SEC Number PW-55
File Number

PLDT INC.
(FORMERLY 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)

June 30, 2016

Period Ended Date

Not Applicable

(Secondary License Type and File Number)

PLDT

August 2, 2016

Securities & Exchange Commission
SEC Building, EDSA
Mandaluyong City

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

Gentlemen:

In accordance with Section 17.1(b) of the Securities Regulation Code and SRC Rule 17.1.1.1.2, we submit herewith two (2) copies of SEC Form 17-Q with Management's Discussion and Analysis and accompanying unaudited consolidated financial statements for the six (6) months ended June 30, 2016.

Very truly yours,

MA. LOURDES C. RAUSA-CHAN
Corporate Secretary

PLDT

August 2, 2016

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

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

Gentlemen:

In accordance with Section 17.1(b) of the Securities Regulation Code and SRC Rule 17.3, we submit herewith a copy of SEC Form 17-Q with Management's Discussion and Analysis and accompanying unaudited consolidated financial statements for the six (6) months ended June 30, 2016.

Very truly yours,

MA. LOURDES C. RAUSA-CHAN
Corporate Secretary

COVER SHEET

SEC Registration Number

PW-55

Company Name

PLDT INC.
(FORMERLY PHILIPPINE LONG
DISTANCE TELEPHONE COMPANY)

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

RAMON COJUANGCO BUILDING
MAKATI AVENUE
MAKATI CITY

Form Type: 17-Q

Department requiring the report: MSRD

Secondary License Type, If Applicable:

COMPANY INFORMATION

Company's Email Address:

Company's Telephone Number/s: 8168534

Mobile Number:

No. of Stockholders: 11,802 As of June 30, 2016

Annual Meeting Month/Day: Every 2nd Tuesday of June

Fiscal Year Month/Day: December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person: June Cheryl C. Revilla

Email Address: jacabal@pldt.com.ph

Telephone Number/s: 8168534

Mobile Number:

Contact Person's Address: MGO Building, Legaspi St. corner Dela Rosa St., Makati City

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2016**

2. SEC Identification Number **PW-55** 3. BIR Tax Identification No. **000-488-793**

4. **PLDT Inc. (Formerly 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 June 30, 2016**

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

Yes [**X**] 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 [**X**] No [ ]

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

Yes [**X**] No [ ]

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Our consolidated financial statements as at June 30, 2016 (unaudited) and December 31, 2015 (audited) and for the six months ended June 30, 2016 and 2015 (unaudited) and related notes (pages F-1 to F-146) 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 PLDT Inc. and its consolidated subsidiaries, and references to "PLDT" mean the PLDT Inc., not including its consolidated subsidiaries (please see Note 2 – Summary of Significant Accounting Policies to the accompanying unaudited consolidated financial statements for the list of these subsidiaries, including a description of their respective principal business activities and PLDT's direct and/or indirect equity interest).

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

The financial information appearing in this report and in the accompanying unaudited consolidated financial statements is stated in Philippine pesos. All references to "Philippine pesos," "Php" or "pesos" are to the lawful currency of the Philippines; all references to "U.S. dollars," "US$" or "dollars" are to the lawful currency of the United States; all references to "Japanese yen," "JP¥" or "yen" are to the lawful currency of Japan and all references to "Euro" or "€" are to the lawful currency of the European Union. Unless otherwise indicated, translations of Philippine peso amounts into U.S. dollars in this report and in the accompanying unaudited consolidated financial statements were made based on the exchange rate of Php47.01 to US$1.00, the exchange rate as at June 30, 2016 quoted through the Philippine Dealing System.

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

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

Financial Highlights and Key Performance Indicators

	Six months ended June 30, 2016	2015	Increase (Decrease) Amount	%
(in millions, except for EBITDA margin, earnings per common share, net debt to equity ratio and operational data)				
Consolidated Income Statement				
Revenues	Php85,284	Php85,191	93	–
Expenses	75,027	64,158	10,869	17
Other income	6,875	3,140	3,735	119
Income before income tax	17,132	24,173	(7,041)	(29)
Net income for the period	12,486	18,749	(6,263)	(33)
Core income	17,700	18,928	(1,228)	(6)
EBITDA	30,758	35,520	(4,762)	(13)
EBITDA margin[1]	38%	44%	–	–
Reported earnings per common share:				
Basic	57.55	86.55	(29.00)	(34)
Diluted	57.55	86.55	(29.00)	(34)
Core earnings per common share[2]:				
Basic	81.78	87.48	(5.70)	(7)
Diluted	81.78	87.48	(5.70)	(7)

	June 30, 2016	December 31, 2015	Increase (Decrease) Amount	%
Consolidated Statements of Financial Position				
Total assets	Php463,208	Php455,095	Php8,113	2
Property and equipment	200,060	195,782	4,278	2
Cash and cash equivalents and short-term investments	30,074	47,884	(17,810)	(37)
Total equity attributable to equity holders of PLDT	111,445	113,608	(2,163)	(2)
Long-term debt, including current portion	157,431	160,892	(3,461)	(2)
Net debt[3] to equity ratio	1.14x	0.99x	–	–

	Six months ended June 30, 2016	2015	Increase (Decrease) Amount	%
Consolidated Statements of Cash Flows				
Net cash provided by operating activities	Php25,184	Php30,946	(Php5,762)	(19)
Net cash used in investing activities	(23,742)	(8,916)	(14,826)	166
Capital expenditures	*20,032*	*13,877*	*6,155*	*44*
Net cash used in financing activities	(24,370)	(11,610)	(12,760)	110
Operational Data				
Number of cellular subscribers	64,473,770	68,862,264	(4,388,494)	(6)
Number of fixed line subscribers	2,380,390	2,257,266	123,124	5
Number of broadband subscribers:	5,396,977	4,861,483	535,494	11
Fixed Line	*1,347,422*	*1,185,319*	*162,103*	*14*
Wireless	*4,049,555*	*3,676,164*	*373,391*	*10*
Number of employees:	17,191	16,929	262	2
Fixed Line	*10,049*	*9,389*	*660*	*7*
LEC	*7,112*	*7,007*	*105*	*1*
Others	*2,937*	*2,382*	*555*	*23*
Wireless	*7,142*	*7,540*	*(398)*	*(5)*

(1) EBITDA margin for the period is measured as EBITDA divided by service revenues.
(2) Core earnings per common share, or EPS, for the period is measured as core income divided by the weighted average number of outstanding common shares for the period.
(3) Net debt is derived by deducting cash and cash equivalents and short-term investments from total debt (long-term debt, including current portion and notes payable).

Exchange Rates – per US$	Month end rates	Weighted average rates during the period
June 30, 2016	Php47.01	Php46.97
December 31, 2015	47.12	45.51
June 30, 2015	45.14	44.55
December 31, 2014	44.74	44.40

Performance Indicators

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

EBITDA

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

Core Income

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

Overview

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

- *Wireless* — wireless telecommunications services provided by Smart Communications, Inc., or Smart, and Digital Mobile Philippines, Inc., or DMPI, which owns the *Sun Cellular* business and is a wholly-owned subsidiary of Digital Telecommunications Philippines, Inc., or Digitel, our cellular service providers; Voyager Innovations, Inc., or Voyager, and certain subsidiaries, our mobile applications and digital platforms developers and mobile financial services provider; Smart Broadband, Inc., or SBI, and subsidiary and Primeworld Digital Systems, Inc., or PDSI, our wireless broadband service providers; ACeS Philippines Cellular Satellite Corporation, or ACeS Philippines, our satellite information and messaging services provider; WiFun, Inc., our WiFi-enabler; and certain subsidiaries of PLDT Global Corporation, or PLDT Global, our mobile virtual network operations, or MVNO, provider;

- *Fixed Line* — fixed line telecommunications services primarily provided by PLDT. We also provide fixed line services through PLDT's subsidiaries, namely, PLDT Clark Telecom, Inc., PLDT Subic Telecom, Inc., PLDT-Philcom, Inc. or Philcom, and its subsidiaries, or Philcom Group, PLDT-Maratel, Inc., SBI, PDSI, Bonifacio Communications Corporation, PLDT Global and certain subsidiaries and Digitel, all of which together account for approximately 3% of our consolidated fixed line subscribers; data center, cloud, big data, managed ICT services and resellership provided by ePLDT, Inc., or ePLDT, IP Converge Data Services, Inc., or IPCDSI, and subsidiary, or IPCDSI Group, ABM Global Solutions, Inc., or AGS, and its subsidiaries, or AGS Group, Curo Teknika, Inc. and ePDS, Inc., or ePDS; business infrastructure and solutions, intelligent data processing and implementation services and data analytics insight generation provided by Talas Data Intelligence, Inc., or Talas; distribution of Filipino channels and content by Pilipinas Global Network Limited and its subsidiaries; and

- *Others* — PLDT Communications and Energy Ventures, Inc., or PCEV, PLDT Global Investment Holdings, Inc., Mabuhay Investments Corporation, PLDT Global Investments Corporation, PLDT Digital Investments Pte. Ltd., or PLDT Digital, and its subsidiary, our investment companies.

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

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

Management's Financial Review

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

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

	2016	2015
	(in millions)	
Consolidated EBITDA	Php30,758	Php35,520
Add (deduct) adjustments:		
Equity share in net earnings of associates and joint ventures	935	2,234
Interest income	472	364
Gains (losses) on derivative financial instruments – net	(178)	89
Asset impairment	(5,382)	–
Foreign exchange gains (losses) – net	77	(439)
Amortization of intangible assets	(544)	(542)
Financing costs – net	(3,620)	(2,937)
Provision for income tax	(4,646)	(5,424)
Depreciation and amortization	(14,575)	(13,945)
Other income – net	9,189	3,829
Total adjustments	(18,272)	(16,771)
Consolidated net income	Php12,486	Php18,749

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

	2016	2015
	(in millions)	
Consolidated core income	Php17,700	Php18,928
Add (deduct) adjustments:		
Foreign exchange gains (losses) – net	77	(439)
Net income attributable to noncontrolling interests	23	20
Asset impairment	(5,382)	–
Core adjustment on equity share in net gains of associates and joint ventures	13	8
Gains on derivative financial instruments – net, excluding hedge costs	89	243
Net tax effect of aforementioned adjustments	(34)	(11)
Total adjustments	(5,214)	(179)
Consolidated net income	Php12,486	Php18,749

Results of Operations

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

	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
			(in millions)		
For the six months ended June 30, 2016					
Revenues	Php55,474	Php35,937	Php–	(Php6,127)	Php85,284
Expenses	47,338	29,139	5,402	(6,852)	75,027
Other income (expenses)	(531)	(607)	8,738	(725)	6,875
Income before income tax	7,605	6,191	3,336	–	17,132
Provision for income tax	2,797	1,832	17	–	4,646
Net income/Segment profit	4,808	4,359	3,319	–	12,486
EBITDA	16,886	13,168	(21)	725	30,758
EBITDA margin[(1)]	32%	39%	–	–	38%
Core income	4,724	4,314	8,662	–	17,700
For the six months ended June 30, 2015					
Revenues	58,087	33,683	–	(6,579)	85,191
Expenses	42,425	28,964	49	(7,280)	64,158
Other income (expenses)	(325)	(999)	5,165	(701)	3,140
Income before income tax	15,337	3,720	5,116	–	24,173
Provision for income tax	4,219	1,168	37	–	5,424
Net income/Segment profit	11,118	2,552	5,079	–	18,749
EBITDA	23,764	11,104	(49)	701	35,520
EBITDA margin[(1)]	43%	35%	–	–	44%
Core income	11,207	2,550	5,171	–	18,928
Increase (Decrease)					
Revenues	(2,613)	2,254	–	452	93
Expenses	4,913	175	5,353	428	10,869
Other income (expenses)	(206)	392	3,573	(24)	3,735
Income before income tax	(7,732)	2,471	(1,780)	–	(7,041)
Provision for income tax	(1,422)	664	(20)	–	(778)
Net income/Segment profit	(6,310)	1,807	(1,760)	–	(6,263)
EBITDA	(6,878)	2,064	28	24	(4,762)
Core income	(6,483)	1,764	3,491	–	(1,228)

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

On a Consolidated Basis

Revenues

We reported consolidated revenues of Php85,284 million in the first half of 2016, an increase of Php93 million as compared with Php85,191 million in the same period in 2015, primarily due to higher revenues from data and other network, local exchange and miscellaneous services from our fixed line business, higher wireless broadband revenues, and an increase in our non-service revenues, partially offset by lower revenues from cellular and digital platforms and mobile financial services from our wireless business, and lower revenues from international and national long distance services from our fixed line business.

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

	2016	%	2015	%	Change Amount	Change %
			(in millions)			
Wireless	Php55,474	65	Php58,087	68	(2,613)	(4)
Fixed line	35,937	42	33,683	40	2,254	7
Inter-segment transactions	(6,127)	(7)	(6,579)	(8)	452	(7)
Consolidated	Php85,284	100	Php85,191	100	Php93	–

Expenses

Consolidated expenses increased by Php10,869 million, or 17%, to Php75,027 million in the first half of 2016 from Php64,158 million in the same period in 2015, as a result of higher expenses related to asset impairment, cost of sales, depreciation and amortization, and operating expenses related to professional and other contracted services, rent, repairs and maintenance, and other operating expenses, partially offset by lower expenses related to compensation and employee benefits, selling and promotions, and taxes and licenses, as well as lower interconnection costs.

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

					Change	
	2016	%	2015	%	Amount	%
			(in millions)			
Wireless	Php47,338	63	Php42,425	66	Php4,913	12
Fixed line	29,139	39	28,964	45	175	1
Others	5,402	7	49	–	5,353	10,924
Inter-segment transactions	(6,852)	(9)	(7,280)	(11)	428	(6)
Consolidated	Php75,027	100	Php64,158	100	Php10,869	17

Other Income

Consolidated other income amounted to Php6,875 million in the first half of 2016, an increase of Php3,735 million from Php3,140 million in the same period in 2015, primarily due to the combined effects of the following: (i) an increase in other income by Php5,360 million due to the higher gain on sale of Beacon shares by PCEV in 2016 as compared to the gain on sale of Meralco shares by Beacon in 2015, higher gain on sale of property and higher income from consultancy services; (ii) net foreign exchange gains of Php77 million for the six months ended June 30, 2016 as against net foreign exchange losses of Php439 million in the same period in 2015 on account of revaluation of net foreign currency-denominated assets and liabilities due to the appreciation of the Philippine peso relative to the U.S. dollar to Php 47.01 as at June 30, 2016 from Php 47.12 as at December 31, 2015 as against the depreciation of the Philippine peso relative to the U.S. dollar to Php45.14 as at June 30, 2015 from Php 44.74 as at December 31, 2014; (iii) higher interest income by Php108 million due to increase in principal amount of dollar temporary cash investments, partly offset by lower weighted average peso interest rates and a decrease in peso temporary cash investments; (iv) a decrease in equity share in net earnings of associates by Php1,299 million due to lower share in net earnings of Beacon Electronic Asset Holdings, Inc., or Beacon, share in net losses of Automated Fare Collection System, Inc., or AFCSI, Cignal TV, Inc., or Cignal TV, and Vega Telecom, Inc., or VTI, and Ecommerce Pay Holding S.à.r.l., or mePay Global, for the six months ended June 30, 2016, partly offset by share in net earnings of Hastings Holdings, Inc., or Hastings, Asia Outsourcing Beta Limited, or Beta, and Digitel Crossing, Inc., or DCI; (v) losses on derivative financial instruments of Php178 million in the first half of 2016 as against gains on derivative financial instruments of Php89 million in the same period in 2015 on account of mark-to-market loss on long-term currency swaps and forward purchase contracts due to narrower dollar and peso interest rate differentials and appreciation of the Philippine peso relative to the U.S. dollar in the first six months of 2016; and (vi) higher net financing costs by Php683 million due to a higher outstanding loan balance, higher weighted average interest rate and higher financing charges, partly offset by higher capitalized interest and the appreciation of the Philippine peso relative to the U.S. dollar in the first six months of 2016.

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

			Change	
	2016	2015	Amount	%
		(in millions)		
Wireless	(Php531)	(Php325)	(Php206)	63
Fixed line	(607)	(999)	392	(39)
Others	8,738	5,165	3,573	69
Inter-segment transactions	(725)	(701)	(24)	3
Consolidated	Php6,875	Php3,140	Php3,735	119

Net Income

Consolidated net income decreased by Php6,263 million, or 33%, to Php12,486 million in the first half of 2016, from Php18,749 million in the same period in 2015. The decrease was mainly due to the combined effects of the following: (i) an increase in consolidated expenses by Php10,869 million; (ii) an increase in consolidated other income – net by Php3,735 million; (iii) a decrease in consolidated provision for income tax by Php778 million; and (iv) an increase in consolidated revenues by Php93 million. Our consolidated basic and diluted EPS decreased to Php57.55 in the first half of 2016 from consolidated basic and diluted EPS of Php86.55 in the same period in 2015. Our weighted average number of outstanding common shares was approximately 216.06 million in each of the six months ended June 30, 2016 and 2015.

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

					Change	
	2016	**%**	**2015**	**%**	**Amount**	**%**
			(in millions)			
Wireless	Php4,808	39	Php11,118	59	(Php6,310)	(57)
Fixed line	4,359	35	2,552	14	1,807	71
Others	3,319	26	5,079	27	(1,760)	(35)
Consolidated	Php12,486	100	Php18,749	100	(Php6,263)	(33)

EBITDA

Our consolidated EBITDA amounted to Php30,758 million in the first half of 2016, a decrease of Php4,762 million, or 13%, as compared with Php35,520 million in the same period in 2015, primarily due to higher cost of sales, provisions for doubtful accounts and inventory obsolescence, as well as higher consolidated operating expenses consisting of professional and other contracted services, rent, and repairs and maintenance, partially offset by lower compensation and employee benefits, selling and promotions, taxes and licenses, and interconnection costs.

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

					Change	
	2016	**%**	**2015**	**%**	**Amount**	**%**
			(in millions)			
Wireless	Php16,886	55	Php23,764	67	(Php6,878)	(29)
Fixed line	13,168	43	11,104	31	2,064	19
Others	(21)	–	(49)	–	28	(57)
Inter-segment transactions	725	2	701	2	24	3
Consolidated	Php30,758	100	Php35,520	100	(Php4,762)	(13)

Core Income

Our consolidated core income amounted to Php17,700 million in the first half of 2016, a decrease of Php1,228 million, or 6%, as compared with Php18,928 million in the same period in 2015 primarily due to higher consolidated operating expenses, partially offset by higher other income, lower provision for income tax and higher consolidated revenues. Our consolidated basic and diluted core EPS, decreased to Php81.78 in the first half of 2016 from Php87.48 in the same period in 2015.

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

					Change	
	2016	**%**	**2015**	**%**	**Amount**	**%**
			(in millions)			
Wireless	Php4,724	27	Php11,207	59	(Php6,483)	(58)
Fixed line	4,314	24	2,550	14	1,764	69
Others	8,662	49	5,171	27	3,491	68
Consolidated	Php17,700	100	Php18,928	100	(Php1,228)	(6)

On a Business Segment Basis

Wireless

Revenues

We generated revenues of Php55,474 million from our wireless business in the first half of 2016, a decrease of Php2,613 million, or 4%, from Php58,087 million in the same period in 2015.

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

					Increase (Decrease)	
	2016	**%**	**2015**	**%**	**Amount**	**%**
			(in millions)			
Service Revenues:						
Cellular	Php46,359	84	Php49,356	85	(Php2,997)	(6)
Wireless broadband and others						
Wireless broadband	5,842	10	5,205	9	637	12
Others	346	1	522	1	(176)	(34)
Digital platforms and mobile financial services	194	–	510	1	(316)	(62)
	52,741	95	55,593	96	(2,852)	(5)
Non-Service Revenues:						
Sale of cellular handsets, cellular subscriber identification module, or SIM,-packs and broadband data modems	2,733	5	2,494	4	239	10
Total Wireless Revenues	Php55,474	100	Php58,087	100	(Php2,613)	(4)

Service Revenues

Our wireless service revenues in the first half of 2016 decreased by Php2,852 million, or 5%, to Php52,741 million as compared with Php55,593 million in the same period in 2015, mainly as a result of lower revenues from voice and text messaging services, partially offset by higher revenues from mobile internet and broadband services. As a percentage of our total wireless revenues, service revenues accounted for 95% and 96% in the first half of 2016 and 2015, respectively.

Cellular Service

Our cellular service revenues in the first half of 2016 amounted to Php46,359 million, a decrease of Php2,997 million, or 6%, from Php49,356 million in the same period in 2015. Cellular service revenues accounted for 88% and 89% of our wireless service revenues in the first half of 2016 and 2015, respectively.

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

In order to fulfill its goal of providing its subscribers with the best digital experience, Smart committed to improving its overall customer data experience. On April 12, 2016, Smart officially launched its network roadmap geared towards improving quality, coverage and internet speeds. The network improvement integrates and synergizes Smart and *Sun Cellular* networks to improve coverage and quality for subscribers of both brands. Smart was also the first to introduce LTE-Advanced in Boracay on April 13, 2016 which achieved breakthrough LTE speeds of up to 250 Mbps. The program also boosted 3G data service behind an enhanced 3G/HSPA/HSPA+ coverage and capacity.

In conjunction with this drive, we introduced on July 1, 2016, *Giga Surf 50* with 1GB of open access data allowance plus 300 MB for access to *iflix, Spinnr, YouTube, Vimeo, DailyMotion, Dubsmash* and *Skype Qik* for Php50 valid for 3 days. This promo is open to *Smart Postpaid, Smart Prepaid, Smart Bro Postpaid* and *Smart Bro Prepaid* subscribers and can also be shared through Smart's *PasaData*.

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

	2016	2015	Increase (Decrease) Amount	%
		(in millions)		
Cellular service revenues	Php46,359	Php49,356	(Php2,997)	(6)
By service type	*45,312*	*48,335*	*(3,023)*	*(6)*
Prepaid	32,897	36,738	(3,841)	(10)
Postpaid	12,415	11,597	818	7
By component	*45,312*	*48,335*	*(3,023)*	*(6)*
Data	25,404	24,696	708	3
Voice	19,908	23,639	(3,731)	(16)
Others(1)	*1,047*	*1,021*	*26*	*3*

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

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

	2016	2015	Increase (Decrease) Amount	%
Cellular subscriber base	64,473,770	68,862,264	(4,388,494)	(6)
Prepaid	61,479,780	65,843,593	(4,363,813)	(7)
Smart	*21,500,966*	*24,188,189*	*(2,687,223)*	*(11)*
TNT	*30,863,446*	*27,902,164*	*2,961,282*	*11*
Sun Cellular	*9,115,368*	*13,753,240*	*(4,637,872)*	*(34)*
Postpaid	2,993,990	3,018,671	(24,681)	(1)
Sun Cellular	*1,678,893*	*1,879,135*	*(200,242)*	*(11)*
Smart	*1,315,097*	*1,139,536*	*175,561*	*15*
Systemwide traffic volumes (in million minutes)				
Calls	32,990	25,995	6,995	27
Domestic	31,978	24,664	7,314	30
Inbound	*451*	*512*	*(61)*	*(12)*
Outbound	*31,527*	*24,152*	*7,375*	*31*
International	1,012	1,331	(319)	(24)
Inbound	*873*	*1,141*	*(268)*	*(23)*
Outbound	*139*	*190*	*(51)*	*(27)*
Text/Data count (in million hits)	161,273	196,930	(35,657)	(18)
Text messages	160,253	195,958	(35,705)	(18)
Domestic	159,909	195,515	(35,606)	(18)
Bucket-Priced/Unlimited	142,591	177,833	(35,242)	(20)
Standard	17,318	17,682	(364)	(2)
International	344	443	(99)	(22)
Value-Added Services	1,020	972	48	5

Prepaid Revenues

Revenues generated from our prepaid cellular services amounted to Php32,897 million in the first half of 2016, a decrease of Php3,841 million, or 10%, as compared with Php36,738 million in the same period in 2015. Prepaid cellular service revenues accounted for 73% and 76% of cellular voice and data revenues in the first half of 2016 and 2015, respectively. The decrease in revenues from our prepaid cellular services was primarily driven by lower prepaid cellular subscriber base resulting to lower voice and text messaging revenues, partially offset by an increase in mobile internet revenues.

Smart Prepaid continues to push its "smartphone-for-all" strategy. On June 17, 2016, *Smart Prepaid* introduced *Starmobile Play Click* at Php1,288, which comes with a free 100MB mobile data per month for 12 months and Php30 per month load reward for 12 months if subscriber reaches a minimum top-up of Php100 per month. To avail, a subscriber needs to purchase *Starmobile Play Click* together with a Php100 *Smart Prepaid* load card.

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

Postpaid Revenues

Revenues generated from postpaid cellular service amounted to Php12,415 million in the first half of 2016, an increase of Php818 million, or 7%, as compared with Php11,597 million in the same period in 2015, and accounted for 27% and 24% of cellular voice and data revenues in the first half of 2016 and 2015, respectively. The increase in our postpaid cellular service revenues was primarily driven by the continuous growth of our Smart postpaid subscriber base.

We continue to offer a wide array of choices for postpaid subscription plans. *Smart All-in Plans*, which are offered at Plan 500 up to Plan 2500, enable subscribers to avail of call, text and data services, mix and match services or create their own plan using various *flexibundles*, all charged within the subscriber's monthly service fee. Top picks for *flexibundles* are *Tri-net Plus 399, Unli Call and Text 599* and *Big Bytes 99* while the newest bundles include *App On*, *Giga Surf* and *Shared Data* bundles.

Smart Postpaid also offers the *Smart Surf Plus Plans* with bigger data allowance, call and text credits, and a free VAS subscription of choice. Starting at *Plan 399* with 100MB of data, up to *Plan 1999* with 9GB, plus free calls and texts bundles. The latest *iPhones* are also available through *iPhone Plans* from *Plan 799* to *Plan 2499*, inclusive of *All Month Surf* browsing which allows subscribers to do regular online activities such as web searches, social media posts, email and chat messaging, and a monthly data volume allowance which can be used for heavier internet activities like music or video streaming, downloading/uploading, peer-to-peer file-sharing, VoIP calls and the likes.

Data Services

Cellular revenues from our data services, which include all text messaging-related services, as well as VAS, mobile internet and other data revenues, increased by Php708 million, or 3%, to Php25,404 million in the first half of 2016 from Php24,696 million in the same period in 2015 primarily due to higher mobile internet revenues, partially offset by lower text messaging revenues. Cellular data services accounted for 55% and 50% of our cellular service revenues in the first half of 2016 and 2015, respectively.

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

			Increase (Decrease)	
	2016	**2015**	**Amount**	**%**
		(in millions)		
Text messaging				
Domestic	Php15,734	Php17,313	(Php1,579)	(9)
Bucket-Priced/Unlimited	10,984	11,657	(673)	(6)
Standard	4,750	5,656	(906)	(16)
International	985	1,364	(379)	(28)
	16,719	18,677	(1,958)	(10)
Mobile internet[1]	8,068	5,216	2,852	55
Value-added services[2]	617	803	(186)	(23)
Total	Php25,404	Php24,696	Php708	3

[1] *Includes revenues from web-based services, net of allocated discounts and content provider costs.*

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

Text messaging-related services contributed revenues of Php16,719 million in the first half of 2016, a decrease of Php1,958 million, or 10%, as compared with Php18,677 million in the same period in 2015, and accounted for 66% and 76% of our total cellular data service revenues in the first half of 2016 and 2015, respectively. The decrease in revenues from text messaging-related services resulted mainly from lower outbound standard and bucket-priced/unlimited text, as well as lower international text messaging revenues. Text messaging revenues from various bucket-priced/unlimited text offers totaled Php10,984 million in the first half of 2016, a decrease of Php673 million, or 6%, as compared with Php11,657 million in the same period in 2015. Bucket-priced/unlimited text messages decreased by 35,242 million, or 20%, to 142,591 million in the first half of 2016 from 177,833 million in the same period in 2015.

Mobile internet service revenues increased by Php2,852 million, or 55%, to Php8,068 million in the first half of 2016 from Php5,216 million in the same period in 2015 as a result of higher traffic for mobile internet browsing mainly due to prevalent use of mobile apps, social networking sites and other over-the-top, or OTT, services. Data offerings such as *Smart Big Bytes Barkada, Shared Data, Giga Surf and App on Flexibundles* were also introduced during the year to boost data usage.

Voice Services

Cellular revenues from our voice services, which include all voice traffic and voice VAS, such as voicemail and outbound international roaming, decreased by Php3,731 million, or 16%, to Php19,908 million in the first half of 2016 from Php23,639 million in the same period in 2015 primarily due to lower domestic and international voice revenues caused by the preference for alternative calling options and other OTT services such as *Viber*, *Facebook Messenger*, etc. Cellular voice services accounted for 43% and 48% of our cellular service revenues in the first half of 2016 and 2015, respectively.

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

			Decrease	
	2016	**2015**	**Amount**	**%**
		(in millions)		
Voice services:				
Domestic				
Inbound	Php1,754	Php1,991	(Php237)	(12)
Outbound	13,661	15,840	(2,179)	(14)
	15,415	17,831	(2,416)	(14)
International				
Inbound	3,979	5,041	(1,062)	(21)
Outbound	514	767	(253)	(33)
	4,493	5,808	(1,315)	(23)
Total	Php19,908	Php23,639	(Php3,731)	(16)

Domestic voice service revenues decreased by Php2,416 million, or 14%, to Php15,415 million in the first half of 2016 from Php17,831 million in the same period in 2015, due to lower domestic outbound and inbound voice service revenues by Php2,179 million and Php237 million, respectively.

International voice service revenues decreased by Php1,315 million, or 23%, to Php4,493 million in the first half of 2016 from Php5,808 million in the same period in 2015 primarily due to lower international inbound and outbound voice service revenues as a result of lower international voice traffic, partially offset by the effect of higher weighted average exchange rate of the Philippine peso to the U.S. dollar.

Cellular – Others

Revenues from our other cellular services, which include non-subscriber-related revenues consisting of inbound international roaming fees and share in revenues from *PLDT WeRoam* and *PLP*, increased by Php26 million, or 3%, to Php1,047 million in the first half of 2016 from Php1,021 million in the same period in 2015 primarily due to higher share of Smart in PayMaya's peer-to-peer (P2P) transaction fees and other subscriber-related income, partially offset by lower revenues from inbound roaming. Other cellular services accounted for 2% of our cellular service revenues in each of the first half of 2016 and 2015.

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

As at June 30, 2016, our cellular subscribers totaled 64,473,770 a decrease of 4,388,494, or 6%, from the cellular subscriber base of 68,862,264 as at June 30, 2015. Our cellular prepaid subscriber base decreased by 4,363,813, or 7%, to 61,479,780 as at June 30, 2016 from 65,843,953 as at June 30, 2015, and our cellular postpaid subscriber base decreased by 24,681, or 1%, to 2,993,990 as at June 30, 2016 from 3,018,671 as at June 30, 2015. The decrease in cellular subscriber base was primarily due to net decreases in Smart and *Sun Cellular* subscribers by 2,511,662 and 4,838,114, respectively, partly offset by higher *TNT* subscribers by 2,961,282. Prepaid subscribers accounted for 95% and 96% of our total subscriber base as at June 30, 2016 and 2015, respectively.

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

			Increase (Decrease)	
	2016	**2015**	**Amount**	**%**
Prepaid	(500,645)	(1,248,019)	747,374	(60)
Smart	*(1,391,337)*	*(688,955)*	*(702,382)*	*102*
TNT	*2,809,286*	*(247,196)*	*3,056,482*	*(1,236)*
Sun Cellular	*(1,918,594)*	*(311,868)*	*(1,606,726)*	*515*
Postpaid	36,341	253,223	(216,882)	(86)
Smart	*85,371*	*99,315*	*(13,944)*	*(14)*
Sun Cellular	*(49,030)*	*153,908*	*(202,938)*	*(132)*
Total	(464,304)	(994,796)	530,492	(53)

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

	2016	**2015**
	(in %)	
Prepaid		
Smart	7.2	6.0
TNT	5.5	5.7
Sun Cellular	9.7	9.8
Postpaid		
Smart	3.8	2.6
Sun Cellular	4.4	1.9

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

	Gross[(1)]		Increase (Decrease)		Net[(2)]		Increase (Decrease)	
	2016	2015	Amount	%	2016	2015	Amount	%
Prepaid								
Smart	Php118	Php128	(Php10)	(8)	Php107	Php116	(Php9)	(8)
TNT	85	92	(7)	(8)	78	84	(6)	(7)
Sun Cellular	87	69	18	26	79	64	15	23
Postpaid								
Smart	1,024	1,064	(40)	(4)	1,008	1,052	(44)	(4)
Sun Cellular	457	437	20	5	451	434	17	4

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

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

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

	Prepaid						Postpaid			
	Smart		TNT		Sun Cellular		Smart		Sun Cellular	
	Gross[1]	Net[2]	Gross[1]	Net[2]	Gross[1]	Net[2]	Gross[1]	Net[2]	Gross[1]	Net[2]
2016										
First Quarter	Php119	Php109	Php87	Php80	Php85	Php78	Php1,018	Php999	Php463	Php459
Second Quarter	116	106	84	77	88	80	1,030	1,018	452	443
2015										
First Quarter	130	118	93	85	68	63	1,049	1,039	452	449
Second Quarter	127	114	91	83	70	64	1,080	1,065	422	419
Third Quarter	127	115	90	82	71	65	1,034	1,021	439	436
Fourth Quarter	122	113	91	83	77	71	1,029	1,014	486	482

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

Wireless Broadband and Other Services

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

Wireless Broadband

Revenues from our wireless broadband services increased by Php637 million, or 12%, to Php5,842 million in the first half of 2016 from Php5,205 million in the same period in 2015, primarily due to an increase in prepaid revenues by Php501 million, or 26%, to Php2,431 million in the first half of 2016 from Php1,930 million in the same period in 2015 and higher postpaid revenues by Php136 million, or 4%, to Php3,411 million in the first half of 2016 from Php3,275 million in the same period in 2015, primarily due to the net increase in subscriber base.

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

			Increase (Decrease)	
	2016	**2015**	**Amount**	**%**
Wireless Broadband Revenues (in millions)	Php5,842	Php5,205	Php637	12
Prepaid	2,431	1,930	501	26
Postpaid	3,411	3,275	136	4
Wireless Broadband Subscribers	4,049,555	3,676,164	373,391	10
Prepaid	*3,221,587*	*2,811,015*	*410,572*	*15*
Smart	2,684,199	2,321,847	362,352	16
Sun	537,388	489,168	48,220	10
Postpaid	*827,968*	*865,149*	*(37,181)*	*(4)*
Smart	523,523	507,227	16,296	3
Sun	304,445	357,922	(53,477)	(15)

Smart Broadband and *Sun Broadband Wireless*, which offer a number of wireless broadband services, had a total of 4,049,555 subscribers as at June 30, 2016, a net increase of 373,391 subscribers, or 10%, as compared with 3,676,164 subscribers as at June 30, 2015, primarily due to a net increase in Smart Broadband subscribers by 378,648, or 13%, while *Sun Broadband* subscribers decreased by 5,257, or 1%, as at June 30, 2016. Our prepaid wireless broadband subscriber base increased by 410,572 subscribers, or 15%, to 3,221,587 subscribers as at June 30, 2016 from 2,811,015 subscribers as at June 30, 2015, while our postpaid wireless broadband subscriber base decreased by 37,181 subscribers, or 4%, to 827,968 subscribers as at June 30, 2016 from 865,149 subscribers as at June 30, 2015.

Smart Broadband offers internet access through *Smart Bro Pocket WiFi*, a portable wireless router which can be shared by up to 10 users/gadgets at a time. It provides connectivity at varying speeds supported by Smart's network utilizing either 3G high speed packet access (HSPA), 4G HSPA+ or Long Term Evolution (LTE)-technology. *Smart Bro Pocket WiFi* is available in both postpaid and prepaid variants.

Smart Broadband continues to grow wireless broadband revenues through various prepaid and postpaid offers. To accelerate the growth in the mobile broadband segment, *Smart Broadband* introduced its most aggressive *Pocket WiFi* offers across prepaid and postpaid brands. The primary objective is to make the *Pocket WiFi* more accessible to subscribers in order for them to enjoy fast, reliable and shareable internet connection across multiple devices.

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

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

Others

Revenues from our other services decreased by Php176 million, or 34%, to Php346 million in the first half of 2016 from Php522 million in the same period in 2015, primarily due to a decrease in the number of ACeS Philippines' subscribers, lower revenue contribution from MVNOs of PLDT Global, partially offset by the impact of higher weighted average exchange rate of Php46.97 for the six months ended June 30, 2016 from Php44.55 for the six months ended June 30, 2015 on our U.S. dollar and U.S. dollar-linked other service revenues.

Digital Platforms and Mobile Financial Services

Revenues from digital platforms and mobile financial services, as reported by Voyager, decreased by Php316 million, or 62%, to Php194 million in the first half of 2016 from Php510 million in the same period in 2015 resulting from the deconsolidation of ePay, holding company of PayMaya, in February 2016. Had we continued to consolidate PayMaya, revenues would have been Php613 million in the first half of 2016, an increase of 20%, from Php510 million in the same period in 2015.

Non-Service Revenues

Our wireless non-service revenues consist of sales of cellular handsets, cellular SIM-packs and broadband data modems, tablets and accessories. Our wireless non-service revenues increased by Php239 million, or 10%, to Php2,733 million in the first half of 2016 from Php2,494 million in the same period in 2015, primarily due to higher revenues from cellular prepaid attributed to *Smart Prepaid Android Phone Kit Php888* and *Php1,288*.

Expenses

Expenses associated with our wireless business amounted to Php47,338 million in the first half of 2016, an increase of Php4,913 million, or 12%, from Php42,425 million in the same period in 2015. A significant portion of the increase was attributable to higher expenses related to cost of sales, asset impairment on doubtful accounts and inventories, depreciation and amortization, taxes and licenses, professional and other contracted services, and insurance and security services, partially offset by lower selling and promotions, rent, repairs and maintenance, interconnection costs, compensation and employee benefits, communications, training and travel, and other operating expenses. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 85% and 73% in the first half of 2016 and 2015, respectively.

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

					Increase (Decrease)	
	2016	%	2015	%	Amount	%
			(in millions)			
Cost of sales	Php9,215	19	Php6,487	15	Php2,728	42
Depreciation and amortization	8,206	17	7,560	18	646	9
Rent	4,756	10	5,351	13	(595)	(11)
Asset impairment	4,282	9	1,120	3	3,162	282
Repairs and maintenance	4,186	9	4,385	10	(199)	(5)
Interconnection costs	4,052	9	4,249	10	(197)	(5)
Compensation and employee benefits	3,523	8	3,585	8	(62)	(2)
Selling and promotions	3,064	7	4,017	10	(953)	(24)
Professional and other contracted services	2,779	6	2,590	6	189	7
Taxes and licenses	1,490	3	1,218	3	272	22
Insurance and security services	618	1	600	1	18	3
Amortization of intangible assets	544	1	542	1	2	–
Communication, training and travel	447	1	471	1	(24)	(5)
Other expenses	176	–	250	1	(74)	(30)
Total	Php47,338	100	Php42,425	100	Php4,913	12

Cost of sales increased by Php2,728 million, or 42%, to Php9,215 million primarily due to an increase in issuance of modems and handsets to broadband and cellular postpaid subscribers, and cost of handsets issued for *Smart Prepaid Android Phone Kit Php888* and *Php1,288*.

Depreciation and amortization charges increased by Php646 million, or 9%, to Php8,206 million primarily due to a higher depreciable asset base.

Rent expenses decreased by Php595 million, or 11%, to Php4,756 million primarily due to lower domestic fiber optic network rental charges.

Asset impairment increased by Php3,162 million to Php4,282 million primarily due to higher provision for doubtful accounts and inventory obsolescence.

Repairs and maintenance expenses decreased by Php199 million, or 5%, to Php4,186 million mainly due to lower site and office electricity costs, lower maintenance costs on domestic cable and wire facilities, customer premises and telecoms equipment, partially offset by higher maintenance costs on site facilities and IT software.

Interconnection costs decreased by Php197 million, or 5%, to Php4,052 million primarily due to lower interconnection cost on international voice and text services, partially offset by an increase in interconnection charges on domestic voice and text services.

Compensation and employee benefits decreased by Php62 million, or 2%, to Php3,523 million primarily due to lower salaries and employee benefits, and provision for pension benefits, partly offset by higher MRP costs. Employee headcount decreased to 7,142 as at June 30, 2016 as compared with 7,540 as at June 30, 2015.

Selling and promotion expenses decreased by Php953 million, or 24%, to Php3,064 million primarily due to lower costs of events, advertising and public relations expenses, partially offset by higher commission expenses.

Professional and other contracted service fees increased by Php189 million, or 7%, to Php2,779 million primarily due to an increase in outsource costs, legal fees and facility usage costs, partly offset by lower call center and payment facility fees.

Taxes and licenses increased by Php272 million, or 22%, to Php1,490 million due to higher NTC license fees, real property taxes and other business-related taxes in the first half of 2016.

Insurance and security services increased by Php18 million, or 3%, to Php618 million primarily due to higher office security expenses, partially offset by lower group health insurance premiums.

Amortization of intangible assets increased by Php2 million to Php544 million primarily due to higher license fees.

Communication, training and travel expenses decreased by Php24 million, or 5%, to Php447 million primarily due to lower fuel costs for vehicles as a result of lower average fuel cost per liter, lower communication expenses, and freight and hauling, partially offset by higher travel expenses.

Other expenses decreased by Php74 million, or 30%, to Php176 million primarily due to lower various business and operational-related expenses.

Other Expenses

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

			Change	
	2016	**2015**	**Amount**	**%**
		(in millions)		
Other Income (Expenses):				
Financing costs – net	(Php1,244)	(Php858)	(Php386)	45
Equity share in net losses of associates	(209)	(23)	(186)	809
Gain on derivative financial instruments – net	13	14	(1)	(7)
Foreign exchange gains (losses) – net	42	(139)	181	(130)
Interest income	160	157	3	2
Other income – net	707	524	183	35
Total	(Php531)	(Php325)	(Php206)	63

Our wireless business' other expenses amounted to Php531 million in the first half of 2016, an increase of Php206 million, or 63%, from Php325 million in the same period in 2015, primarily due to the combined effects of the following: (i) higher net financing costs by Php386 million primarily due to higher outstanding loan balances, higher weighted average interest rates on loans and an increase in accretion on financial liabilities, partly offset by higher capitalized interest and lower financing charges; (ii) higher equity share in net losses of Automated Fare Collection Services, Inc. by Php186 million; (iii) lower gains on derivative financial instruments by Php1 million on account of mark-to-market losses on forward purchase contracts due to the appreciation of the Philippine peso relative to the U.S. dollar; (iv) higher interest income by Php3 million mainly due to increase in principal amount of peso temporary cash investments, partly offset by lower weighted average peso interest rates and a decrease in dollar temporary cash investments; (v) net foreign exchange gains of Php42 million for the six months ended June 30, 2016 as against net foreign exchange losses of Php139 million in the same period in 2015 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 in the first half of 2016 as against depreciation of the Philippine peso relative to the U.S. dollar in the same period in 2015; and (vi) an increase in other income – net by Php183 million mainly due to higher income from consultancy services.

Provision for Income Tax

Provision for income tax decreased by Php1,422 million, or 34%, to Php2,797 million in the first half of 2016 from Php4,219 million in the same period in 2015 primarily due to lower taxable income and recognition of deferred tax assets. The effective tax rates for our wireless business were 37% and 28% in the first half of 2016 and 2015, respectively.

Net Income

As a result of the foregoing, our wireless business' net income decreased by Php6,310 million, or 57%, to Php4,808 million in the first half of 2016 from Php11,118 million in the same period in 2015.

EBITDA

Our wireless business' EBITDA decreased by Php6,878 million, or 29%, to Php16,886 million in the first half of 2016 from Php23,764 million in the same period in 2015.

Core Income

Our wireless business' core income decreased by Php6,483 million, or 58%, to Php4,724 million in the first half of 2016 from Php11,207 million in the same period in 2015 on account of higher wireless-related operating expenses, lower wireless revenues and higher other expenses, partially offset by lower provision for income tax.

Fixed Line

Revenues

Revenues generated from our fixed line business amounted to Php35,937 million in the first half of 2016, an increase of Php2,254 million, or 7%, from Php33,683 million in the same period in 2015.

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

					Increase (Decrease)	
	2016	**%**	**2015**	**%**	**Amount**	**%**
			(in millions)			
Service Revenues:						
Data and other network	Php18,326	51	Php16,335	49	Php1,991	12
Local exchange	8,765	25	8,446	25	319	4
International long distance	4,201	12	4,590	14	(389)	(8)
National long distance	1,895	5	2,018	6	(123)	(6)
Miscellaneous	802	2	755	2	47	6
	33,989	95	32,144	96	1,845	6
Non-Service Revenues:						
Sale of computers, phone units and SIM cards, and point-product sales	1,948	5	1,539	4	409	27
Total Fixed Line Revenues	Php35,937	100	Php33,683	100	Php2,254	7

Service Revenues

Our fixed line business provides local exchange service, national and international long distance services, data and other network services, and miscellaneous services. Our fixed line service revenues increased by Php1,845 million, or 6%, to Php33,989 million in the first half of 2016 from Php32,144 million in the same period in 2015 due to higher revenues from our data and other network, local exchange and miscellaneous services, partially offset by lower national and international long distance service revenues.

Data and Other Network Services

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

			Increase (Decrease)	
	2016	**2015**	**Amount**	**%**
Data and other network service revenues (in millions)	Php18,326	Php16,335	Php1,991	12
Domestic	12,890	11,527	1,363	12
Broadband	*9,066*	*7,774*	*1,292*	*17*
Leased Lines and Others	*3,824*	*3,753*	*71*	*2*
International				
Leased Lines and Others	*3,930*	*3,587*	*343*	*10*
Data Center and ICT	1,506	1,221	285	23
Subscriber base				
Broadband	*1,347,422*	*1,185,319*	*162,103*	*14*

Our data and other network services posted revenues of Php18,326 million in the first half of 2016, an increase of Php1,991 million, or 12%, from Php16,335 million in the same period in 2015, primarily due to higher domestic data revenues from DSL, *Fibr*, Metro Ethernet and *Shops.Work*, international data revenues primarily from i-Gate, leased lines, and data center and ICT revenues, partly offset by lower Diginet revenues. The percentage contribution of this service segment to our fixed line service revenues was 54% and 51% in the first half of 2016 and 2015, respectively.

Domestic

Domestic data services contributed Php12,890 million in the first half of 2016, an increase of Php1,363 million, or 12%, as compared with Php11,527 million in the same period in 2015 mainly due to sustained market traction of broadband data services such as DSL and *Fibr*, as a result of higher internet connectivity requirements, and key Private Networking Solutions such as Internet Protocol-Virtual Private Network, or IP-VPN, Metro Ethernet and *Shops.Work*. The percentage contribution of domestic data service revenues to total data and other network services were 70% and 71% in the first half of 2016 and 2015, respectively.

Broadband

Broadband data services include DSL broadband internet service, which is intended for individual internet users, small and medium enterprises, and large corporations with multiple branches, and *Fibr*, our most advanced broadband internet connection. Broadband data revenues amounted to Php9,066 million in the first half of 2016, an increase of Php1,292 million, or 17%, from Php7,774 million in the same period in 2015 as a result of the increase in the number of subscribers by 162,103, or 14%, to 1,347,422 subscribers as at June 30, 2016 from 1,185,319 subscribers as at June 30, 2015. Broadband revenues accounted for 49% and 48% of total data and other network service revenues in the first half of 2016 and 2015, respectively.

Leased Lines and Others

Leased lines and other data services include: (1) Diginet, our domestic private leased line service providing Smart's fiber optic and leased line data requirements; (2) IP-VPN, a managed corporate IP network that offers a secure means to access corporate network resources; (3) Metro Ethernet, our high-speed wide area networking services that enable mission-critical data transfers; and (4) *Shops.Work*, our connectivity solution for retailers and franchisers that links company branches to their head office. Leased lines and other data service revenues contributed Php3,824 million in the first half of 2016, an increase of Php71 million, or 2%, from Php3,753 million in the same period in 2015. The percentage contribution of leased lines and other data service revenues to the total data and other network services were 21% and 23% in the first half of 2016 and 2015, respectively.

International

Leased Lines and Others

International leased lines and other data services consist mainly of: (1) i-Gate, our premium dedicated internet access service that provides high speed, reliable and managed connectivity to the global internet, and is intended for enterprises and VAS providers; (2) Fibernet, which provides cost-effective and reliable bilateral point-to-point private networking connectivity, through the use of our extensive international alliances to offshore and outsourcing, banking and finance, and semiconductor industries; and (3) other international managed data services in partnership with other global service providers, which provide data networking services to multinational companies. International data service revenues increased by Php343 million, or 10%, to Php3,930 million in the first half of 2016 from Php3,587 million in the same period in 2015, primarily due to higher Fibernet and i-Gate revenues, and IP-VPN local access services, an increase in revenues from various global service providers and the favorable effect of a higher weighted average exchange rate of the Philippine peso relative to the U.S. dollar. The percentage contribution of international data service revenues to total data and other network service revenues was 22% in each of the first half of 2016 and 2015.

Data Center and ICT

Data centers provide colocation and related connectivity, disaster recovery, server hosting, cloud, big data and other data center services. As at June 30, 2016, ePLDT Group had a total of 3,203 rack capacity in six locations covering Metro Manila, Subic and Cebu. On July 28, 2016, PLDT, through ePLDT, inaugurated the country's biggest data center in a premiere business district. VITRO Makati is on a nearly two-hectare property with a 3,600-rack full capacity. It is equipped with highly-resilient systems and facilities to guarantee continuous operations, ensuring that businesses can utilize robust and scalable digital infrastructure, as well as world-class 24/7 technical support capabilities. Data center revenues increased by Php285 million, or 23%, to Php1,506 million in the first half of 2016 from Php1,221 million in the same period in 2015 mainly due to higher revenues from colocation, cloud, big data and managed IT services. Cloud services include cloud contact center, cloud IaaS, cloud SaaS, managed security services and cloud professional services and accounted for 24% and 21% of data center revenues in the first half of 2016 and 2015, respectively. The percentage contribution of this service segment to our total data and other network service revenues were 8% and 7% in the first half of 2016 and 2015, respectively.

Local Exchange Service

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

	2016	2015	Increase (Decrease) Amount	%
Total local exchange service revenues (in millions)	Php8,765	Php8,446	Php319	4
Number of fixed line subscribers	2,380,390	2,257,266	123,124	5
Postpaid	2,344,984	2,214,494	130,490	6
Prepaid	35,406	42,772	(7,366)	(17)
Number of fixed line employees	7,112	7,007	105	1
Number of fixed line subscribers per employee	335	322	13	4

Revenues from our local exchange service increased by Php319 million, or 4%, to Php8,765 million in the first half of 2016 from Php8,446 million in the same period in 2015, primarily due to higher weighted average of postpaid billed lines. The percentage contribution of local exchange revenues to our total fixed line service revenues was 26% in each of the six months ended June 30, 2016 and 2015.

International Long Distance Service

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

	2016	2015	Decrease Amount	%
Total international long distance service revenues (in millions)	Php4,201	Php4,590	(Php389)	(8)
Inbound	3,706	4,060	(354)	(9)
Outbound	495	530	(35)	(7)
International call volumes (in million minutes, except call ratio)	702	815	(113)	(14)
Inbound	601	691	(90)	(13)
Outbound	101	124	(23)	(19)
Inbound-outbound call ratio	6.0:1	5.6:1	–	–

Our total international long distance service revenues decreased by Php389 million, or 8%, to Php4,201 million in the first half of 2016 from Php4,590 million in the same period in 2015, primarily due to lower call volumes for both inbound and outbound traffic as a result of popularity of OTT service providers (e.g. *Facebook*, *Skype*, *Viber*, *WhatsApp*, etc.) over traditional long distance services, partially offset by the favorable effect of a higher weighted average exchange rate of the Philippine peso to the U.S. dollar to Php46.97 for the period ended June 30, 2016 from Php44.55 for the period ended June 30, 2015 and the net increase in average billing rates in dollar terms. The percentage contribution of international long distance service revenues to our total fixed line service revenues accounted for 12% and 14% in the first half of 2016 and 2015, respectively. Correspondingly, our total international long distance service revenues, net of interconnection costs, decreased by Php170 million, or 10%, to Php1,556 million in the first half of 2016 from Php1,726 million in the same period in 2015.

National Long Distance Service

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

	2016	2015	Decrease Amount	%
Total national long distance service revenues (in millions)	Php1,895	Php2,018	(Php123)	(6)
National long distance call volumes (in million minutes)	377	387	(10)	(3)

Our national long distance service revenues decreased by Php123 million, or 6%, to Php1,895 million in the first half of 2016 from Php2,018 million in the same period in 2015, primarily due to a decrease in call volumes. The percentage contribution of national long distance revenues to our fixed line service revenues was 6% in each of the first half of 2016 and 2015. Our national long distance service revenues, net of interconnection costs, decreased by Php62 million, or 4%, to Php1,506 million in the first half of 2016 from Php1,568 million in the same period in 2015.

Miscellaneous Services

Miscellaneous service revenues are derived mostly from rental, outsourcing and facilities management fees, and directory advertising. These service revenues increased by Php47 million, or 6%, to Php802 million in the first half of 2016 from Php755 million in the same period in 2015 mainly due to higher outsourcing and management fees, partly offset by royalties from directory services in 2015. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues were 2% and 3% in the first half of 2016 and 2015, respectively.

Non-service Revenues

Non-service revenues increased by Php409 million, or 27%, to Php1,948 million in the first half of 2016 from Php1,539 million in the same period in 2015, primarily due to higher sale of *PLP* units and *FabTAB* for *myDSL* retention, managed ICT equipment and Home IP Camera, partially offset by lower sale of *UNO* equipment and several managed PABX.

Expenses

Expenses related to our fixed line business totaled Php29,139 million in the first half of 2016, an increase of Php175 million, or 1%, as compared with Php28,964 million in the same period in 2015. The increase was primarily due to higher expenses related to rent, cost of sales, professional and other contracted services, repairs and maintenance, selling and promotions, asset impairment, communication, training and travel, and other operating expenses, partly offset by lower expenses related to compensation and employee benefits, taxes and licenses, interconnection costs, insurance and security services, and depreciation and amortization. As a percentage of our total fixed line revenues, expenses associated with our fixed line business accounted for 81% and 86% in the first half of 2016 and 2015, respectively.

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

					Increase (Decrease)	
	2016	**%**	**2015**	**%**	**Amount**	**%**
			(in millions)			
Compensation and employee benefits	Php6,549	23	Php7,739	27	(Php1,190)	(15)
Depreciation and amortization	6,369	22	6,385	22	(16)	–
Repairs and maintenance	3,658	13	3,348	12	310	9
Interconnection costs	3,054	10	3,349	12	(295)	(9)
Professional and other contracted services	2,666	9	2,319	8	347	15
Rent	1,718	6	1,168	4	550	47
Cost of sales	1,621	6	1,205	4	416	35
Selling and promotions	1,185	4	1,041	3	144	14
Asset impairment	681	2	587	2	94	16
Taxes and licenses	607	2	914	3	(307)	(34)
Insurance and security services	350	1	367	1	(17)	(5)
Communication, training and travel	287	1	253	1	34	13
Other expenses	394	1	289	1	105	36
Total	Php29,139	100	Php28,964	100	Php175	1

Compensation and employee benefits expenses decreased by Php1,190 million, or 15%, to Php6,549 million primarily due to lower MRP costs to Php57 million in the first half of 2016 from Php1,397 million in the same period in 2015, and lower provision for pension benefits, partially offset by higher salaries and employee benefits. Employee headcount increased to 10,049 as at June 30, 2016 as compared with 9,389 as at June 30, 2015.

Depreciation and amortization charges decreased by Php16 million to Php6,369 million due to lower depreciable asset base as a result of higher accelerated depreciation in 2015.

Repairs and maintenance expenses increased by Php310 million, or 9%, to Php3,658 million primarily due to higher repairs and maintenance costs on cable and wire facilities, and higher maintenance costs on IT hardware and software, and buildings, partially offset by lower office and site electricity charges.

Interconnection costs decreased by Php295 million, or 9%, to Php3,054 million primarily due to lower international interconnection/settlement costs as a result of a decrease in international inbound calls that terminated to other domestic carriers, and lower international outbound calls, and data and other network interconnection/settlement costs, particularly Fibernet and Infonet.

Professional and other contracted service expenses increased by Php347 million, or 15%, to Php2,666 million primarily due to higher contracted service, consultancy, and technical service fees, partially offset by lower bill printing, legal and collection agency fees.

Rent expenses increased by Php550 million, or 47%, to Php1,718 million primarily due to higher leased circuit, office building and pole rental charges, and higher customer premises equipment rental charges, partially offset by lower site rental charges.

Cost of sales increased by Php416 million, or 35%, to Php1,621 million primarily due to higher sale of equipment for *PLP* units and *FabTAB* for *myDSL* retention, and several managed ICT equipment.

Selling and promotion expenses increased by Php144 million, or 14%, to Php1,185 million primarily due to higher cost of events and public relations expenses, partly offset by lower advertising costs and expenses on commissions.

Asset impairment increased by Php94 million, or 16%, to Php681 million mainly due to higher provision for doubtful accounts and inventory obsolescence.

Taxes and licenses decreased by Php307 million, or 34%, to Php607 million as a result of lower tax settlements, real property taxes, NTC license fees and other business-related taxes.

Insurance and security services decreased by Php17 million, or 5%, to Php350 million primarily due to lower insurance and bond premiums, partially offset by higher expenses on office security services and group health insurance premiums.

Communication, training and travel expenses increased by Php34 million, or 13%, to Php287 million mainly due to higher training and travel, and communication, and mailing and courier charges, partly offset by lower fuel consumption costs.

Other expenses increased by Php105 million, or 36%, to Php394 million primarily due to higher various business and operational-related expenses.

Other Expenses

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

			Change	
	2016	**2015**	**Amount**	**%**
		(in millions)		
Other Income (Expenses):				
Interest income	Php356	Php268	Php88	33
Foreign exchange gains (losses) – net	9	(217)	226	(104)
Equity share in net losses of associates	(239)	(15)	(224)	1,493
Gains (losses) on derivative financial instruments – net	(191)	75	(266)	(355)
Financing costs – net	(2,399)	(2,104)	(295)	14
Other income – net	1,857	994	863	87
Total	(Php607)	(Php999)	Php392	(39)

Our fixed line business' other expenses amounted to Php607 million in the first half of 2016, a decrease of Php392 million, or 39% from Php999 million in the same period in 2015 mainly due to the combined effects of the following: (i) an increase in other income – net by Php863 million due to gain on sale of property, fixed assets and materials, and higher gain on rental income; (ii) foreign exchange gains of Php9 million as against foreign exchange losses of Php217 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 in the first half of 2016 as against depreciation of the Philippine peso relative to the U.S. dollar in the same period in 2015; (iii) an increase in interest income by Php88 million due to higher principal amount of dollar temporary cash investments and higher weighted average interest rates, partly offset by a decrease in peso temporary cash investments; (iv) higher equity share in net losses of associates by Php224 million mainly due to the share in net losses of VTI and Cignal TV; (v) higher financing costs by Php295 million mainly due to higher outstanding loan balances, partially offset by higher capitalized interest; and (vi) losses on derivative financial instruments of Php191 million due to narrower dollar and peso interest rate differentials and the appreciation of the Philippine peso relative to the U.S. dollar in the first half of 2016 as against gains on derivative financial instruments of Php75 million on account of wider dollar and peso interest rate differentials and the depreciation of the Philippine peso relative to the U.S. dollar in the same period in 2015.

Provision for Income Tax

Provision for income tax amounted to Php1,832 million in the first half of 2016, an increase of Php664 million, or 57%, from Php1,168 million in the same period in 2015 primarily due to higher taxable income. The effective tax rates for our fixed line business were 30% and 31% in the first half of 2016 and 2015, respectively.

Net Income

As a result of the foregoing, our fixed line business contributed a net income of Php4,359 million in the first half of 2016, an increase of Php1,807 million, or 71%, as compared with Php2,552 million in the same period in 2015.

EBITDA

Our fixed line business' EBITDA increased by Php2,064 million, or 19%, to Php13,168 million in the first half of 2016 from Php11,104 million in the same period in 2015. EBITDA margin increased to 39% in the first half of 2016 from 35% in the same period in 2015.

Core Income

Our fixed line business' core income increased by Php1,764 million, or 69%, to Php4,314 million in the first half of 2016 from Php2,550 million in the same period in 2015, primarily as a result of higher fixed line revenues and lower other expenses, partially offset by higher fixed line operating expenses and higher provision for income tax.

Others

Expenses

Expenses related to our other business totaled Php5,402 million in the first half of 2016, an increase of Php5,353 million as compared with Php49 million in the same period in 2015 primarily due to the recognition of the impairment loss on our investment in Rocket Internet SE (formerly Rocket Internet AG), or Rocket, resulting from the further decline in Rocket's share price to €17.47 with a fair value of Php9,206 million as at June 30, 2016 as compared with €28.24 with a fair value of Php14,587 million as at December 31, 2015.

Other Income

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

			Change	
	2016	**2015**	**Amount**	**%**
		(in millions)		
Other Income (Expenses):				
Equity share in net earnings of associates and joint ventures	Php1,383	Php2,272	(Php889)	(39)
Interest income	73	51	22	43
Foreign exchange gains (losses) – net	26	(83)	109	(131)
Financing costs – net	(94)	(87)	(7)	8
Other income – net	7,350	3,012	4,338	144
Total	Php8,738	Php5,165	Php3,573	69

Other income increased by Php3,573 million, or 69%, to Php8,738 million in the first half of 2016 from Php5,165 million in the same period in 2015 primarily due to the combined effects of the following: (i) higher other income – net by Php4,338 million due to higher gain on sale of Beacon shares by PCEV in 2016 as against the gain on sale of Meralco shares by Beacon in 2015; (ii) higher foreign exchange gains by Php109 million; (iii) an increase in interest income by Php22 million; (iv) an increase in financing costs by Php7 million; and (v) lower equity share in net earnings of associates by Php889 million mainly from Beacon, partly offset by higher equity share in net earnings of Beta.

Net Income

As a result of the foregoing, our other business segment registered a net income of Php3,319 million in the first half of 2016, a decrease of Php1,760 million, or 35%, from Php5,079 million in the same period in 2015.

Core Income

Our other business segment's core income amounted to Php8,662 million in the first half of 2016, an increase of Php3,491 million, or 68%, as compared with Php5,171 million in the same period in 2015 mainly as a result of higher other income, partially offset by higher operating expenses.

Liquidity and Capital Resources

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

	For the six months ended June 30,	
	2016	2015
	(in millions)	
Cash Flows		
Net cash flows provided by operating activities	Php25,184	Php30,946
Net cash flows used in investing activities	(23,742)	(8,916)
Capital expenditures	*20,032*	*13,877*
Net cash flows used in financing activities	(24,370)	(11,610)
Net increase (decrease) in cash and cash equivalents	(23,069)	10,546

	June 30,	December 31,
	2016	2015
	(in millions)	
Capitalization		
Long-term portion of interest-bearing financial liabilities – net of current portion:		
Long-term debt	Php128,165	Php143,982
Current portion of interest-bearing financial liabilities:		
Long-term debt maturing within one year	29,266	16,910
Obligations under finance lease maturing within one year	–	1
	29,266	16,911
Total interest-bearing financial liabilities	157,431	160,893
Total equity attributable to equity holders of PLDT	111,445	113,608
	Php268,876	Php274,501
Other Selected Financial Data		
Total assets	Php463,208	Php455,095
Property and equipment	200,060	195,782
Cash and cash equivalents	23,386	46,455
Short-term investments	6,688	1,429

Our consolidated cash and cash equivalents and short-term investments totaled Php30,074 million as at June 30, 2016. Principal sources of consolidated cash and cash equivalents in the first half of 2016 were cash flows from operating activities amounting to Php25,184 million, proceeds from disposal of investment in associates and joint ventures amounting to Php17,000 million, proceeds from availment of long-term debt of Php7,628 million, proceeds from disposal of property and equipment of Php1,319 million and interest received of Php499 million. These funds were used principally for: (1) capital expenditures, including capitalized interest, of Php20,032 million; (2) higher payment for purchase of investment in joint ventures and associates by Php16,951 million;(3) cash dividend payments of Php12,342 million; (4) debt principal and interest payments of Php10,948 million and Php3,385 million, respectively; (5) net reductions to capital expenditures under long-term financing of Php4,868 million; and (6) net payment for purchase of short-term investments of Php5,204 million.

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

Operating Activities

Our consolidated net cash flows provided by operating activities decreased by Php5,762 million, or 19%, to Php25,184 million in the first half of 2016 from Php30,946 million in the same period in 2015, primarily due to lower collection efficiency, lower operating income and higher prepayments, partially offset by lower level of settlement of accounts payable and other liabilities, lower pension contribution and lower corporate taxes paid.

Cash flows provided by operating activities of our wireless business decreased by Php9,510 million, or 43%, to Php12,522 million in the first half of 2016 from Php22,032 million in the same period in 2015 primarily due to lower collection efficiency, lower operating income, higher level of settlement of other liabilities and higher prepayments, partially offset by lower level of settlement of accounts payable and lower pension contribution. Cash flows provided by operating activities of our fixed line business increased by Php4,041 million, or 44%, to Php13,202 million in the first half of 2016 from Php9,161 million in the same period in 2015, primarily due to higher operating income, lower level of settlement of accounts payable and other liabilities, and lower pension contribution, partly offset by lower level of collection of accounts receivable. Cash flows used in operating activities of our other business amounted to Php115 million in the first half of 2016 from Php72 million in the same period in 2015.

Investing Activities

Consolidated net cash flows used in investing activities amounted to Php23,742 million in the first half of 2016, an increase of Php14,826 million from Php8,916 million in the same period in 2015, primarily due to the combined effects of the following: (1) higher payment for purchase of investment in joint ventures and associates by Php16,951 million specifically for the purchase of San Miguel Corporation, or SMC's, telecommunications business and deposit for future stock subscription of Beacon preferred shares; (2) higher capital expenditures by Php6,155 million; (3) dividends received of Php5,544 million in 2015; (4) net payment for purchase of short-term investments by Php4,207 million; (5) proceeds from disposal of PCEV's investment in Beacon by Php17,000 million; and (6) higher proceeds from disposal of property and equipment by Php1,189 million.

Our consolidated capital expenditures, including capitalized interest, in the first half of 2016 totaled Php20,032 million, an increase of Php6,155 million as compared with Php13,877 million in the same period in 2015, primarily due to Smart Group's higher capital spending. Smart Group's capital spending, increased by Php5,797 million, or 53%, to Php16,729 million in the first half of 2016 from Php10,932 million in the same period in 2015, primarily focused on expanding 3G, 4G and LTE coverage and reach, as well as capacity and service enhancements. PLDT's capital spending decreased by Php105 million, or 4%, to Php2,336 million in the first half of 2016 from Php2,441 million in the same period in 2015. The capex spending was used to finance the continuous facility roll-out and expansion of our domestic fiber optic network, cable fortification and resiliency in various locations and acquisition of new platforms to complement introduction of new products and services, as well as the expansion of our data center business. The balance represented other subsidiaries' capital spending.

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

Financing Activities

On a consolidated basis, cash flows used in financing activities amounted to Php24,370 million in the first half of 2016, an increase of Php12,760 million, or 110%, from Php11,610 million in the same period in 2015, resulting largely from the combined effects of the following: (1) lower proceeds from availment of long-term debt by Php13,420 million; (2) higher payments of long-term debt by Php3,002 million; (3) higher interest payments by Php758 million; (4) higher settlement of derivative financial instruments of Php92 million; (5) higher settlement to capital expenditures under long-term financing by Php2,091 million; and (6) lower cash dividends paid by Php6,451 million.

Debt Financing

Proceeds from availment of long-term debt for the year ended June 30, 2016 amounted to Php7,628 million, mainly from PLDT's and Smart's drawings related to the financing of our capital expenditure requirements and refinancing maturing loan obligations. Payments of principal and interest on our total debt amounted to Php10,948 million and Php3,385 million, respectively, for the year ended June 30, 2016.

Our consolidated long-term debt decreased by Php3,461 million, or 2%, to Php157,431 million as at June 30, 2016 from Php160,892 million as at December 31, 2015 primarily due to debt amortizations, prepayments and the appreciation of the Philippine peso relative to the U.S. dollar to Php47.01 as at June 30, 2016, partly offset by drawings from our long-term facilities. As at June 30, 2016, the long-term debt levels of Smart increased by 3% to Php63,565 million, while PLDT's long-term debt level decreased by 1% to Php92,789 million and DMPI's decreased by 78% to Php1,077 million, as compared with December 31, 2015.

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

On July 1, 2016, PLDT signed a Php6,000 million term loan facility with Metropolitan Bank and Trust Company, or Metrobank, to partially finance capital expenditures and/or refinance its existing loan obligations, the proceeds of which will be utilized for its service improvements and expansion programs.

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

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

Approximately Php88,193 million principal amount of our consolidated outstanding long-term debt as at June 30, 2016 is scheduled to mature over the period from 2016 to 2020. Of this amount, Php51,361 million is attributable to PLDT, Php35,755 million to Smart and Php1,077 million to DMPI.

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

Debt Covenants

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

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

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

Financing Requirements

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

Off-Balance Sheet Arrangements

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

Equity Financing

On August 5, 2014, the PLDT Board of Directors approved the amendment of our dividend policy, increasing the dividend payout rate to 75% from 70% of our core earnings per share as regular dividends. In declaring dividends, we take into consideration the interest of our shareholders, as well as our working capital, capital expenditures and debt servicing requirements. The retention of earnings may be necessary to meet the funding requirements of our business expansion and development programs. However, in the event that no investment opportunities arise, we may consider the option of returning additional cash to our shareholders in the form of special dividends of up to the balance of our core earnings or to undertake share buybacks. We were able to pay out approximately 100% of our core earnings for seven consecutive years from 2007 to 2013, approximately 90% of our core earnings for 2014 and 75% of our core earnings for 2015.

However, in view of our current elevated capital expenditures to build-out a robust, superior network to support the continued growth of data traffic, plans to invest in new adjacent businesses that will complement the current business and provide future sources of profits and dividends, and management of our cash and gearing levels, the PLDT Board of Directors approved on August 2, 2016, the amendment of our dividend policy, reducing the regular dividend payout to 60% of Core Income. As part of the dividend policy, in the event no investment opportunities arise, we may consider the option of returning additional cash to our shareholders in the form of special dividends or share buybacks. The accumulated equity in the net earnings of our subsidiaries, which form part of our retained earnings, are not available for distribution unless realized in the form of dividends from such subsidiaries.

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

Consolidated cash dividend payments in the first half of 2016 amounted to Php12,342 million as compared with Php18,793 million paid to shareholders in the same period in 2015.

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

	Date			Amount	
Earnings	Approved	Record	Payable	Per share	Total Declared
				(in millions, except per share amount)	
2016					
Common Stock					
Regular Dividend	August 2, 2016	August 16, 2016	September 1, 2016	49	Php10,587
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock[(1)]	January 26, 2016	February 24, 2016	March 15, 2016	–	12
	May 3, 2016	May 24, 2016	June 15, 2016	–	12
Voting Preferred Stock	February 29, 2016	March 30, 2016	April 15, 2016	–	3
	June 14, 2016	June 30, 2016	July 15, 2016	–	3
Charged to Retained Earnings					10,617
2015					
Common Stock					
Regular Dividend	August 4, 2015	August 27, 2015	September 25, 2015	65	14,044
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock[(1)]	January 27, 2015	February 26, 2015	March 15, 2015	–	12
	May 5, 2015	May 26, 2015	June 15, 2015	–	12
Voting Preferred Stock	March 3, 2015	March 19, 2015	April 15, 2015	–	2
	June 9, 2015	June 26, 2015	July 15, 2015	–	3
Charged to Retained Earnings					Php14,073

[(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 June 30, 2016 and 2015, see *Note 28 – Financial Assets and Liabilities – Liquidity Risks* to the accompanying unaudited consolidated financial statements.

Commercial Commitments

Our outstanding consolidated commercial commitments, in the form of letters of credit, amounted to Php52 million and Php46 million as at June 30, 2016 and December 31, 2015, respectively. These commitments will expire within one year.

Quantitative and Qualitative Disclosures about Market Risks

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

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

The following table sets forth the estimated consolidated fair values of our financial assets and liabilities recognized as at June 30, 2016 and March 31, 2016 other than those whose carrying amounts are reasonable approximations of fair values:

	Fair Values	
	June 30, 2016	March 31, 2016
	(Unaudited) (in millions)	
Noncurrent Financial Assets		
Investments in debt securities and other long-term investments – net of current portion	Php972	Php942
Advances and other noncurrent assets – net of current portion	7,797	2,598
Total noncurrent financial assets	8,769	3,540
Noncurrent Financial Liabilities		
Interest-bearing financial liabilities	132,250	130,974
Customers' deposits	1,936	2,423
Deferred credits and other noncurrent liabilities	14,757	17,203
Total noncurrent financial liabilities	Php148,943	Php150,600

The following table sets forth the amount of gains (losses) recognized for the financial assets and liabilities for the six months ended June 30, 2016 and the three months ended March 31, 2016:

	June 30, 2016	March 31, 2016
	(Unaudited) (in millions)	
Profit and Loss		
Interest income	Php472	Php255
Losses on derivative financial instruments – net	(178)	(497)
Accretion on financial liabilities	(127)	(75)
Interest on loans and other related items	(3,672)	(1,823)
Other Comprehensive Income		
Net fair value losses on cash flow hedges – net of tax	(328)	(259)
Net gains (losses) on available-for-sale financial investments – net of tax	5	(1)

Impact of Inflation and Changing Prices

Inflation can be a significant factor in the Philippine economy, and we are continually seeking ways to minimize its impact. The average inflation rate in the Philippines for the six months ended June 30, 2016 and 2015 were 1.3% and 2%, respectively. Moving forward, we currently expect inflation to remain low.

PART II – OTHER INFORMATION

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

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

Acquisition of San Miguel Corporation's telecommunications business

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

Total consideration for the acquisition is Php70 billion consisting of the purchase price for the equity interest and advances amounting to Php52.8 billion and the assumption of the estimated liabilities of Php17.2 billion of the acquired companies and their respective subsidiaries. The cash portion of the consideration amounting to Php52.8 billion will be paid in three tranches: 50% was paid upon signing of the SPAs on May 30, 2016, 25% is payable on December 1, 2016 and the final 25% is payable on May 30, 2017, subject to the fulfillment of certain conditions. The second and final payments are secured by irrevocable standby letters of credit.

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

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

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

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

On June 10, 2016, PLDT submitted its response to the Commission's letter articulating its position that the VTI Notice is adequate, complete and sufficient and compliant with the requirement under the Circulars, and does not contain false material information; as such, the VTI transaction enjoys the benefit of Section 23 of the PCA. Therefore, the VTI transaction is deemed approved and cannot be subject to retroactive review by the

Commission. Moreover, the parties have taken all necessary steps, including the relinquishment/return of certain frequencies and co-use of the remaining frequencies by Smart and Belltel and Globe and Belltel as discussed above, to ensure that the VTI transaction will not substantially prevent, restrict or lessen competition to violate the PCA. Nevertheless, in the spirit of cooperation and for transparency, the parties voluntarily submitted to the Commission, among others, copies of the SPAs for the Commission's information and reference.

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

Legal Recourse to the Court of Appeals, or the CA

On July 12, 2016, PLDT filed before the CA a Petition for Certiorari and Prohibition (With Urgent Application for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction) against the Commission. The Petition seeks to enjoin the Commission from proceeding with the review of the acquisition by PLDT and Globe of the telecommunications business of SMC and performing any act which challenges or assails the "deemed approved" status of the transaction. On July 19, 2016, the 12th Division of the CA issued a Resolution directing the Office of the Solicitor General, or the OSG, to file its Comment within a non-extensible period of 10 days from notice and show cause why the Petition should not be granted. PLDT may file a Reply within five days from receipt of the OSG's Comment. Thereafter, unless the CA decides to conduct a hearing and/or require the submission of memoranda by the parties, the case shall be submitted for decision.

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

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

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

Beacon effectively owns 394 million Meralco common shares representing approximately 34.96% effective ownership in Meralco with a carrying value of Php87,325 million and market value of Php122,158 million based on quoted price of Php310 per share as at June 30, 2016 and carrying value of Php87,831 million and market value of Php126,099 million based on quoted price of Php320 per share as at December 31, 2015.

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

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

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

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

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

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

On May 27, 2016, Beacon, through a wholly owned subsidiary Beacon Powergen, entered into a Share Purchase Agreement with GT Capital Holdings, Inc., to acquire an aggregate 56% of the issued share capital of Global Power for a total consideration of Php22,058 million. Beacon Powergen settled Php11,029 million upon closing, and the balance of the purchase price will be paid via a vendor financing facility, which will be replaced with long term bank debt within 90 days from closing.

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

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

Amendments to the Articles of Incorporation of PLDT

On April 12, 2016 and June 14, 2016, the Board of Directors and stockholders, respectively, approved the following actions: (1) change in the name of the Company from Philippine Long Distance Telephone Company to PLDT Inc.; (2) expansion of the purpose clause to expressly provide for such other purposes and powers incidental to or in furtherance of the primary purpose, including the power to do or engage in such activities required, necessary or expedient in the pursuit of lawful businesses or for the protection or benefit of the Company; and (3) corresponding amendments to the First Article and Second Article of the Articles of Incorporation of the Company.

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

Joint Venture Agreement between PLDT Capital and Hopscotch

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

eInnovations' Investment in ECommerce Pay Holding S.à r.l., or ECommerce Pay (formerly MePay Global)

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

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

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

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

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

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

PLDT Online's Investment in iFlix Limited, or iFlix

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

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

On March 10, 2016, the US$15 million convertible notes held by PLDT Online were converted into 20.7 million ordinary shares of iFlix after Southeast Asia's leading internet TV service provider completed a new round of funding led by Sky Plc, Europe's leading entertainment company and the Indonesian company, Emtek Group, through its subsidiary, PT Surya Citra Media Tbk, or SCMA. PLDT Online's shares account for the 7.5% of the total equity stock of iFlix which had a post money valuation of US$450 million following the investments of Sky Plc and SCMA.

Related Party Transactions

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

ANNEX I – AGING OF ACCOUNTS RECEIVABLE

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

Type of Accounts Receivable	Total	Current	31–60 Days	61–90 Days	Over 91 Days
			(in millions)		
Retail subscribers	Php22,449	Php6,264	Php1,158	Php496	Php14,531
Corporate subscribers	10,321	1,530	2,075	1,146	5,570
Foreign administrations	6,135	1,027	706	502	3,900
Domestic carriers	583	336	37	40	170
Dealers, agents and others	9,160	4,968	852	354	2,986
Total	48,648	Php14,125	Php4,828	Php2,538	Php27,157
Less: Allowance for doubtful accounts	20,204				
Total Receivables - net	Php28,444				

ANNEX II – FINANCIAL SOUNDNESS INDICATORS

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

	2016	2015
Current Ratio(1)	0.42:1.0	0.55:1.0
Net Debt to Equity Ratio(2)	1.14:1.0	0.84:1.0
Net Debt to EBITDA Ratio(3)	1.95:1.0	1.42:1.0
Total Debt to EBITDA Ratio(4)	2.41:1.0	1.94:1.0
Asset to Equity Ratio(5)	4.16:1.0	3.52:1.0
Interest Coverage Ratio(6)	3.77:1.0	8.25:1.0
Profit Margin(7)	15%	22%
Return on Assets(8)	3%	8%
Return on Equity(9)	14%	25%
EBITDA Margin(10)	38%	44%

(1) *Current ratio is measured as current assets divided by current liabilities (including current portion – LTD, unearned revenues and mandatory tender option liability.)*
(2) *Net Debt to equity ratio is measured as total debt (long-term debt, including current portion and notes payable) less cash and cash equivalent and short-term investments divided by total equity attributable to equity holders of PLDT.*
(3) *Net Debt to EBITDA ratio is measured as total debt (long-term debt, including current portion and notes payable) less cash and cash equivalent and short-term investments divided by EBITDA for the 12 months average period.*
(4) *Total Debt to EBITDA ratio is measured as total debt (long-term debt, including current portion and notes payable) divided by EBITDA for the 12 months average period.*
(5) *Asset to equity ratio is measured as total assets divided by total equity attributable to equity holders of PLDT.*
(6) *Interest coverage ratio is measured by EBIT, or earnings before interest and taxes for the period, divided by total financing cost for the period.*
(7) *Profit margin is derived by dividing net income for the period with total revenues for the period.*
(8) *Return on assets is measured as net income for the period divided by average total assets.*
(9) *Return on Equity is measured as net income for the period divided by average total equity attributable to equity holders of PLDT.*
(10) *EBITDA margin is measured as EBITDA divided by service revenues for the 12 months average period.*
EBITDA for the period is measured as net income excluding depreciation and amortization, amortization of intangible assets, asset impairment on noncurrent assets, financing cost, interest income, equity share in net earnings (losses) of associates and joint ventures, foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net, provision for (benefit from) income tax and other income (expenses) – net for the period.

SIGNATURES

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

Registrant: **PLDT Inc.**

Signature and Title: ______________________

MANUEL V. PANGILINAN
President and Chief Executive Officer

Signature and Title: ______________________

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

Signature and Title: ______________________

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

Date: August 2, 2016