase in interest income by Php52 million due to higher weighted average interest rates and higher principal amount of dollar placements, partially offset by lower principal amounts of peso placements and appreciation of the Philippine peso to the U.S. dollar; and (vi) lower foreign exchange losses by Php196 million on account of revaluation of net foreign currency-denominated liabilities due to the appreciation of the Philippine peso relative to the U.S. dollar Php44.73 as at March 31, 2015 from Php44.74 as at December 31, 2014 as against a depreciation of the Philippine peso relative to the U.S. dollar to Php44.81 as at March 31, 2014 from Php44.40 as at December 31, 2013.

Provision for Income Tax

Provision for income tax amounted to Php805 million in the first three months of 2015, an increase of Php73 million, or 10%, from Php732 million in the same period in 2014 primarily due to higher taxable income. The effective tax rates for our fixed line business were 31% and 25% in the first three months of 2015 and 2014, respectively.

Net Income

As a result of the foregoing, our fixed line business contributed a net income of Php1,803 million in the first three months of 2015, a decrease of Php337 million, or 16%, as compared with Php2,140 million in the same period in 2014.

EBITDA

Our fixed line business' EBITDA increased by Php191 million, or 3%, to Php6,285 million in the first three months of 2015 from Php6,094 million in the same period in 2014.

Core Income

Our fixed line business' core income decreased by Php356 million, or 17%, to Php1,738 million in the first three months of 2015 from Php2,094 million in the same period in 2014, primarily as a result of an increase in other expenses, as well as higher fixed line expenses and provision for income tax, partially offset by higher fixed line revenues.

Others

Other Income

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

	2015	2014	Change	
			Amount	%
	(in millions)			
Other Income (Expenses):				
Equity share in net earnings of associates and joint ventures	Php664	Php690	(Php26)	(4)
Interest income	23	77	(54)	(70)
Foreign exchange gains – net	5	16	(11)	(69)
Gains on derivative financial instruments – net	–	7	(7)	(100)
Financing costs – net	(43)	–	(43)	(100)
Other income – net	303	124	179	144
Total	Php952	Php914	Php38	4

Other income increased by Php38 million, or 4%, to Php952 million in the first three months of 2015 from Php914 million in the same period in 2014 primarily due to the combined effects of the following: (i) higher other income – net by Php179 million due to reversal of prior years' provision; (ii) net gains on derivative financial instruments of Php7 million in the first three months of 2014; (iii) decrease in net foreign exchange gains of Php11 million; (iv) lower equity share in the net earnings of Beacon and Beta; (v) financing costs of Php43 million in the first three months of 2015 and none in the same period in 2014; and (vi) a decrease in interest income by Php54 million.

Net Income

As a result of the foregoing, our other business segment registered a net income of Php941 million, an increase of Php56 million, or 6%, in the first three months of 2015 from Php885 million in the same period in 2014.

Core Income

Our other business segment's core income amounted to Php943 million in the first three months of 2015, an increase of Php57 million, or 6%, as compared with Php886 million in the same period in 2014 mainly as a result of higher other income.



Liquidity and Capital Resources

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

	For the Three Months ended March 31,	
	2015	2014
	(in millions)	
Cash Flows		
Net cash flows provided by operating activities	Php16,146	Php17,341
Net cash flows provided by (used in) investing activities	1,016	(4,366)
<i>Capital expenditures</i>	2,954	2,221
Net cash flows provided by financing activities	1,502	15,687
Net decrease in cash and cash equivalents	18,559	28,548
	March 31,	December 31,
	2015	2014
	(in millions)	
Capitalization		
Long-term portion of interest-bearing financial liabilities – net of current portion:		
Long-term debt	Php119,586	Php115,399
Obligations under finance lease	–	1
	119,586	115,400
Current portion of interest-bearing financial liabilities:		
Long-term debt maturing within one year	15,619	14,724
Obligations under finance lease maturing within one year	4	5
	15,623	14,729
Total interest-bearing financial liabilities	135,209	130,129
Total equity attributable to equity holders of PLDT	118,488	134,364
	Php253,697	Php264,493
Other Selected Financial Data		
Total assets	Php440,531	Php436,295
Property, plant and equipment	188,058	191,984
Cash and cash equivalents	45,218	26,659
Short-term investments	1,772	643

Our consolidated cash and cash equivalents and short-term investments totaled Php46,990 million as at March 31, 2015. Principal sources of consolidated cash and cash equivalents in the first three months of 2015 were cash flows from operating activities amounting to Php16,146 million, proceeds from availment of long-term debt of Php9,128 million, dividends received of Php5,139 million, interest received of Php212 million and net proceeds from redemption of investments in debt securities of Php100 million. These funds were used principally for: (1) debt principal and interest payments of Php3,976 million and Php1,485 million, respectively; (2) capital outlays, including capitalized interest, of Php2,954 million; (3) net payment of capital expenditures under long-term financing of Php1,849 million; (4) payment for purchase of short-term investments of Php1,129 million; (5) settlement of derivative financial instruments of Php189 million; (6) payment for purchase of investment in joint ventures and associates of Php160 million; and (7) dividend payments of Php24 million.

Our consolidated cash and cash equivalents and short-term investments totaled Php61,076 million as at March 31, 2014. Principal sources of consolidated cash and cash equivalents in the first three months of 2014 were proceeds from availment of long-term debt of Php23,571 million, cash flows from operating activities amounting to Php17,341 million, proceeds from disposal of property, plant and equipment of Php168 million, interest received of Php163 million and increase in short-term investments of Php103 million. These funds were used principally for: (1) debt principal and interest payments of Php4,889 million and Php1,153 million, respectively; (2) capital outlays, including capitalized interest, of Php2,221 million; (3) net payment of capital expenditures under long-term financing of Php1,565 million; (4) net payment for purchase of investment in debt securities of Php539 million; (5) deposit for future PDRs subscription of Php300 million; (6) payment for acquisition of shares of minority shareholders and purchase of investment in subsidiaries – net of cash acquired of Php164 million; (7) settlement of derivative financial instruments of Php166 million; and (8) dividend payments of Php25 million.

Operating Activities

Our consolidated net cash flows provided by operating activities decreased by Php1,195 million, or 7%, to Php16,146 million in the first three months of 2015 from Php17,341 million in the same period in 2014, primarily due to the settlement of LTIP in 2015, higher prepayments, lower operating income and higher settlement of other liabilities, partially offset by lower level of settlement of accounts payable and higher level of collection of receivables.

Cash flows provided by operating activities of our wireless business decreased by Php228 million, or 2%, to Php11,297 million in the first three months of 2015 from Php11,525 million in the same period in 2014, primarily due to the settlement of LTIP in 2015, higher level of settlement of other liabilities, higher prepayments and lower operating income, partially offset by 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 Php3,149 million, or 54%, to Php8,964 million in the first three months of 2015 from Php5,815 million in the same period in 2014, primarily due to higher level of collection of accounts receivable and lower level of settlement of accounts payable and other liabilities, partially offset by the settlement of LTIP in 2015 and lower operating income. Cash flows used in operating activities of our other business amounted to Php3,014 million in the first three months of 2015 as against cash flows provided by operating activities of Php14 million in the same period in 2014 primarily due to lower level of collection of accounts receivables, partially offset by higher operating income.

Investing Activities

Consolidated net cash flows provided by investing activities amounted to Php1,016 million in the first three months of 2015, a change of Php5,382 million, or 123%, as against consolidated net cash flows used in investing activities of Php4,366 million in the same period in 2014, primarily due to the combined effects of the following: (1) higher dividends received by Php5,139 million; (2) net proceeds from redemption of investment in debt securities by Php639 million; (3) lower payment for deposit for future PDRs subscription of Php300 million; (4) lower payment for acquisition of shares of minority shareholders and purchase of investment in subsidiaries – net of cash acquired of Php155 million; (5) higher interest received by Php49 million; (6) lower net proceeds from disposal of property, plant and equipment of Php131 million; (7) payment for purchase of investment in joint ventures and associates of Php160 million in 2015; (8) higher capital expenditures by Php733 million; and (9) payment for purchase of short-term investments by Php1,232 million.

Our consolidated capital expenditures, including capitalized interest, in the first three months of 2015 totaled Php2,954 million, an increase of Php733 million, or 33%, as compared with Php2,221 million in the same period in 2014, primarily due to Smart Group's and DMPI's higher capital spending, partially offset by PLDT's lower capital spending. PLDT's capital spending of Php1,026 million in the first three months of 2015 was principally used to finance the full public switched telephone network migration, aggressive Fiber-to-the-Home and new generation network roll-out and expansion, outside plant rehabilitation, build and upgrade of various submarine cable facilities, fortification of transport backbone, expansion of access fiber and various customer premises equipment acquisition to complement introduction of new products and services. Smart Group's capital spending of Php1,723 million in the first three months of 2015 was used primarily to modernize and expand its 3G/4G cellular and mobile broadband networks, including the roll-out of LTE network, as well as to purchase additional customer premises equipment for the fixed wireless broadband business. DMPI's capital spending of Php35 million in the first three months of 2015 was intended principally to finance the continued upgrade of its core and transmission network to increase coverage, particularly in provincial areas. As at March 31, 2015, we had a total of 27,145 cellular/broadband base stations, including 12,030 active 4G/HSPA+/WiMax/LTE-base stations. 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 provided by financing activities amounted to Php1,502 million in the first three months of 2015, a decrease of Php14,185 million, or 90%, from Php15,687 million in the same period in 2014, resulting largely from the combined effects of the following: (1) lower proceeds from availment of long-term debt by Php14,443 million; (2) higher interest payment by Php332 million; (3) net payments to capital expenditures under long-term financing by Php284 million; and (4) lower net payments of long-term debt by Php913 million.

Debt Financing

Proceeds from availment of long-term debt for the three months ended March 31, 2015 amounted to Php9,128 million, mainly from PLDT's and Smart's drawings related to the financing of our capital expenditure requirements and maturing loan obligations. Payments of principal and interest on our total debt amounted to Php3,976 million and Php1,485 million, respectively, in the first three months of 2015.

Our consolidated long-term debt increased by Php5,082 million, or 4%, to Php135,205 million as at March 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 appreciation of the Philippine peso relative to the U.S. dollar to Php44.73 as at March 31, 2015 from Php44.74 as at December 31, 2014, partially offset by debt amortizations and prepayments. As at March 31, 2015, the long-term debt levels of PLDT and Smart increased by 2% and 8%, to Php80,735 million and Php46,266 million, respectively, while DMPI's long-term debt level decreased by 4%, to Php8,204 million, as compared with December 31, 2014.

On February 25, 2015, PLDT signed a Php2,000 million term loan facility with BPI to finance its capital expenditures and/or refinance its existing loan obligations, the proceeds of which were utilized for its service improvements and expansion programs. The loan is payable over ten years with an annual amortization rate of 1% on the first year up to the ninth year from the initial drawdown date and the balance payable upon maturity on March 24, 2025. The amount of Php2,000 million was fully drawn on March 24, 2015 and remained outstanding as at March 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 facility agent, to finance capital expenditure requirements for network expansion and improvement and/or to refinance existing indebtedness proceeds of which were utilized for service improvement and network expansion. The loan is comprised of two tranches: Tranche A amounting to US\$150 million which carries a floating interest rate and Tranche B amounting to US\$50 million which carries a floating interest rate on the first year and a fixed interest rate on the second year until maturity of the loan. Both Tranches are payable over seven years commencing on the date which falls 36 months after the date of the agreement, with semi-annual amortizations of 23.75% of the loan amount on the first and second repayment dates and seven semi-annual amortizations of 7.5% of the loan amount starting on the third repayment date. The amount of US\$50 million for Tranche B was drawn on March 5, 2015. The amount of \$50 million, or Php2,236 million, remained outstanding as at March 31, 2015. The amount of US\$50 million for Tranche A was drawn on April 24, 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 was partially drawn on March 23, 2015. The amounts of US\$98 million, or Php4,365 million, net of unamortized debt discount, remained outstanding as at March 31, 2015.

Approximately Php81,287 million principal amount of our consolidated outstanding long-term debt as at March 31, 2015 is scheduled to mature over the period from 2015 to 2019. Of this amount, Php39,978 million is attributable to PLDT, Php33,104 million to Smart and Php8,204 million to DMPI.

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

Debt Covenants

As a result of the acquisition of Digitel, PLDT assumed the obligations of JG Summit Holdings, Inc., or JGSHI, as guarantor under the Digitel and DMPI loan agreements covered by guarantees from JGSHI. These loans and guarantees contained certain representations and covenants applicable to JGSHI including that on the ownership of JGSHI in Digitel. Digitel and DMPI obtained the required consents of the lenders and export credit agencies for the replacement of JGSHI by PLDT as guarantor under these loans. As at March 31, 2015, the outstanding balance of DMPI loans covered by PLDT guarantees is Php8,204 million. There are no outstanding Digitel loans covered by PLDT guarantees as at March 31, 2015.

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

As at March 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 unaudited consolidated financial statements for a detailed discussion of our debt covenants.

Financing Requirements

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

Off-Balance Sheet Arrangements

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

Equity Financing

On August 5, 2014, the PLDT Board of Directors approved the amendment of our dividend policy, increasing the dividend payout rate to 75% from 70% of our core earnings per share as regular dividends. In declaring dividends, we take into consideration the interest of our shareholders, as well as our working capital, capital expenditures and debt servicing requirements. The retention of earnings may be necessary to meet the funding requirements of our business expansion and development programs. However, in the event that no investment opportunities arise, we may consider the option of returning additional cash to our shareholders in the form of special dividends of up to the balance of our core earnings or to undertake share buybacks. We were able to pay out approximately 100% of our core earnings for seven consecutive years from 2007 to 2013 and approximately 90% of our core earnings for 2014. The accumulated equity in the net earnings of our subsidiaries, which form part of our retained earnings, are not available for distribution unless realized in the form of dividends from such subsidiaries.

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

Consolidated cash dividend payments in the first three months of 2015 amounted to Php24 million as compared with Php25 million paid to shareholders in the same period in 2014.



The following table shows the dividends declared to shareholders from the earnings for the three months ended March 31, 2015 and 2014:

Earnings	Date			Amount	
	Approved	Record	Payable	Per share	Total Declared
(in millions, except per share amount)					
2014					
Preferred Series IV Cumulative Non-convertible Redeemable Preferred Stock ⁽¹⁾	January 28, 2014	February 27, 2014	March 15, 2014	-	12
10% Cumulative Convertible Preferred Stock	Various	Various	Various	1.00	-
Voting Preferred Stock	March 4, 2014	March 20, 2014	April 15, 2014	-	3
Charged to Retained Earnings					Php15
2015					
Preferred Series IV Cumulative Non-convertible Redeemable Preferred Stock ⁽¹⁾	January 27, 2015	February 26, 2015	March 15, 2015	-	12
Voting Preferred Stock	March 3, 2015	March 19, 2015	April 15, 2015	-	2
Charged to Retained Earnings					Php14

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

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

Contractual Obligations and Commercial Commitments

Contractual Obligations

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

Commercial Commitments

Our outstanding consolidated commercial commitments, in the form of letters of credit, amounted to Php40 million and Php32 million as at March 31, 2015 and December 31, 2014, respectively. These commitments will expire within one year.

Quantitative and Qualitative Disclosures about Market Risks

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

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



The following table sets forth the estimated consolidated fair values of our financial assets and liabilities recognized as at March 31, 2015 and December 31, 2014 other than those whose carrying amounts are reasonable approximations of fair values:

	Fair Values	
	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	(in millions)	
Noncurrent Financial Assets		
Investments in debt securities and other long-term investments – net of current portion	Php980	Php969
Advances and other noncurrent assets – net of current portion	2,580	2,346
Total noncurrent financial assets	Php3,560	Php3,315
Noncurrent Financial Liabilities		
Interest-bearing financial liabilities	Php123,097	Php118,945
Customers' deposits	1,892	1,902
Deferred credits and other noncurrent liabilities	16,316	18,360
Total noncurrent financial liabilities	Php141,305	Php139,207

The following table sets forth the amount of gains (losses) recognized for the financial assets and liabilities for the three months ended March 31, 2015 and the year ended December 31, 2014:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	(in millions)	
Profit and Loss		
Interest income	Php184	Php752
Gains (losses) on derivative financial instruments – net	30	(101)
Accretion on financial liabilities	(45)	(165)
Interest on loans and other related items	(1,448)	(5,429)
Other Comprehensive Income		
Net fair value losses on cash flow hedges – net of tax	(37)	(74)
Net gains (losses) on available-for-sale financial investments – net of tax	(5,502)	8,144

Impact of Inflation and Changing Prices

Inflation can be a significant factor in the Philippine economy, and we are continually seeking ways to minimize its impact. The average inflation rate in the Philippines in the first three months of 2015 and 2013 were 2.4% and 4.1%, respectively. Moving forward, we currently expect inflation to remain low, which may have an impact on our operations.

PART II – OTHER INFORMATION

Investment in MePay Global

On January 6, 2015, PLDT, through Smart, entered into a joint venture agreement with Rocket Internet AG, or Rocket, pursuant to which the two parties agreed to form MePay Global, of which each partner will hold a 50% equity interest. MePay Global is a joint venture for payment services with a focus on emerging markets. Smart will contribute the intellectual property, platforms and business operations of its market-leading mobile-first platform, Smart e-Money Inc., a wholly-owned subsidiary of Smart, to the venture. Rocket will contribute, 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. Subject to the approval of the relevant authorities, this transaction is expected to be completed in the second quarter of 2015.

Investment in Philippines Internet Group, or PHIG

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

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

high-growth companies which are already operating in the Philippines (such as Lamudi, Carmudi, Clickbus and Pricepanda), with plans to launch numerous new companies in the coming quarters.

PLDT will invest €30 million for a 33.33% ownership stake in PHIG and will have the option to increase its investment to 50%. Subject to the approval of the regulatory authorities, this transaction is expected to be completed in the second quarter of 2015.

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

On April 14, 2015, Beacon and MPIC entered into a Share Purchase Agreement to sell 112.71 million common shares, comprising of approximately 10% interest in Meralco to MPIC at a price of Php235.00 per share for an aggregate consideration of Php26,487 million. Based on the agreement, MPIC settled a portion of the consideration amounting to Php1,000 million on April 14, 2015. MPIC will pay Beacon Php17,000 million in June 2015 and the balance of Php8,487 million on or before July 2016.

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

Investment in iflix Limited, or iflix

On April 23, 2015, PLDT Online Investments Pte. Ltd., an indirect subsidiary of PLDT, subscribed to a convertible note of iflix, an internet TV service provider in Southeast Asia, for US\$15 million. iflix will use the funds to continue to roll out iflix services across the Southeast Asian region, acquire rights to new content, and produce original programming to market to potential customers.

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

Related Party Transactions

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

ANNEX I – AGING OF ACCOUNTS RECEIVABLE

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

Type of Accounts Receivable	Total	Current	31-60 Days	61-90 Days	Over 91 Days
	(in millions)				
Retail subscribers.....	Php16,692	Php4,917	Php1,364	Php336	Php10,075
Foreign administrations	6,498	1,519	789	721	3,469
Corporate subscribers.....	8,756	1,809	1,860	637	4,450
Domestic carriers	1,067	181	136	122	628
Dealers, agents and others	7,278	5,975	347	128	828
Total	40,291	Php14,401	Php4,496	Php1,944	Php19,450
Less: Allowance for doubtful accounts	16,327				
Total Receivables - net.....	Php23,964				

ANNEX II – FINANCIAL SOUNDNESS INDICATORS

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

	2015	2014
Current Ratio ⁽¹⁾	0.57:1.0	0.63:1.0
Net Debt to Equity Ratio ⁽²⁾	0.74:1.0	0.52:1.0
Net Debt to EBITDA Ratio ⁽³⁾	1.15:1.0	0.81:1.0
Total Debt to EBITDA Ratio ⁽⁴⁾	1.77:1.0	1.60:1.0
Asset to Equity Ratio ⁽⁵⁾	3.72:1.0	3.55:1.0
Interest Coverage Ratio ⁽⁶⁾	8.95:1.0	7.40:1.0
Profit Margin ⁽⁷⁾	22%	22%
Return on Assets ⁽⁸⁾	8%	9%
Return on Equity ⁽⁹⁾	27%	28%
EBITDA Margin ⁽¹⁰⁾	48%	48%

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

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

⁽³⁾ Net Debt to EBITDA ratio is measured as total debt (long-term debt, including current portion and notes payable) less cash and cash equivalent and short-term investments divided by EBITDA for the 12 months average period.

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

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

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

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

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


⁽¹¹⁾ EBITDA for the period is measured as net income for the period excluding depreciation and amortization, amortization of intangible assets, asset impairment on noncurrent assets, financing cost, interest income, equity share in net earnings (losses) of associates and joint ventures, foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net, provision for (benefit from) income tax and other income (expenses) – net for the period.




SIGNATURES

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

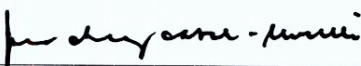
Registrant: PHILIPPINE LONG DISTANCE TELEPHONE COMPANY

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: May 5, 2015