

SEC Number  
File Number

PW-55

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**PHILIPPINE LONG DISTANCE  
TELEPHONE COMPANY**

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(Company's Full Name)

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

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(Company's Address)

**(632) 816-8556**

---

(Telephone Number)

**Not Applicable**

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(Fiscal Year Ending)  
(month & day)

**SEC Form 17-Q**

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Form Type

**Not Applicable**

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Amendment Designation (if applicable)

**March 31, 2016**

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Period Ended Date

**Not Applicable**

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(Secondary License Type and File Number)



May 3, 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 three (3) months ended March 31, 2016.

Very truly yours,

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



May 3, 2016

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

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

Gentlemen:

In accordance with Section 17.1(b) of the Securities Regulation Code and SRC Rule 17.3, we submit herewith a copy of SEC Form 17-Q with Management's Discussion and Analysis and accompanying unaudited consolidated financial statements for the three (3) months ended March 31, 2016.

Very truly yours,

A handwritten signature in black ink, appearing to read "LR Chan", is written over the typed name.

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

# COVER SHEET

SEC Registration Number

P	W	-	5	5						
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Company Name

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

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

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

Form Type

1	7	-	Q
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Department requiring the report

M	S	R	D
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Secondary License Type, If Applicable

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### COMPANY INFORMATION

Company's Email Address

<b>jacabal@pldt.com.ph</b>
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Company's Telephone Number/s

<b>(02) 816-8534</b>
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Mobile Number

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No. of Stockholders

<b>11,816 as at March 31, 2016</b>
--

Annual Meeting  
Month/Day

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

Fiscal Year  
Month/Day

<b>December 31</b>
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### CONTACT PERSON INFORMATION

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

Name of Contact Person

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

Email Address

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

Telephone Number/s

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

Mobile Number

--

Contact Person's Address

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2016**
2. SEC Identification Number **PW-55**
3. BIR Tax Identification No. **000-488-793**
4. **Philippine Long Distance Telephone Company**  
Exact name of registrant as specified in its charter
5. **Republic of the Philippines**  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **Ramon Cojuangco Building, Makati Avenue, Makati City** **0721**  
Address of registrant's principal office Postal Code
8. **(632) 816-8556**  
Registrant's telephone number, including area code
9. **Not Applicable**  
Former name, former address, and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 of the SRC  

Title of Each Class	Number of Shares of Common Stock Outstanding
<b>Common Capital Stock, Php5 par value</b>	<b>216,055,775 shares as at March 31, 2016</b>
11. Are any or all of these securities listed on the Philippine Stock Exchange?  
Yes [  ] No [  ]
12. Check whether the registrant
  - (a) has filed all reports required to be filed by Section 17 of the SRC during the preceding ten months (or for such shorter period that the registrant was required to file such reports):  
Yes [  ] No [  ]
  - (b) has been subject to such filing requirements for the past 90 days.  
Yes [  ] No [  ]

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## PART I – FINANCIAL INFORMATION

### Item 1. Consolidated Financial Statements

*Our consolidated financial statements as at March 31, 2016 (unaudited) and December 31, 2015 (audited) and for the three months ended March 31, 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 Philippine Long Distance Telephone Company and its consolidated subsidiaries, and references to “PLDT” mean the Philippine Long Distance Telephone Company, not including its consolidated subsidiaries (please see Note 2 – Summary of Significant Accounting Policies to the accompanying unaudited consolidated financial statements for the list of these subsidiaries, including a description of their respective principal business activities and PLDT’s direct and/or indirect equity interest).*

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

*The financial information appearing in this report and in the accompanying unaudited consolidated financial statements is stated in Philippine pesos. All references to “Philippine pesos,” “Php” or “pesos” are to the lawful currency of the Philippines; all references to “U.S. dollars,” “US\$” or “dollars” are to the lawful currency of the United States; all references to “Japanese yen,” “JP¥” or “yen” are to the lawful currency of Japan and all references to “Euro” or “€” are to the lawful currency of the European Union. Unless otherwise indicated, translations of Philippine peso amounts into U.S. dollars in this report and in the accompanying unaudited consolidated financial statements were made based on the exchange rate of Php45.99 to US\$1.00, the volume weighted average exchange rate as at March 31, 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

	Three months ended March 31,		Increase (Decrease)	
	2016	2015	Amount	%
<small>(in millions, except for EBITDA margin, earnings per common share, net debt to equity ratio and operational data)</small>				
<b>Consolidated Income Statement</b>				
Revenues	Php42,779	Php42,553	Php226	1
Expenses	35,186	30,435	4,751	16
Other income	1,369	138	1,231	892
Income before income tax	8,962	12,256	(3,294)	(27)
Net income for the period	6,233	9,398	(3,165)	(34)
Core income	7,211	9,280	(2,069)	(22)
EBITDA	16,606	19,282	(2,676)	(14)
EBITDA margin <sup>(1)</sup>	41%	48%	-	-
Reported earnings per common share:				
Basic	28.71	43.38	(14.67)	(34)
Diluted	28.71	43.38	(14.67)	(34)
Core earnings per common share <sup>(2)</sup> :				
Basic	33.31	42.88	(9.57)	(22)
Diluted	33.31	42.88	(9.57)	(22)
	March 31,	December 31,	Increase (Decrease)	
	2016	2015	Amount	%
<b>Consolidated Statements of Financial Position</b>				
Total assets	Php466,102	Php455,095	Php11,007	2
Property and equipment	202,588	195,782	6,806	3
Cash and cash equivalents and short-term investments	48,490	47,884	606	1
Total equity attributable to equity holders of PLDT	105,322	113,608	(8,286)	(7)
Long-term debt, including current portion	161,190	160,892	298	-
Net debt <sup>(3)</sup> to equity ratio	1.07x	0.99x	-	-
	Three months ended March 31,		Increase (Decrease)	
	2016	2015	Amount	%
<b>Consolidated Statements of Cash Flows</b>				
Net cash provided by operating activities	Php17,780	Php16,146	Php1,634	10
Net cash provided by (used in) investing activities	(15,180)	1,016	(16,196)	(1,594)
Capital expenditures	14,570	2,954	11,616	393
Net cash provided by (used in) financing activities	(3,163)	1,502	(4,665)	(311)
<b>Operational Data</b>				
Number of cellular subscribers	64,449,386	69,622,147	(5,172,761)	(7)
Number of fixed line subscribers	2,339,001	2,234,115	104,886	5
Number of broadband subscribers:	5,285,921	4,530,038	755,883	17
Fixed Line	1,296,402	1,138,598	157,804	14
Wireless	3,989,519	3,391,440	598,079	18
Number of employees:	17,042	17,601	(559)	(3)
Fixed Line	9,835	9,839	(4)	-
LEC	7,060	7,490	(430)	(6)
Others	2,775	2,349	426	18
Wireless	7,207	7,762	(555)	(7)

(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
March 31, 2016	Php45.99	Php47.26
December 31, 2015	47.12	45.51
March 31, 2015	44.73	44.42
December 31, 2014	44.74	44.40



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## 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 operator; WiFun, Inc., our WiFi-enabler; and certain subsidiaries of PLDT Global Corporation, or PLDT Global, our mobile virtual network operations, or MVNO, provider;
- *Fixed Line* — fixed line telecommunications services primarily provided by PLDT. We also provide fixed line services through PLDT's subsidiaries, namely, PLDT Clark Telecom, Inc., PLDT Subic Telecom, Inc., PLDT-Philcom, Inc. or Philcom, and its subsidiaries, or Philcom Group, PLDT-Maratel, Inc., SBI, PDSI, Bonifacio Communications Corporation, PLDT Global and certain subsidiaries and Digitel, all of which together account for approximately 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 provided 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 March 31, 2016, our chief operating decision maker, or our Management Committee, views our business activities in three business units: Wireless, Fixed Line and Others.



## Management's Financial Review

In addition to consolidated net income, we use EBITDA and core income to assess our operating performance. The reconciliation of our consolidated EBITDA and our consolidated core income to our consolidated net income for the three months ended March 31, 2016 and 2015 are set forth below.

The following table shows the reconciliation of our consolidated EBITDA to our consolidated net income for the three months ended March 31, 2016 and 2015:

	2016	2015
	(in millions)	
Consolidated EBITDA	Php16,606	Php19,282
Add (deduct) adjustments:		
Equity share in net earnings of associates and joint ventures	637	653
Interest income	255	184
Gains (losses) on derivative financial instruments – net	(497)	30
Asset impairment	(1,583)	–
Foreign exchange gains – net	970	43
Amortization of intangible assets	(272)	(268)
Financing costs – net	(1,804)	(1,535)
Provision for income tax	(2,729)	(2,858)
Depreciation and amortization	(7,158)	(6,896)
Other income – net	1,808	763
Total adjustments	(10,373)	(9,884)
Consolidated net income	Php6,233	Php9,398

The following table shows the reconciliation of our consolidated core income to our consolidated net income for the three months ended March 31, 2016 and 2015:

	2016	2015
	(in millions)	
Consolidated core income	Php7,211	Php9,280
Add (deduct) adjustments:		
Foreign exchange gains – net	970	43
Net income attributable to noncontrolling interests	16	11
Asset impairment	(1,583)	–
Core loss adjustment on equity share in net gains (losses) of associates and joint ventures	42	(7)
Gain (loss) on derivative financial instruments – net, excluding hedge costs	(369)	105
Net tax effect of aforementioned adjustments	(54)	(34)
Total adjustments	(978)	118
Consolidated net income	Php6,233	Php9,398



## Results of Operations

The table below shows the contribution by each of our business segments to our consolidated revenues, expenses, other income (expenses), income before income tax, provision for income tax, net income/segment profit, EBITDA, EBITDA margin and core income for the three months ended March 31, 2016 and 2015. In each of the three months ended March 31, 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)				
<b>For the three months ended March 31, 2016</b>					
Revenues	Php27,931	Php17,935	Php-	(Php3,087)	Php42,779
Expenses	22,576	14,460	1,598	(3,448)	35,186
Other income	622	139	969	(361)	1,369
Income before income tax	5,977	3,614	(629)	-	8,962
Provision for income tax	1,702	1,065	(38)	-	2,729
Net income/Segment profit	4,275	2,549	(591)	-	6,233
EBITDA	9,629	6,631	(15)	361	16,606
EBITDA margin <sup>(1)</sup>	36%	39%	-	-	41%
Core income	3,895	2,648	668	-	7,211
<b>For the three months ended March 31, 2015</b>					
Revenues	29,176	16,651	-	(3,274)	42,553
Expenses	20,571	13,532	2	(3,670)	30,435
Other income (expenses)	93	(511)	952	(396)	138
Income before income tax	8,698	2,608	950	-	12,256
Provision for income tax	2,044	805	9	-	2,858
Net income/Segment profit	6,654	1,803	941	-	9,398
EBITDA	12,603	6,285	(2)	396	19,282
EBITDA margin <sup>(1)</sup>	45%	39%	-	-	48%
Core income	6,599	1,738	943	-	9,280
<b>Increase (Decrease)</b>					
Revenues	(1,245)	1,284	-	187	226
Expenses	2,005	928	1,596	222	4,751
Other income	529	650	17	35	1,231
Income before income tax	(2,721)	1,006	(1,579)	-	(3,294)
Provision for income tax	(342)	260	(47)	-	(129)
Net income/Segment profit	(2,379)	746	(1,532)	-	(3,165)
EBITDA	(2,974)	346	(13)	(35)	(2,676)
Core income	(2,704)	910	(275)	-	(2,069)

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

## On a Consolidated Basis

### Revenues

We reported consolidated revenues of Php42,779 million in the first three months of 2016, an increase of Php226 million, or 1%, as compared with Php42,553 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 other services from our wireless business, and lower revenues from international and national long distance services from our fixed line business.

The following table shows the breakdown of our consolidated revenues by business segment for the three months ended March 31, 2016 and 2015:

	2016	%	2015	%	Change	
					Amount	%
	(in millions)					
Wireless	Php27,931	65	Php29,176	69	(Php1,245)	(4)
Fixed line	17,935	42	16,651	39	1,284	8
Inter-segment transactions	(3,087)	(7)	(3,274)	(8)	187	(6)
Consolidated	Php42,779	100	Php42,553	100	Php226	1

## Expenses

Consolidated expenses increased by Php4,751 million, or 16%, to Php35,186 million in the first three months of 2016 from Php30,435 million in the same period in 2015, as a result of higher expenses related to asset impairment, cost of sales, and operating expenses related to taxes and licenses, compensation and employee benefits, professional and other contracted services, rent, and other operating expenses, partially offset by lower expenses related to selling and promotions, and interconnection costs.

The following table shows the breakdown of our consolidated expenses by business segment for the three months ended March 31, 2016 and 2015:

	2016		2015		Change	
	Amount	%	Amount	%	Amount	%
	(in millions)					
Wireless	Php22,576	64	Php20,571	68	Php2,005	10
Fixed line	14,460	41	13,532	44	928	7
Others	1,598	5	2	–	1,596	79,800
Inter-segment transactions	(3,448)	(10)	(3,670)	(12)	222	(6)
Consolidated	Php35,186	100	Php30,435	100	Php4,751	16

## Other Income

Consolidated other income amounted to Php1,369 million in the first three months of 2016, a change of Php1,231 million from Php138 million in the same period in 2015, primarily due to the combined effects of the following: (i) an increase in other income by Php1,045 million due to gain on sale of property and fixed assets, higher income from consultancy and higher gain from rental income, partially offset by lower gain on insurance claims; (ii) higher foreign exchange gains by Php927 million on account of revaluation of net foreign currency-denominated liabilities due to higher appreciation of the Philippine peso relative to the U.S. dollar; (iii) higher interest income by Php71 million due to higher weighted average peso interest rates, increase in principal amount of temporary cash investments; (iv) a decrease in equity share in net earnings of associates by Php16 million due to share in net losses of Cignal TV, Inc., or Cignal TV, and Automated Fare Collection System, Inc., or AFCSI, in the first three months of 2016, partially offset by higher net earnings of Beacon Electronic Asset Holdings, Inc., or Beacon, Asia Outsourcing Beta Limited, or Beta, and Digitel Crossing, Inc.; (v) higher net financing costs by Php269 million due to higher outstanding loan balance and slightly higher weighted average interest rate, partly offset by the appreciation of the Philippine peso to the U.S. dollar, lower financing charges and higher capitalized interest; and (vi) losses on derivative financial instruments of Php497 million in the first three months of 2016 as against gains on derivative financial instruments of Php30 million in the same period in 2015 on account of a mark-to-market loss on long-term currency swaps and forward purchase contracts due to the appreciation of the Philippine peso relative to the U.S. dollar and narrower dollar and peso interest rate differentials.

The following table shows the breakdown of our consolidated other income (expenses) by business segment for the three months ended March 31, 2016 and 2015:

	2016		2015		Change	
	Amount	%	Amount	%	Amount	%
	(in millions)					
Wireless	Php622		Php93		Php529	569
Fixed line	139		(511)		650	(127)
Others	969		952		17	2
Inter-segment transactions	(361)		(396)		35	(9)
Consolidated	Php1,369		Php138		Php1,231	892

## Net Income

Consolidated net income decreased by Php3,165 million, or 34%, to Php6,233 million in the first three months of 2016, from Php9,398 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 Php4,751 million; (ii) an increase in consolidated other income – net by Php1,231 million; (iii) an increase in consolidated revenues by Php226 million; and (iv) a decrease in consolidated provision for income tax by Php129 million. Our consolidated basic and diluted EPS decreased to Php28.71 in the first three months of 2016 from consolidated basic and diluted EPS of Php43.38 in



the same period in 2015. Our weighted average number of outstanding common shares was approximately 216.06 million in each of the three months ended March 31, 2016 and 2015.

The following table shows the breakdown of our consolidated net income by business segment for the three months ended March 31, 2016 and 2015:

	2016	%	2015	%	Change	
					Amount	%
(in millions)						
Wireless	Php4,275	69	Php6,654	71	(Php2,379)	(36)
Fixed line	2,549	41	1,803	19	746	41
Others	(591)	(10)	941	10	(1,532)	(163)
Consolidated	Php6,233	100	Php9,398	100	(Php3,165)	(34)

### **EBITDA**

Our consolidated EBITDA amounted to Php16,606 million in the first three months of 2016, a decrease of Php2,676 million, or 14%, as compared with Php19,282 million in the same period in 2015, primarily due to higher cost of sales and higher operating expenses driven by taxes and licenses, compensation and employee benefits, professional and other contracted services, rent and other operating expenses, partially offset by lower selling and promotions, and interconnection costs, as well as higher consolidated revenues.

The following table shows the breakdown of our consolidated EBITDA by business segment for the three months ended March 31, 2016 and 2015:

	2016	%	2015	%	Change	
					Amount	%
(in millions)						
Wireless	Php9,629	58	Php12,603	65	(Php2,974)	(24)
Fixed line	6,631	40	6,285	33	346	6
Others	(15)	-	(2)	-	(13)	650
Inter-segment transactions	361	2	396	2	(35)	(9)
Consolidated	Php16,606	100	Php19,282	100	(Php2,676)	(14)

### **Core Income**

Our consolidated core income amounted to Php7,211 million in the first three months of 2016, a decrease of Php2,069 million, or 22%, as compared with Php9,280 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 Php33.31 in the first three months of 2016 from Php42.88 in the same period in 2015.

The following table shows the breakdown of our consolidated core income by business segment for the three months ended March 31, 2016 and 2015:

	2016	%	2015	%	Change	
					Amount	%
(in millions)						
Wireless	Php3,895	54	Php6,599	71	(Php2,704)	(41)
Fixed line	2,648	37	1,738	19	910	52
Others	668	9	943	10	(275)	(29)
Consolidated	Php7,211	100	Php9,280	100	(Php2,069)	(22)

## On a Business Segment Basis

### Wireless

#### Revenues

We generated revenues from our wireless business of Php27,931 million in the first three months of 2016, a decrease of Php1,245 million, or 4%, from Php29,176 million in the same period in 2015.

The following table summarizes our total revenues from our wireless business for the three months ended March 31, 2016 and 2015 by service segment:

	2016	%	2015	%	Increase (Decrease)	
					Amount	%
	(in millions)					
Service Revenues:						
Cellular	Php23,388	84	Php24,878	85	(Php1,490)	(6)
Wireless broadband and others						
Wireless broadband	2,960	10	2,528	9	432	17
Others	188	1	215	1	(27)	(13)
Digital platforms and mobile financial services	134	–	265	1	(131)	(49)
	26,670	95	27,886	96	(1,216)	(4)
Non-Service Revenues:						
Sale of cellular handsets, cellular subscriber identification module, or SIM,-packs and broadband data modems	1,261	5	1,290	4	(29)	(2)
Total Wireless Revenues	Php27,931	100	Php29,176	100	(Php1,245)	(4)

#### Service Revenues

Our wireless service revenues in the first three months of 2016 decreased by Php1,216 million, or 4%, to Php26,670 million as compared with Php27,886 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 revenues. As a percentage of our total wireless revenues, service revenues accounted for 95% and 96% in the first three months of 2016 and 2015, respectively.

#### Cellular Service

Our cellular service revenues in the first three months of 2016 amounted to Php23,388 million, a decrease of Php1,490 million, or 6%, from Php24,878 million in the same period in 2015. Cellular service revenues accounted for 88% and 89% of our wireless service revenues in the first three months 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.

On February 24, 2016, we announced a multi-year partnership with UFC, the world's largest mixed martial arts organization that will bring the world's fastest growing sport closer to more Filipinos. As part of the partnership, Smart will be the official and exclusive mobile carrier of the UFC in the Philippines, which will give *Smart Bro* subscribers special access to UFC fan events and experiences, as well as the exclusive opportunity to meet and interact with top UFC athletes. Smart will also be a provider of *UFC Fight Pass*, a digital platform providing fans with exclusive UFC content and access to the world's largest library of fight content. Smart's new collaboration with UFC adds to its impressive portfolio of world-class partnerships, delivering a *Smart Life* experience to all subscribers.

In fulfillment of the objective of enhancing the subscribers' digital experience, Smart renewed its commitment to improve the 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 integrated and synergized 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 with breakthrough LTE speeds. Lastly, the improvement boosted 3G data service behind an enhanced 3G/HSPA/HSPA+ coverage and capacity.

The following table shows the breakdown of our cellular service revenues for the three months ended March 31, 2016 and 2015:

	2016	2015	Increase (Decrease)	
			Amount	%
	(in millions)			
Cellular service revenues	Php23,388	Php24,878	(Php1,490)	(6)
<i>By service type</i>				
Prepaid	22,848	24,368	(1,520)	(6)
Postpaid	16,679	18,668	(1,989)	(11)
	6,169	5,700	469	8
<i>By component</i>				
Voice	22,848	24,368	(1,520)	(6)
Data	10,548	11,914	(1,366)	(11)
	12,300	12,454	(154)	(1)
<i>Others<sup>(1)</sup></i>	540	510	30	6

(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 three months ended March 31, 2016 and 2015:

	2016	2015	Increase (Decrease)	
			Amount	%
Cellular subscriber base	64,449,386	69,622,147	(5,172,761)	(7)
Prepaid	61,484,747	66,721,243	(5,236,496)	(8)
<i>Smart</i>	22,224,447	24,819,813	(2,595,366)	(10)
<i>TNT</i>	29,319,400	28,055,224	1,264,176	5
<i>Sun Cellular</i>	9,940,900	13,846,206	(3,905,306)	(28)
Postpaid	2,964,639	2,900,904	63,735	2
<i>Sun Cellular</i>	1,637,200	1,812,098	(174,898)	(10)
<i>Smart</i>	1,327,439	1,088,806	238,633	22
Systemwide traffic volumes (in million minutes)				
Calls	16,220	13,014	3,206	25
Domestic	15,707	12,319	3,388	28
<i>Inbound</i>	224	257	(33)	(13)
<i>Outbound</i>	15,483	12,062	3,421	28
International	513	695	(182)	(26)
<i>Inbound</i>	441	591	(150)	(25)
<i>Outbound</i>	72	104	(32)	(31)
Text/Data count (in million hits)	82,359	96,854	(14,495)	(15)
Text messages	81,898	96,343	(14,445)	(15)
Domestic	81,721	96,133	(14,412)	(15)
Bucket-Priced/Unlimited	73,258	87,379	(14,121)	(16)
Standard	8,463	8,754	(291)	(3)
International	177	210	(33)	(16)
Value-Added Services	462	511	(49)	(10)

### Prepaid Revenues

Revenues generated from our prepaid cellular services amounted to Php16,679 million in the first three months of 2016, a decrease of Php1,989 million, or 11%, as compared with Php18,668 million in the same period in 2015. Prepaid cellular service revenues accounted for 73% and 77% of cellular voice and data revenues in the first three months 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.



On January 24, 2016, *Smart Prepaid* introduced the *Smart Prepaid Android Phone Kit Php888*. The package features *MyPhone My28s*, a dual-SIM smartphone for a one-time fee of Php888, and comes with a *Smart Prepaid* SIM packed with free 100MB mobile data per month for 12 months, and a load rebate of Php30 for an accumulated top-up of Php100 per month for 12 months. Package also includes free *TNT* SIM with unlimited all-net texts for two days and free 30MB per day to access *Facebook*, *Twitter* and *Viber* for seven days. Starting March 6, 2016, the offer was also bundled with Php100 *Smart Prepaid* call and text card for a one-time fee of Php988.

On February 8, 2016, *Smart Prepaid* launched *Big Bytes Barkada 99* and *Big Bytes Barkada 299* with open access shareable data of up to 700MB and 2000MB, respectively. With *Big Bytes Barkada*, *Smart Prepaid* subscribers can share a minimum of 50MB per share transaction to other *Smart Prepaid* subscribers. The promo was launched via a viral video that broke previous records for Smart videos in terms of views, shares and likes on Facebook.

*Sun Cellular* continues to offer its *Call and Text Unlimited* products, which allows *Sun Prepaid* subscribers to enjoy up to 24 hours of *Sun-to-Sun* calls and texts. *Call and Text Unlimited 100* allows subscribers unlimited calls to *Sun Cellular*, *Smart* and *TNT*, unlimited all-net texts, and up to 100MB of data access. *Text Unlimited 200* remains to be a banner product of *Sun Cellular*, which offers unlimited on-net texts, 1000 all-net texts, five hours of calls to *Sun Cellular*, *Smart* and *TNT*, unlimited chat, *Spinnr*, and free *Facebook* access of up to 15MB per day.

*Sun Cellular* also offers *Non-stop Surf* mobile internet packages starting for as low as Php25 for one day of non-stop light surfing with 25MB open access volume allocation and 300MB *Spinnr* access. It also has 30-day variants starting at Php299 for 30 days of non-stop light surfing and 1GB of *Spinnr* access for only Php450 per month.

Smart's value brand, *TNT* launched the *Alden & Maine load* or *AM15* that allows *Katropas* to keep up with their favorite couple Alden and Maine and all updates online. With only Php15 per day, a *TNT* subscriber can enjoy Unlitext 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 compared to the usual texting and calling. This paves the way for *TNT* subscribers to load more and encourage basic data usage.

#### *Postpaid Revenues*

Revenues generated from postpaid cellular service amounted to Php6,169 million in the first three months of 2016, an increase of Php469 million, or 8%, as compared with Php5,700 million earned in the same period in 2015, and accounted for 27% and 23% of cellular voice and data revenues in the first three months of 2016 and 2015, respectively. The increase in our postpaid cellular service revenues was primarily due to our growing postpaid subscriber base.

Postpaid subscribers have a wide array of choices for their monthly subscription plans. Smart offers *Smart All-in Plans*, which enable subscribers to choose from Smart's different services, such as unlimited call, text, or mobile browsing, all charged within the subscriber's monthly service fee.

*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, up to *Plan 2999* with 10GB, of data, plus free on-net calls and texts, this plan offers data allowance depending on their style. The latest *iPhones* are also available on *iPhone Plans* from *Plan 799* to *Plan 2499*, which include *All Month Surf* for light surfing and a monthly volume allowance on top for use in all other sites.

On March 14, 2016, *Smart Postpaid* was the first to offer *Samsung Galaxy S7* and *S7 Edge*, starting at *Surf Plus Plan 399* or *All-in Plan 500*, with cash-outs available for monthly amortization. *Samsung Galaxy S7* is free at *Surf Plus Plan 1999*, which includes up to 9GB of data allowance, 150 minutes of all-net calls, 200 all-net texts and a VAS subscription of choice.

As the premium postpaid business of the Smart brand, *Smart Infinity* continues to delight its subscribers not only with impeccable service and offers but with a unique and exclusive lifestyle. On March 17, 2016, selected subscribers were treated to an exclusive night celebrating the Broadway classic *Les Miserables* at The Theater

Solaire. Subscribers were treated to a unique double-device package of *Samsung*'s latest flagship, *S7* or *S7 Edge*, and the *Samsung Gear VR* and other premium offers.

*Smart Postpaid* continues to offer the latest *iPhone* models through its *iPhone Plans*. *iPhone 6s* and *iPhone 6s Plus* are available in *iPhone Plans* starting at *Plan 799* or *All-in Plans* starting at *Plan 500*, with cash-outs available for monthly amortization depending on the *iPhone* models.

*Sun Cellular* postpaid plans offer a variety of services to cater to the emerging needs of the subscribers at affordable prices. *Best Value Plans* starting from Php350 per month includes a free smartphone, unlimited *Sun Calls and Texts*, 250 free texts to other networks and up to 100MB of mobile surfing.

#### 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 Php1,366 million, or 11%, to Php10,548 million in the first three months of 2016 from Php11,914 million in the same period in 2015 primarily due to lower international and domestic voice revenues caused by the preference for alternative calling options and other over-the-top, or OTT, services such as *Viber*, *Facebook Messenger*, etc. Cellular voice services accounted for 45% and 48% of our cellular service revenues in the first three months of 2016 and 2015, respectively.

The following table shows the breakdown of our cellular voice revenues for the three months ended March 31, 2016 and 2015:

	2016	2015	Decrease	
			Amount	%
			(in millions)	
Voice services:				
<i>Domestic</i>				
Inbound	Php872	Php1,002	(Php130)	(13)
Outbound	7,372	7,917	(545)	(7)
	8,244	8,919	(675)	(8)
<i>International</i>				
Inbound	2,024	2,608	(584)	(22)
Outbound	280	387	(107)	(28)
	2,304	2,995	(691)	(23)
<b>Total</b>	<b>Php10,548</b>	<b>Php11,914</b>	<b>(Php1,366)</b>	<b>(11)</b>

Domestic voice service revenues decreased by Php675 million, or 8%, to Php8,244 million in the first three months of 2016 from Php8,919 million in the same period in 2015, due to lower domestic outbound and inbound voice service revenues by Php545 million and Php130 million, respectively.

International voice service revenues decreased by Php691 million, or 23%, to Php2,304 million in the first three months of 2016 from Php2,995 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 a higher weighted average exchange rate of the Philippine peso to the U.S. dollar.

#### 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, decreased by Php154 million, or 1%, to Php12,300 million in the first three months of 2016 from Php12,454 million in the same period in 2015 primarily due to lower text messaging revenues, partially offset by higher mobile internet revenues. Cellular data services accounted for 53% and 50% of our cellular service revenues in the first three months of 2016 and 2015, respectively.

The following table shows the breakdown of our cellular data service revenues for the three months ended March 31, 2016 and 2015:

	2016	2015	Increase (Decrease)	
			Amount	%
	(in millions)			
Text messaging				
Domestic	Php8,362	Php9,016	(Php654)	(7)
<i>Bucket-Priced/Unlimited</i>	5,978	6,133	(155)	(3)
<i>Standard</i>	2,384	2,883	(499)	(17)
International	504	682	(178)	(26)
	8,866	9,698	(832)	(9)
Mobile internet <sup>(1)</sup>	3,091	2,235	856	38
Value-added services <sup>(2)</sup>	343	521	(178)	(34)
<b>Total</b>	<b>Php12,300</b>	<b>Php12,454</b>	<b>(Php154)</b>	<b>(1)</b>

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

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

Text messaging-related services contributed revenues of Php8,866 million in the first three months of 2016, a decrease of Php832 million, or 9%, as compared with Php9,698 million in the same period in 2015, and accounted for 72% and 78% of our total cellular data service revenues in the first three months 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 Php5,978 million in the first three months of 2016, a decrease of Php155 million, or 3%, as compared with Php6,133 million in the same period in 2015. Bucket-priced/unlimited text messages decreased by 14,121 million, or 16%, to 73,258 million in the first three months of 2016 from 87,379 million in the same period in 2015.

Mobile internet service revenues increased by Php856 million, or 38%, to Php3,091 million in the first three months of 2016 from Php2,235 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 OTT services. Mobile internet usage includes traffic generated from various promotions, such as *Free Mobile Internet*, *Internet for All* and *Free Instagram*. Data offerings such as *Smart Big Bytes Barkada* and *Share Data Flexibundles* were also introduced during the year to boost data usage.

#### *Cellular – Others*

Revenues from our other cellular services, which include non-subscriber-related revenues consisting of inbound international roaming fees and share in revenues from *PLDT WeRoam* and *PLP*, increased by Php30 million, or 6%, to Php540 million in the first three months of 2016 from Php510 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 three months of 2016 and 2015.

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

As at March 31, 2016, our cellular subscribers totaled 64,449,386 a decrease of 5,172,761, or 7%, from the cellular subscriber base of 69,622,147 as at March 31, 2015. Our cellular prepaid subscriber base decreased by 5,236,496, or 8%, to 61,484,747 as at March 31, 2016 from 66,721,243 as at March 31, 2015, while our cellular postpaid subscriber base increased by 63,735, or 2%, to 2,964,639 as at March 31, 2016 from 2,900,904 as at March 31, 2015. The decrease in cellular subscriber base was primarily due to net decreases in Smart and *Sun Cellular* subscribers by 2,356,733 and 4,080,204, respectively, and higher *TNT* subscribers by 1,264,176. Prepaid subscribers accounted for 95% and 96% of our total subscriber base as at March 31, 2016 and 2015, respectively.



Our net subscriber activations (reductions) for the three months ended March 31, 2016 and 2015 were as follows:

	2016	2015	Increase (Decrease)	
			Amount	%
Prepaid	(495,678)	(370,369)	(125,309)	34
Smart	(667,856)	(57,331)	(610,525)	1,065
TNT	1,265,240	(94,136)	1,359,376	(1,444)
Sun Cellular <sup>(1)</sup>	(1,093,062)	(218,902)	(874,160)	399
Postpaid	6,990	135,456	(128,466)	(95)
Smart	97,713	48,585	49,128	101
Sun Cellular <sup>(1)</sup>	(90,723)	86,871	(177,594)	(204)
<b>Total</b>	<b>(488,688)</b>	<b>(234,913)</b>	<b>(253,775)</b>	<b>108</b>

<sup>(1)</sup> Net of 143,741 adjustment in the number of subscribers resulting from our periodic clean-up. Excluding the clean-up adjustment, net reductions in the first three months of 2016 should have been 53,018, which narrowed the decrease to 33,853, or 61%, from 86,871 activations in the same period in 2015.

The following table summarizes our average monthly churn rates for the three months ended March 31, 2016 and 2015:

	2016	2015
	(in %)	
Prepaid		
Smart	7.1	5.8
TNT	5.4	5.6
Sun Cellular	10.1	10.2
Postpaid		
Smart	3.0	2.6
Sun Cellular	6.2	1.8

The following table summarizes our average monthly cellular ARPUs for the three months ended March 31, 2016 and 2015:

	Gross <sup>(1)</sup>		Increase (Decrease)		Net <sup>(2)</sup>		Increase (Decrease)	
	2016	2015	Amount	%	2016	2015	Amount	%
Prepaid								
Smart	Php119	Php130	(11)	(8)	Php109	Php118	(9)	(8)
TNT	87	93	(6)	(6)	80	85	(5)	(6)
Sun Cellular	85	68	17	25	78	63	15	24
Postpaid								
Smart	1,018	1,049	(31)	(3)	999	1,039	(40)	(4)
Sun Cellular	463	452	11	2	459	449	10	2

<sup>(1)</sup> 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.

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

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

	Prepaid						Postpaid			
	Smart		TNT		Sun Cellular		Smart		Sun Cellular	
	Gross <sup>(1)</sup>	Net <sup>(2)</sup>	Gross <sup>(1)</sup>	Net <sup>(2)</sup>	Gross <sup>(1)</sup>	Net <sup>(2)</sup>	Gross <sup>(1)</sup>	Net <sup>(2)</sup>	Gross <sup>(1)</sup>	Net <sup>(2)</sup>
2016										
First Quarter	Php119	Php109	Php87	Php80	Php85	Php78	Php1,018	Php999	Php463	Php459
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	479	475

<sup>(1)</sup> Gross monthly ARPU is calculated based on the average of the gross monthly ARPUs for the quarter.

<sup>(2)</sup> 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 Php432 million, or 17%, to Php2,960 million in the first three months of 2016 from Php2,528 million in the same period in 2015, primarily due to an increase in prepaid revenues by Php312 million, or 35%, to Php1,206 million in the first three months of 2016 from Php894 million in the same period in 2015 and higher postpaid revenues by Php120 million, or 7%, to Php1,754 million in the first three months of 2016 from Php1,634 million in the same period in 2015, primarily due to the net increase in subscriber base resulting mainly from higher availment of dongles and TD-LTE.

The following table shows information of our wireless broadband revenues for the three months ended March 31, 2016 and 2015 and subscriber base as at December 31, 2015 and 2014:

	2016	2015	Increase (Decrease)	
			Amount	%
Wireless Broadband Revenues (in millions)	Php2,960	Php2,528	Php432	17
Prepaid	1,206	894	312	35
Postpaid	1,754	1,634	120	7
Wireless Broadband Subscribers	3,989,519	3,391,440	598,079	18
Prepaid	3,166,428	2,534,768	631,660	25
Smart	2,611,986	2,110,120	501,866	24
Sun	554,442	424,648	129,794	31
Postpaid	823,091	856,672	(33,581)	(4)
Smart	531,906	503,552	28,354	6
Sun	291,185	353,120	(61,935)	(18)

*Smart Broadband* and *Sun Broadband Wireless*, which offer a number of wireless broadband services, had a total of 3,989,519 subscribers as at March 31, 2016, a net increase of 598,079 subscribers, or 18%, as compared with 3,391,440 subscribers as at March 31, 2015, primarily due to a net increase in *Smart Broadband* subscribers by 530,220, or 20%, complemented by an increase in *Sun Broadband* subscribers by 67,859, or 9%, as at March 31, 2016. Our prepaid wireless broadband subscriber base increased by 631,660 subscribers, or 25%, to 3,166,428 subscribers as at March 31, 2016 from 2,534,768 subscribers as at March 31, 2015, while our postpaid wireless broadband subscriber base decreased by 33,581 subscribers, or 4%, to 823,091 subscribers as at March 31, 2016 from 856,672 subscribers as at March 31, 2015.

*Smart Broadband* offers internet access through *SmartBro Plug-It*, a wireless modem and *SmartBro Pocket WiFi*, a portable wireless router which can be shared by multiple users at a time. Both provide connectivity at varying speeds supported by Smart's network utilizing either 3G high speed packet access (HSPA), 4G HSPA+ or Long Term Evolution (LTE)-technology. *SmartBro Plug-It* and *SmartBro Pocket WiFi* are available in both postpaid and prepaid variants.

*Smart Broadband* continues to grow the wireless broadband revenues with our various *Big Bytes* and *iPad Plans*. New launches include *Smart Bro Shared Plan 999* which comes with three mobile numbers under one account. This plan offers up to 6GB of open access data allowance with free 1.1GB shared data for *Spinnr*, *iflix*, *YouTube*, *Daily Motion*, *Vimeo*, *Dubsmash*, *Skype Qik* for three months, and unlimited calling circle.

To accelerate the growth in the mobile broadband segment, *Smart Bro* 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.

Beginning with *LTE Pocket WiFi* in February 2016, prepaid kit pricing was reduced from Php3,495 to Php1,995 only, enabling subscribers to enjoy ultrafast internet connection anytime, anywhere.

In April 2016, *Smart Bro* then introduced its best offer, Php888 for a *4G Pocket Wifi* with a recurring load of 350MB for three months.

*Smart Bro* also fortified its *Postpaid Plan 799* portfolio. The objective is to offer *LTE Pocket Wifi* without cash-out and to strengthen the gadget line-up while maintaining large data volume allocation for the subscribers' diverse needs.

Top *Smart Broadband Prepaid* surfing packages include *Surf Max* packages such as *Surf Max50* and *Surf Max85*, which offer all-day internet surfing of up to 800MB per day, valid for one day and two days, respectively.

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

DMPI's *Sun Broadband Wireless* is an affordable high-speed wireless broadband service utilizing advanced 3.5G HSPA and LTE technology offering various plans and packages to internet users. *Sun Broadband* has a selection of broadband offerings which includes *Non-Stop Surf* packages for light or casual browsers, and *Surf Net Mega* packages for the heavy internet users.

#### *Others*

Revenues from our other services decreased by Php27 million, or 13%, to Php188 million in the first three months of 2016 from Php215 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 Php47.26 for the three months ended March 31, 2016 from Php44.42 for the three months ended March 31, 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 Php131 million, or 49%, to Php134 million in the first three months of 2016 from Php265 million in the same period in 2015 resulting from the deconsolidation of ePay in February 2016.

#### *Non-Service Revenues*

Our wireless non-service revenues consist of proceeds from sales of cellular handsets, cellular SIM-packs and broadband data modems, tablets and accessories. Our wireless non-service revenues decreased by Php29 million, or 2%, to Php1,261 million in the first three months of 2016 from Php1,290 million in the same period in 2015, primarily due to lower revenues from cellular and broadband postpaid, partially offset by higher revenues from cellular prepaid attributed to *Smart Prepaid Android Phone Kit Php888*.

#### *Expenses*

Expenses associated with our wireless business amounted to Php22,576 million in the first three months of 2016, an increase of Php2,005 million, or 10%, from Php20,571 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, taxes and licenses, depreciation and amortization, compensation and employee benefits, and professional and other contracted services, partially offset by lower selling and promotions, rent, repairs and maintenance, interconnection costs, and communications, training and travel. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 81% and 71% in the first three months of 2016 and 2015, respectively.



The following table summarizes the breakdown of our total wireless-related expenses for the three months ended March 31, 2016 and 2015 and the percentage of each expense item in relation to the total:

	2016	%	2015	%	Increase (Decrease)	
					Amount	%
	(in millions)					
Cost of sales	Php4,452	20	Php3,217	16	Php1,235	38
Depreciation and amortization	4,002	18	3,730	18	272	7
Rent	2,384	11	2,678	13	(294)	(11)
Repairs and maintenance	2,049	9	2,194	11	(145)	(7)
Interconnection costs	2,019	9	2,106	10	(87)	(4)
Compensation and employee benefits	1,886	8	1,781	9	105	6
Professional and other contracted services	1,336	6	1,280	6	56	4
Asset impairment	1,335	6	581	3	754	130
Selling and promotions	1,250	6	1,550	7	(300)	(19)
Taxes and licenses	965	4	539	3	426	79
Insurance and security services	312	1	304	1	8	3
Amortization of intangible assets	272	1	268	1	4	1
Communication, training and travel	210	1	231	1	(21)	(9)
Other expenses	104	-	112	1	(8)	(7)
<b>Total</b>	<b>Php22,576</b>	<b>100</b>	<b>Php20,571</b>	<b>100</b>	<b>Php2,005</b>	<b>10</b>

Cost of sales increased by Php1,235 million, or 38%, to Php4,452 million primarily due to increased modems and handsets issued for broadband and cellular postpaid, and cost of handsets issued for *Smart Prepaid Android Phone Kit Php888*.

Depreciation and amortization charges increased by Php272 million, or 7%, to Php4,002 million primarily due to a higher depreciable asset base.

Rent expenses decreased by Php294 million, or 11%, to Php2,384 million primarily due to lower domestic fiber optic network rental charges.

Repairs and maintenance expenses decreased by Php145 million, or 7%, to Php2,049 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 and technical support costs related to operating an expanded network and higher maintenance costs on IT software.

Interconnection costs decreased by Php87 million, or 4%, to Php2,019 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 increased by Php105 million, or 6%, to Php1,886 million primarily due to higher manpower rightsizing program, or MRP, costs, partly offset by lower provision for pension benefits. Employee headcount decreased to 7,207 as at March 31, 2016 as compared with 7,762 as at March 31, 2015.

Professional and other contracted service fees increased by Php56 million, or 4%, to Php1,336 million primarily due to an increase in facility usage costs, legal fees, and other service fees, partly offset by lower call center and market research fees.

Asset impairment increased by Php754 million, or 130%, to Php1,335 million primarily due to higher provision for doubtful accounts and provision for inventory obsolescence.

Selling and promotion expenses decreased by Php300 million, or 19%, to Php1,250 million primarily due to lower costs of events, advertising and public relations expenses, partially offset by higher commission expenses.

Taxes and licenses increased by Php426 million, or 79%, to Php965 million due to higher settlements, real property taxes, NTC license fees and other business-related taxes in the first three months of 2016.

Insurance and security services increased by Php8 million, or 3%, to Php312 million primarily due to higher office security expenses, partially offset by lower group health insurance premiums.

Amortization of intangible assets increased by Php4 million, or 1%, to Php272 million primarily due to higher license fees.

Communication, training and travel expenses decreased by Php21 million, or 9%, to Php210 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 Php8 million, or 7%, to Php104 million primarily due to lower various business and operational-related expenses.

### ***Other Income***

The following table summarizes the breakdown of our total wireless-related other income (expenses) for the three months ended March 31, 2016 and 2015:

	2016	2015	Change	
			Amount	%
			(in millions)	
Other Income (Expenses):				
Foreign exchange gains – net	Php604	Php49	Php555	1,133
Interest income	113	89	24	27
Equity share in net losses of associates	(30)	(9)	(21)	233
Gain (loss) on derivative financial instruments – net	(90)	15	(105)	(700)
Financing costs – net	(615)	(426)	(189)	44
Other income – net	640	375	265	71
<b>Total</b>	<b>Php622</b>	<b>Php93</b>	<b>Php529</b>	<b>569</b>

Our wireless business' other income amounted to Php622 million in the first three months of 2016, an increase of Php529 million from Php93 million in the same period in 2015, primarily due to the combined effects of the following: (i) higher net foreign exchange gains by Php555 million on account of the revaluation of net foreign currency-denominated liabilities due to the appreciation of the Philippine peso relative to the U.S. dollar; (ii) an increase in other income – net by Php265 million mainly due to reversal of prior year provision, partly offset by lower gain on insurance claims; (iii) higher interest income by Php24 million mainly due to higher weighted average peso interest rates, increase in principal amount of temporary cash investments and the appreciation of the Philippine peso to the U.S. dollar; (iv) higher equity share in net losses of Automated Fare Collection Services, Inc. by Php21 million; (v) losses on derivative financial instruments of Php90 million for the three months ended March 31, 2016 as against gains on derivative financial instruments of Php15 million in the same period in 2015 on account of mark-to-market losses on long-term currency swaps and forward purchase contracts due to the appreciation of the Philippine peso relative to the U.S. dollar and a narrower dollar and peso interest rate differentials; and (vi) higher net financing costs by Php189 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.

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

Provision for income tax decreased by Php342 million, or 17%, to Php1,702 million in the first three months of 2016 from Php2,044 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 29% and 23% in the first three months of 2016 and 2015, respectively.

### ***Net Income***

As a result of the foregoing, our wireless business' net income decreased by Php2,379 million, or 36%, to Php4,275 million in the first three months of 2016 from Php6,654 million in the same period in 2015.

### ***EBITDA***

Our wireless business' EBITDA decreased by Php2,974 million, or 24%, to Php9,629 million in the first three months of 2016 from Php12,603 million in the same period in 2015.



### Core Income

Our wireless business' core income decreased by Php2,704 million, or 41%, to Php3,895 million in the first three months of 2016 from Php6,599 million in the same period in 2015 on account of higher wireless-related operating expenses and lower wireless revenues, partially offset by higher other income and lower provision for income tax.

### Fixed Line

#### Revenues

Revenues generated from our fixed line business amounted to Php17,935 million in the first three months of 2016, an increase of Php1,284 million, or 8%, from Php16,651 million in the same period in 2015.

The following table summarizes our total revenues from our fixed line business for the three months ended March 31, 2016 and 2015 by service segment:

	2016	%	2015	%	Increase (Decrease)	
					Amount	%
	(in millions)					
Service Revenues:						
Data and other network	Php9,110	51	Php8,074	49	Php1,036	13
Local exchange	4,357	25	4,196	25	161	4
International long distance	2,203	12	2,255	14	(52)	(2)
National long distance	941	5	1,018	6	(77)	(8)
Miscellaneous	404	2	393	2	11	3
	17,015	95	15,936	96	1,079	7
Non-Service Revenues:						
Sale of computers, phone units and SIM cards, and point-product sales	920	5	715	4	205	29
<b>Total Fixed Line Revenues</b>	<b>Php17,935</b>	<b>100</b>	<b>Php16,651</b>	<b>100</b>	<b>Php1,284</b>	<b>8</b>

#### 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 Php1,079 million, or 7%, to Php17,015 million in the first three months of 2016 from Php15,936 million in the same period in 2015 due to increases in revenues from our data and other network, local exchange and miscellaneous services, partially offset by lower national and international long distance service revenues.

### Data and Other Network Services

The following table shows information of our data and other network service revenues for the three months ended March 31, 2016 and 2015:

	2016	2015	Increase (Decrease)	
			Amount	%
Data and other network service revenues (in millions)	Php9,110	Php8,074	Php1,036	13
Domestic	6,104	5,680	424	7
<i>Broadband</i>	4,428	3,812	616	16
<i>Leased Lines and Others</i>	1,676	1,868	(192)	(10)
International				
<i>Leased Lines and Others</i>	2,268	1,792	476	27
Data Center and ICT	738	602	136	23
Subscriber base				
<i>Broadband</i>	1,296,402	1,138,598	157,804	14

Our data and other network services posted revenues of Php9,110 million in the first three months of 2016, an increase of Php1,036 million, or 13%, from Php8,074 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 three months of 2016 and 2015, respectively.

#### Domestic

Domestic data services contributed Php6,104 million in the first three months of 2016, an increase of Php424 million, or 7%, as compared with Php5,680 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 IP-VPN, Metro Ethernet and *Shops.Work*. The percentage contribution of domestic data service revenues to total data and other network services were 67% and 70% in the first three months 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 Php4,428 million in the first three months of 2016, an increase of Php616 million, or 16%, from Php3,812 million in the same period in 2015 as a result of the increase in the number of subscribers by 157,804, or 14%, to 1,296,402 subscribers as at March 31, 2016 from 1,138,598 subscribers as at March 31, 2015. Broadband revenues accounted for 49% and 47% of total data and other network service revenues in the first three months 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) Internet Protocol-Virtual Private Network, or IP-VPN, a managed corporate IP network that offers a secure means to access corporate network resources; (3) Metro Ethernet, our high-speed wide area networking services that enable mission-critical data transfers; and (4) *Shops.Work*, our connectivity solution for retailers and franchisers that links company branches to their head office. Leased lines and other data service revenues contributed Php1,676 million in the first three months of 2016, a decrease of Php192 million, or 10%, from Php1,868 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 18% and 23% in the first three months 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 Php476 million, or 27%, to Php2,268 million in the first three months of 2016 from Php1,792 million in the same period in 2015, primarily due to higher i-Gate revenues and IP-VPN local access services, an increase in revenues from various global service providers and the favorable effect of a higher weighted average exchange rate of the Philippine peso relative to the U.S. dollar. The percentage contribution of international data service revenues to total data and other network service revenues were 25% and 22% in the first three months of 2016 and 2015, respectively.

### 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 March 31, 2016, ePLDT Group had a total of 3,203 rack capacity in six locations covering Metro Manila, Subic and Cebu. Data center revenues increased by Php136 million, or 23%, to Php738 million in the first three months of 2016 from Php602 million in the same period in 2015 mainly due to higher revenues from colocation, cloud and big data services. Cloud services include cloud contact center, cloud IaaS, cloud SaaS, managed security services and cloud professional services and accounted for 17% and 16% of data center revenues in the first three months of 2016 and 2015, respectively. The percentage contribution of this service segment to our total data and other network service revenues was 8% in each of the first three months of 2016 and 2015.

### *Local Exchange Service*

The following table summarizes the key measures of our local exchange service business as at and for the three months ended March 31, 2016 and 2015:

	2016	2015	Increase (Decrease)	
			Amount	%
Total local exchange service revenues (in millions)	Php4,357	Php4,196	Php161	4
Number of fixed line subscribers	2,339,001	2,234,115	104,886	5
Postpaid	2,301,621	2,174,071	127,550	6
Prepaid	37,380	60,044	(22,664)	(38)
Number of fixed line employees	7,060	7,490	(430)	(6)
Number of fixed line subscribers per employee	331	298	33	11

Revenues from our local exchange service increased by Php161 million, or 4%, to Php4,357 million in the first three months of 2016 from Php4,196 million in the same period in 2015, primarily due to higher weighted average postpaid billed lines. The percentage contribution of local exchange revenues to our total fixed line service revenues was 26% in each of the three months ended March 31, 2016 and 2015.



### International Long Distance Service

The following table shows our international long distance service revenues and call volumes for the three months ended March 31, 2016 and 2015:

	2016	2015	Decrease	
			Amount	%
Total international long distance service revenues (in millions)	Php2,203	Php2,255	(Php52)	(2)
Inbound	1,941	1,984	(43)	(2)
Outbound	262	271	(9)	(3)
International call volumes (in million minutes, except call ratio)	362	408	(46)	(11)
Inbound	311	344	(33)	(10)
Outbound	51	64	(13)	(20)
Inbound-outbound call ratio	6.1:1	5.4:1	–	–

Our total international long distance service revenues decreased by Php52 million, or 2%, to Php2,203 million in the first three months of 2016 from Php2,255 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 Php47.26 as at March 31, 2016 from Php44.42 as at March 31, 2015 and the increase in average settlement and billing rates in dollar terms. The percentage contribution of international long distance service revenues to our total fixed line service revenues accounted for 13% and 14% in the first three months of 2016 and 2015, respectively. Correspondingly, our total international long distance service revenues, net of interconnection costs, decreased by Php32 million, or 4%, to Php821 million in the first three months of 2016 from Php853 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 three months ended March 31, 2016 and 2015:

	2016	2015	Decrease	
			Amount	%
Total national long distance service revenues (in millions)	Php941	Php1,018	(Php77)	(8)
National long distance call volumes (in million minutes)	183	193	(10)	(5)

Our national long distance service revenues decreased by Php77 million, or 8%, to Php941 million in the first three months of 2016 from Php1,018 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 were 5% and 6% in the first three months of 2016 and 2015, respectively. Our national long distance service revenues, net of interconnection costs, decreased by Php39 million, or 5%, to Php747 million in the first three months of 2016 from Php786 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 Php11 million, or 3%, to Php404 million in the first three months of 2016 from Php393 million in the same period in 2015 mainly due to higher outsourcing and management fees, and revenues from Talas in the first three months of 2016, 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 three months of 2016 and 2015, respectively.

### Non-service Revenues

Non-service revenues increased by Php205 million, or 29%, to Php920 million in the first three months of 2016 from Php715 million in the same period in 2015, primarily due to higher sale of *Telpad* units, equipment for *PLDT UNO*, a managed unified communications offering, *FabTAB* for *myDSL* retention and computer-bundled sales, partially offset by lower sale of *TVolution* units and several managed *PABX* and *OnCall* solutions.

## Expenses

Expenses related to our fixed line business totaled Php14,460 million in the first three months of 2016, an increase of Php928 million, or 7%, as compared with Php13,532 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, compensation and employee benefits, repairs and maintenance, asset impairment on provision for doubtful accounts, communication, training and travel, and other operating expenses, partly offset by lower expenses related to taxes and licenses, interconnection costs, depreciation and amortization, and insurance and security services. As a percentage of our total fixed line revenues, expenses associated with our fixed line business accounted for 81% in each of the first three months of 2016 and 2015.

The following table shows the breakdown of our total fixed line-related expenses for the three months ended March 31, 2016 and 2015 and the percentage of each expense item to the total:

	2016	%	2015	%	Increase (Decrease)	
					Amount	%
(in millions)						
Compensation and employee benefits	Php3,349	23	Php3,204	24	Php145	5
Depreciation and amortization	3,156	22	3,166	23	(10)	-
Repairs and maintenance	1,745	12	1,617	12	128	8
Interconnection costs	1,580	11	1,652	12	(72)	(4)
Professional and other contracted services	1,356	9	1,167	9	189	16
Rent	848	6	535	4	313	59
Cost of sales	781	5	491	4	290	59
Selling and promotions	468	3	467	3	1	-
Taxes and licenses	353	3	510	4	(157)	(31)
Asset impairment	310	2	285	2	25	9
Insurance and security services	178	1	183	1	(5)	(3)
Communication, training and travel	130	1	119	1	11	9
Other expenses	206	2	136	1	70	51
<b>Total</b>	<b>Php14,460</b>	<b>100</b>	<b>Php13,532</b>	<b>100</b>	<b>Php928</b>	<b>7</b>

Compensation and employee benefits expenses increased by Php145 million, or 5%, to Php3,349 million primarily due to higher salaries and employee benefits, and MRP costs, partially offset by lower provision for pension benefits. Employee headcount decreased to 9,835 as at March 31, 2016 as compared with 9,839 as at March 31, 2015.

Depreciation and amortization charges decreased by Php10 million to Php3,156 million due to lower depreciable asset base as a result of higher accelerated depreciation in 2015.

Repairs and maintenance expenses increased by Php128 million, or 8%, to Php1,745 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 electricity charges.

Interconnection costs decreased by Php72 million, or 4%, to Php1,580 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 Php189 million, or 16%, to Php1,356 million primarily due to higher consultancy, contracted service, and technical service fees, partially offset by lower legal fees.

Rent expenses increased by Php313 million, or 59%, to Php848 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 Php290 million, or 59%, to Php781 million primarily due to higher sale of equipment for *PLDT UNO* and *Telpad* units, higher computer-bundled sales, *FabTAB* for *myDSL* retention, and several managed PABX and *OnCall* solutions.

Selling and promotion expenses increased by Php1 million to Php468 million.

Taxes and licenses decreased by Php157 million, or 31%, to Php353 million as a result of lower tax settlements, real property taxes, NTC license fees and other business-related taxes.

Asset impairment increased by Php25 million, or 9%, to Php310 million mainly due to higher provision for uncollectible receivables.

Insurance and security services decreased by Php5 million, or 3%, to Php178 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 Php11 million, or 9%, to Php130 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 Php70 million, or 51%, to Php206 million primarily due to higher various business and operational-related expenses.

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

The following table summarizes the breakdown of our total fixed line-related other income (expenses) for the three months ended March 31, 2016 and 2015:

	2016	2015	Change	
			Amount	%
	(in millions)			
Other Income (Expenses):				
Interest income	Php182	Php127	Php55	43
Foreign exchange gains (losses) – net	105	(11)	116	(1,055)
Equity share in net losses of associates	(68)	(2)	(66)	3,300
Gains (losses) on derivative financial instruments – net	(407)	15	(422)	(2,813)
Financing costs – net	(1,202)	(1,121)	(81)	7
Other income – net	1,529	481	1,048	218
<b>Total</b>	<b>Php139</b>	<b>(Php511)</b>	<b>Php650</b>	<b>(127)</b>

Our fixed line business' other income amounted to Php139 million in the first three months of 2016, a change of Php650 million, or 127% as against other expenses of Php511 million in the same period in 2015 mainly due to the combined effects of the following: (i) an increase in other income – net by Php1,048 million due to gain on sale of property, fixed assets and materials, and higher gain on rental income; (ii) foreign exchange gains of Php105 million as against foreign exchange losses of Php11 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; (iii) an increase in interest income by Php55 million due to higher weighted average interest rates and increase in principal amount of temporary cash investments; (iv) higher equity share in net losses of associates by Php66 million mainly due to the share in net losses of Cignal TV; (v) higher financing costs by Php81 million mainly due to higher outstanding loan balances and effect of a higher weighted average exchange rate of the Philippine peso to the U.S. dollar, partially offset by lower weighted average interest rate on loans and lower financing charges; and (vi) losses on derivative financial instruments of Php407 million in the first three months of 2016 as against gains on derivative financial instruments of Php15 million in the same period in 2015 on account of mark-to-market gain on forward purchase contracts due to the appreciation of the Philippine peso relative to the U.S. dollar and narrower dollar and peso interest rate differentials.

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

Provision for income tax amounted to Php1,065 million in the first three months of 2016, an increase of Php260 million, or 32%, from Php805 million in the same period in 2015 primarily due to higher taxable income. The effective tax rates for our fixed line business were 29% and 31% in the first three months of 2016 and 2015, respectively.

### **Net Income**

As a result of the foregoing, our fixed line business contributed a net income of Php2,549 million in the first three months of 2016, an increase of Php746 million, or 41%, as compared with Php1,803 million in the same period in 2015.

### **EBITDA**

Our fixed line business' EBITDA increased by Php346 million, or 6%, to Php6,631 million in the first three months of 2016 from Php6,285 million in the same period in 2015.

### **Core Income**

Our fixed line business' core income increased by Php910 million, or 52%, to Php2,648 million in the first three months of 2016 from Php1,738 million in the same period in 2015, primarily as a result of higher fixed line revenues and other income, partially offset by higher fixed line operating expenses and higher provision for income tax.

### **Others**

#### **Expenses**

Expenses related to our other business totaled Php1,598 million in the first three months of 2016, an increase of Php1,596 million as compared with Php2 million in the same period in 2015 primarily due to recognition of impairment loss on our investment in Rocket Internet SE (formerly Rocket Internet AG), or Rocket, resulting from the further decline in Rocket share price to €4.61 with a fair value of Php13,003 million as at March 31, 2016 as compared with €8.24 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 three months ended March 31, 2016 and 2015:

	2016	2015	Change	
			Amount	%
			(in millions)	
Other Income (Expenses):				
Equity share in net earnings of associates and joint ventures	Php735	Php664	71	11
Interest income	19	23	(4)	(17)
Foreign exchange gains – net	261	5	256	5,120
Financing costs – net	(46)	(43)	(3)	7
Other income – net	–	303	(303)	(100)
<b>Total</b>	<b>Php969</b>	<b>Php952</b>	<b>Php17</b>	<b>2</b>

Other income increased by Php17 million, or 2%, to Php969 million in the first three months of 2016 from Php952 million in the same period in 2015 primarily due to the combined effects of the following: (i) higher foreign exchange gains by Php256 million; (ii) higher equity share in net earnings of associates by Php71 million mainly due to higher equity share in net earnings of Beta; (iii) an increase in financing costs by Php3 million; (iv) a decrease in interest income by Php4 million; and (v) other income – net of Php303 million in the three months ended March 31, 2015 due to the realized portion of deferred gain on the sale of Meralco shares.

### **Net Income (Loss)**

As a result of the foregoing, our other business segment registered a net loss of Php591 million in the first three months of 2016, a decrease of Php1,532 million, or 163%, as against net income of Php941 million in the same period in 2015.

### **Core Income**

Our other business segment's core income amounted to Php668 million in the first three months of 2016, a decrease of Php275 million, or 29%, as compared with Php943 million in the same period in 2015 mainly as a result of higher operating expenses, partially offset by higher other income.

## Liquidity and Capital Resources

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

	For the three months ended March 31,	
	2016	2015
	(in millions)	
<b>Cash Flows</b>		
Net cash flows provided by operating activities	Php17,780	Php16,146
Net cash flows provided by (used in) investing activities	(15,180)	1,016
<i>Capital expenditures</i>	<i>14,570</i>	<i>2,954</i>
Net cash flows used in financing activities	(3,163)	1,502
Net increase (decrease) in cash and cash equivalents	(1,193)	18,559
	<b>March 31,</b>	<b>December 31,</b>
	<b>2016</b>	<b>2015</b>
	(in millions)	
<b>Capitalization</b>		
Long-term portion of interest-bearing financial liabilities – net of current portion:		
Long-term debt	Php129,974	Php143,982
Current portion of interest-bearing financial liabilities:		
Long-term debt maturing within one year	31,216	16,910
Obligations under finance lease maturing within one year	1	1
	31,217	16,911
Total interest-bearing financial liabilities	161,191	160,893
Total equity attributable to equity holders of PLDT	105,322	113,608
	Php266,513	Php274,501
<b>Other Selected Financial Data</b>		
Total assets	Php466,102	Php455,095
Property and equipment	202,588	195,782
Cash and cash equivalents	45,262	46,455
Short-term investments	3,228	1,429

Our consolidated cash and cash equivalents and short-term investments totaled Php48,490 million as at March 31, 2016. Principal sources of consolidated cash and cash equivalents in the first three months of 2016 were cash flows from operating activities amounting to Php17,780 million, proceeds from availment of long-term debt of Php7,158 million, proceeds from disposal of property and equipment of Php1,236 million and interest received of Php304 million. These funds were used principally for: (1) capital expenditures, including capitalized interest, of Php14,570 million; (2) debt principal and interest payments of Php5,351 million and Php1,864 million, respectively; (3) net reductions to capital expenditures under long-term financing of Php2,688 million; (4) net payment for purchase of short-term investments of Php1,859 million; and (5) purchase of investment in associates and joint ventures of Php130 million.

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



### ***Operating Activities***

Our consolidated net cash flows provided by operating activities increased by Php1,634 million, or 10%, to Php17,780 million in the first three months of 2016 from Php16,146 million in the same period in 2015, primarily due to lower level of settlement of accounts payable and lower pension contribution, partially offset by lower level of collection of outstanding receivables, lower operating income, higher settlement of other current liabilities, higher prepayments and corporate taxes paid.

Cash flows provided by operating activities of our wireless business increased by Php3,836 million, or 46%, to Php12,133 million in the first three months of 2016 from Php8,297 million in the same period in 2015 primarily due to lower level of settlement of accounts payable and lower pension contribution, partially offset by lower level of collection of outstanding receivables, lower operating income, higher level of settlement of other liabilities, higher corporate taxes paid and higher prepayments. Cash flows provided by operating activities of our fixed line business decreased by Php2,124 million, or 27%, to Php5,799 million in the first three months of 2016 from Php7,923 million in the same period in 2015, primarily due to lower level of collection of accounts receivable, higher level of settlement of accounts payable, partly offset by higher operating income and lower pension contribution. Cash flows used in operating activities of our other business amounted to Php19 million in the first three months of 2016 from Php14 million in the same period in 2015.

### ***Investing Activities***

Consolidated net cash flows used in investing activities amounted to Php15,180 million in the first three months of 2016, a change of Php16,196 million from consolidated net cash flows provided by investing activities of Php1,016 million in the same period in 2015, primarily due to the combined effects of the following: (1) higher capital expenditures by Php11,616 million; (2) dividends of Php5,139 million received in 2015; (3) higher payments for purchase of short-term investments by Php730 million; (4) proceeds from redemption of investment in debt securities of Php100 million in 2015; (5) higher proceeds from disposal of property and equipment by Php1,199 million; (6) higher interest received by Php92 million; and (7) lower payment for purchase of investment in joint ventures and associates by Php30 million.

Our consolidated capital expenditures, including capitalized interest, in the first three months of 2016 totaled Php14,570 million, an increase of Php11,616 million as compared with Php2,954 million in the same period in 2015, primarily due to Smart Group's and PLDT's higher capital spending. Smart Group's capital spending, which increased by Php11,858 million to Php13,581 million in the first three months of 2016 from Php1,723 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 Php519 million, or 5%, to Php507 million in the first three months of 2016 from Php1,026 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 Php3,163 million in the first three months of 2016, a change of Php4,665 million from cash flows provided by financing activities of Php1,502 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 Php1,970 million; (2) higher net payments of long-term debt by Php1,375 million; (3) higher net reductions to capital expenditures under long-term financing by Php839 million; (4) higher interest payments by Php379 million; and (5) higher settlement of derivative financial instruments of Php123 million.

### *Debt Financing*

Proceeds from availment of long-term debt for the year ended March 31, 2016 amounted to Php7,158 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 Php5,351 million and Php1,864 million, respectively, for the year ended March 31, 2016.

Our consolidated long-term debt increased by Php298 million to Php161,190 million as at March 31, 2016 from Php160,892 million as at December 31, 2015 primarily due to drawings from our long-term facilities, partially offset by debt amortizations, prepayments and the appreciation of the Philippine peso relative to the U.S. dollar to Php45.99 as at March 31, 2016. As at March 31, 2016, the long-term debt levels of Smart increased by 5% to Php64,844 million, while PLDT's long-term debt level decreased to Php92,058 million and DMPI's decreased by 13% to Php4,288 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 March 31, 2016.

Approximately Php92,212 million principal amount of our consolidated outstanding long-term debt as at March 31, 2016 is scheduled to mature over the period from 2016 to 2020. Of this amount, Php50,710 million is attributable to PLDT, Php37,214 million to Smart and Php4,288 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 March 31, 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, investment, capital expenditures and debt service requirements for the next 12 months.

### **Off-Balance Sheet Arrangements**

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

## Equity Financing

On August 5, 2014, the PLDT Board of Directors approved the amendment of our dividend policy, increasing the dividend payout rate to 75% from 70% of our core earnings per share as regular dividends. In declaring dividends, we take into consideration the interest of our shareholders, as well as our working capital, capital expenditures and debt servicing requirements. The retention of earnings may be necessary to meet the funding requirements of our business expansion and development programs. However, in the event that no investment opportunities arise, we may consider the option of returning additional cash to our shareholders in the form of special dividends of up to the balance of our core earnings or to undertake share buybacks. We were able to pay out approximately 100% of our core earnings for seven consecutive years from 2007 to 2013 and approximately 90% of our core earnings for 2014. For 2015, we paid out 75% of our 2015 core earnings. The accumulated equity in the net earnings of our subsidiaries, which form part of our retained earnings, are not available for distribution unless realized in the form of dividends from such subsidiaries.

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

Consolidated cash dividend payments in the first three months of 2016 amounted to Php16 million as compared with Php24 million paid to shareholders in the same period in 2015.

The following table shows the dividends declared to shareholders from the earnings for the three months ended March 31, 2016 and 2015:

Earnings	Date			Amount	
	Approved	Record	Payable	Per share	Total Declared
(in millions, except per share amount)					
2016					
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock <sup>(1)</sup>	January 26, 2016	February 24, 2016	March 15, 2016	–	Php12
Voting Preferred Stock	February 29, 2016	March 30, 2016	April 15, 2016	–	3
Charged to Retained Earnings					15
2015					
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock <sup>(1)</sup>	January 27, 2015	February 26, 2015	March 15, 2015	–	12
Voting Preferred Stock	March 3, 2015	March 19, 2015	April 15, 2015	–	2
Charged to Retained Earnings					Php14

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

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

## Contractual Obligations and Commercial Commitments

### *Contractual Obligations*

For a discussion of our consolidated contractual undiscounted obligations as at March 31, 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 Php25 million and Php46 million as at March 31, 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 March 31, 2016 and December 31, 2015 other than those whose carrying amounts are reasonable approximations of fair values:

	Fair Values	
	March 31, 2016	December 31, 2015
	(Unaudited)	(Audited)
	(in millions)	
<b>Noncurrent Financial Assets</b>		
Investments in debt securities and other long-term investments – net of current portion	Php942	Php972
Advances and other noncurrent assets – net of current portion	2,598	2,305
<b>Total noncurrent financial assets</b>	<b>Php3,540</b>	<b>Php3,277</b>
<b>Noncurrent Financial Liabilities</b>		
Interest-bearing financial liabilities	Php130,974	Php145,731
Customers' deposits	2,423	1,868
Deferred credits and other noncurrent liabilities	17,203	17,973
<b>Total noncurrent financial liabilities</b>	<b>Php150,600</b>	<b>Php165,572</b>

The following table sets forth the amount of gains (losses) recognized for the financial assets and liabilities for the three months ended March 31, 2016 and the year ended December 31, 2015:

	March 31, 2016	December 31, 2015
	(Unaudited)	(Audited)
	(in millions)	
<b>Profit and Loss</b>		
Interest income	Php255	Php799
Gains (losses) on derivative financial instruments – net	(497)	420
Accretion on financial liabilities	(75)	(231)
Interest on loans and other related items	(1,823)	(6,289)
<b>Other Comprehensive Income</b>		
Net fair value gains (losses) on cash flow hedges – net of tax	(259)	31
Net losses on available-for-sale financial investments – net of tax	(1)	(8,135)

### 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 three months ended March 31, 2016 and 2015 were 1.1% and 2.4%, respectively. Moving forward, we currently expect inflation to remain low.



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## PART II – OTHER INFORMATION

### *Proposed amendment to the corporate name of the Company*

On April 12, 2016, the Board of Directors approved the proposed amendment to the Company's name from Philippine Long Distance Telephone Company to PLDT, Inc., the acronym of its corporate name and its registered business or trade name.

The Company's current corporate name, Philippine Long Distance Telephone Company, reflects the traditional fixed line telecommunications business that it engaged in for several years following its incorporation in 1928. However, the Company's business has evolved such that its revenues are no longer mainly from its long distance toll revenue business but are now largely from its expanded business portfolio that includes wireless telecommunications, data, broadband and information technology services and other related value added services. It is by the name PLDT that the Company, with its expanded business and leadership in the industry, has been known and recognized in the past several years.

The proposed amendment will be presented for approval by the Company's stockholders in its Annual Stockholders Meeting on June 14, 2016.

### *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, JVA, to market and exclusively distribute Hopscotch's mobile solutions in Southeast Asia. Hopscotch has developed and owns certain technology and intellectual property for the development of custom mobile applications for sports teams, live events, and brands to enhance fan engagement and 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 MePay Global*

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

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

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

Consequently, in February 2016, the ownership of ePay Group was transferred from eInnovations to MePay Global and PLDT ceased to recognize ePay Group as its subsidiary.

### *PLDT Online's Investment in iFlix Limited, or iFlix*

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



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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, Emttek 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 March 31, 2016:

Type of Accounts Receivable	Total	Current	31–60 Days	61–90 Days	Over 91 Days
	(in millions)				
Retail subscribers .....	Php20,624	Php5,677	Php2,558	Php724	Php11,665
Corporate subscribers .....	10,612	2,360	1,713	833	5,706
Foreign administrations .....	6,265	919	696	605	4,045
Domestic carriers .....	594	88	44	73	389
Dealers, agents and others .....	6,378	2,573	814	239	2,752
<b>Total</b>	<b>44,473</b>	<b>Php11,617</b>	<b>Php5,825</b>	<b>Php2,474</b>	<b>Php24,557</b>
Less: Allowance for doubtful accounts .....	17,305				
<b>Total Receivables - net</b> .....	<b>Php27,168</b>				

## ANNEX II – FINANCIAL SOUNDNESS INDICATORS

The following table shows our financial soundness indicators as at March 31, 2016 and 2015:

	2016	2015
Current Ratio <sup>(1)</sup>	0.50:1.0	0.57:1.0
Net Debt to Equity Ratio <sup>(2)</sup>	1.07:1.0	0.74:1.0
Net Debt to EBITDA Ratio <sup>(3)</sup>	1.67:1.0	1.15:1.0
Total Debt to EBITDA Ratio <sup>(4)</sup>	2.39:1.0	1.77:1.0
Asset to Equity Ratio <sup>(5)</sup>	4.43:1.0	3.72:1.0
Interest Coverage Ratio <sup>(6)</sup>	4.54:1.0	8.95:1.0
Profit Margin <sup>(7)</sup>	15%	22%
Return on Assets <sup>(8)</sup>	4%	8%
Return on Equity <sup>(9)</sup>	17%	27%
EBITDA Margin <sup>(10)</sup>	41%	48%

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

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

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

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

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

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

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

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

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

<sup>(10)</sup> 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.






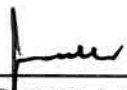
**SIGNATURES**

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

Registrant: **PHILIPPINE LONG DISTANCE TELEPHONE COMPANY**

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: May 3, 2016