SEC Number PW-55
File Number

PLDT Inc.

(Company's Full Name)

Ramon Cojuangco Building
Makati Avenue, Makati City

(Company's Address)

(632) 816-8556

(Telephone Number)

Not Applicable

(Fiscal Year Ending)
(month & day)

SEC Form 17-C

Form Type

Not Applicable

Amendment Designation (if applicable)

December 31, 2016

Period Ended Date

Not Applicable

(Secondary License Type and File Number)

PLDT

March 7, 2017

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

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

Gentlemen:

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

This shall also serve as the disclosure letter for the purpose of complying with PSE Revised Disclosure Rules.

Very truly yours,

MA. LOURDES C. RAUSA-CHAN
Corporate Secretary

PLDT

March 7, 2017

Securities & Exchange Commission
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay 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-C with Management's Discussion and Analysis and accompanying unaudited consolidated financial statements as at and for the year ended December 31, 2016.

Very truly yours,

MA. LOURDES C. RAUSA-CHAN
Corporate Secretary

COVER SHEET

SEC Registration Number

P	W	-	5	5						

Company Name

PLDT INC.
(FORMERLY PHILIPPINE LONG DISTANCE TELEPHONE COMPANY)

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

RAMON COJUANGCO BUILDING
MAKATI AVENUE MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-C	**MSRD**	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
jacabal@pldt.com.ph	**(02) 816-8534**	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
11,774 as at January 31, 2017	**Every 2nd Tuesday in June**	**December 31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
June Cheryl A. Cabal-Revilla	**jacabal@pldt.com.ph**	**(02) 816-8534**	

Contact Person's Address

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

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

SECURITIES AND EXCHANGE COMMISSION

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

1. **March 7, 2017**
Date of Report (Date of earliest event reported)

2. SEC Identification Number **PW-55**

3. BIR Tax Identification No. **000-488-793**

4. **PHILIPPINE LONG DISTANCE TELEPHONE COMPANY**
Exact name of issuer as specified in its charter

5. **PHILIPPINES**
Province, country or other jurisdiction
of Incorporation

6.____________ (SEC Use Only)
Industry Classification Code

7. **Ramon Cojuangco Building, Makati Avenue, Makati City** — 1200
Address of principal office — Postal Code

8. **(632) 816-8553**
Issuer's telephone number, including area code

9. Not Applicable
Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code and Sections 4 and 8 of the Revised Securities Act

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock	216,055,775 [(1)]
Amount of Debt Outstanding	Php185,032 million as at December 31, 2016

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

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Our consolidated financial statements as at and for the years ended December 31, 2016 and 2015 and related notes (pages F-1 to F-155) are filed as part of this report on Form 17-C.

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

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

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

The financial information appearing in this report and in the accompanying unaudited consolidated financial statements is stated in Philippine pesos. All references to "Philippine pesos," "Php" or "pesos" are to the lawful currency of the Philippines; all references to "U.S. dollars," "US$" or "dollars" are to the lawful currency of the United States; all references to "Japanese yen," "JP¥" or "yen" are to the lawful currency of Japan and all references to "Euro" or "€" are to the lawful currency of the European Union. Unless otherwise indicated, translations of Philippine peso amounts into U.S. dollars in this report and in the accompanying unaudited consolidated financial statements were made based on the exchange rate of Php49.77 to US$1.00, the exchange rate as at December 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

(in millions, except for EBITDA margin, earnings per common share, net debt to equity ratio and operational data)	Years ended December 31, 2016	2015	Increase (Decrease) Amount	%
	(Unaudited)	(Audited)		
Consolidated Income Statement				
Revenues	Php165,262	Php171,103	(Php5,841)	(3)
Expenses	140,559	139,268	1,291	1
Other expenses	(2,632)	(5,197)	2,565	(49)
Income before income tax	22,071	26,638	(4,567)	(17)
Net income	20,162	22,075	(1,913)	(9)
Core income	27,857	35,212	(7,355)	(21)
EBITDA	61,161	70,218	(9,057)	(13)
EBITDA margin[1]	39%	43%	–	–
Reported earnings per common share:				
Basic	92.33	101.85	(9.52)	(9)
Diluted	92.33	101.85	(9.52)	(9)
Core earnings per common share[2]:				
Basic	128.68	162.70	(34.02)	(21)
Diluted	128.68	162.70	(34.02)	(21)

	December 31 2016	2015	Increase (Decrease) Amount	%
	(Unaudited)	(Audited)		
Consolidated Statements of Financial Position				
Total assets	Php475,119	Php455,095	Php20,024	4
Property and equipment	203,188	195,782	7,406	4
Cash and cash equivalents and short-term investments	41,460	47,884	(6,424)	(13)
Total equity attributable to equity holders of PLDT	108,175	113,608	(5,433)	(5)
Long-term debt, including current portion	185,032	160,892	24,140	15
Net debt[3] to equity ratio	1.33x	0.99x	–	–

	Years ended December 31, 2016	2015	Increase (Decrease) Amount	%
	(Unaudited)	(Audited)		
Consolidated Statements of Cash Flows				
Net cash provided by operating activities	Php48,976	Php69,744	(Php20,768)	(30)
Net cash used in investing activities	(41,982)	(39,238)	(2,744)	7
Capital expenditures	*42,825*	*43,175*	*(350)*	*(1)*
Net cash used in financing activities	(15,341)	(11,385)	(3,956)	35
Operational Data				
Number of mobile subscribers	62,763,209	68,612,118	(5,848,909)	(9)
Prepaid	59,952,941	65,063,860	(5,110,919)	(8)
Postpaid	2,810,268	3,548,258	(737,990)	(21)
Number of broadband subscribers	1,720,753	1,514,640	206,113	14
Number of fixed line subscribers	2,438,473	2,303,454	135,019	6
Number of employees:	18,038	17,176	862	5
Fixed Line	*10,695*	*9,671*	*1,024*	*11*
LEC	*7,205*	*7,039*	*166*	*2*
Others	*3,490*	*2,632*	*858*	*33*
Wireless	*7,343*	*7,505*	*(162)*	*(2)*

(1) EBITDA margin for the year is measured as EBITDA divided by service revenues.
(2) Core earnings per common share, or EPS, for the year is measured as core income divided by the weighted average number of outstanding common shares for the year.
(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$	Year end rates	Weighted average rates during the year
December 31, 2016	Php49.77	Php47.48
December 31, 2015	47.12	45.51
December 31, 2014	44.74	44.40

Performance Indicators

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

EBITDA

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

Core Income

Core income for the year is measured as net income attributable to equity holders of PLDT (net income less net income attributable to noncontrolling interests), excluding foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net (excluding hedge costs), asset impairment on noncurrent assets, other non-recurring gains (losses), net of tax effect of aforementioned adjustments, as applicable, and similar adjustments to equity share in net earnings (losses) of associates and joint ventures. The core income results are monitored by management for each business unit separately for purposes of making decisions about resource allocation and performance assessment. Also, core income is used by 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 nationwide. 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, 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 Primeworld Digital Systems, Inc., or PDSI, our wireless broadband service providers; ACeS Philippines Cellular Satellite Corporation, or ACeS Philippines, our satellite information and messaging services provider; 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 4% of our consolidated fixed line subscribers; data center, cloud, big data, managed IT services and resellership provided by ePLDT, Inc., or ePLDT, IP Converge Data Services, Inc., or IPCDSI, and subsidiary, or IPCDSI Group, ABM Global Solutions, Inc., or AGS, and its subsidiaries, or AGS Group, Curo Teknika, Inc. and ePDS, Inc., or ePDS; business infrastructure and solutions, intelligent data processing and implementation services and data analytics insight generation provided by Talas Data Intelligence, Inc., or Talas; distribution of Filipino channels and content by Pilipinas Global Network Limited and its subsidiaries; and

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

As at December 31, 2016, our chief operating decision maker, or our Management Committee, views our business activities in three business units: Wireless, Fixed Line and Others.

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

Management's Financial Review

In addition to consolidated net income, we use EBITDA and core income to assess our operating performance. The reconciliation of our consolidated EBITDA and our consolidated core income to our consolidated net income for the years ended December 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 years ended December 31, 2016 and 2015:

	2016	2015
	(Unaudited)	(Audited)
	(in millions)	
Consolidated EBITDA	Php61,161	Php70,218
Add (deduct) adjustments:		
Depreciation and amortization	(34,455)	(31,519)
Financing costs – net	(7,354)	(6,259)
Impairment of investments	(5,515)	(5,166)
Foreign exchange losses – net	(2,785)	(3,036)
Provision for income tax	(1,909)	(4,563)
Asset impairment	(1,074)	(5,788)
Amortization of intangible assets	(929)	(1,076)
Gains on derivative financial instruments – net	996	420
Interest income	1,046	799
Equity share in net earnings of associates and joint ventures	1,181	3,241
Other income (expenses) – net	9,799	4,804
Total adjustments	(40,999)	(48,143)
Consolidated net income	Php20,162	Php22,075

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

	2016	2015
	(Unaudited)	(Audited)
	(in millions)	
Consolidated core income	Php27,857	Php35,212
Add (deduct) adjustments:		
Impairment of investments	(5,515)	(5,166)
Foreign exchange losses – net	(2,785)	(3,036)
Asset impairment	(1,074)	(5,788)
Core adjustment on equity share in net losses of associates and joint ventures	(95)	(179)
Net income attributable to noncontrolling interests	156	10
Gains on derivative financial instruments – net, excluding hedge costs	1,539	762
Net tax effect of aforementioned adjustments	79	260
Total adjustments	(7,695)	(13,137)
Consolidated net income	Php20,162	Php22,075

Results of Operations

The table below shows the contribution by each of our business segments to our consolidated revenues, expenses, other income (expenses), income before income tax, provision for income tax, net income/segment profit, EBITDA, EBITDA margin and core income for the years ended December 31, 2016 and 2015. In each of the years ended December 31, 2016 and 2015, we generated majority of our revenues from operations within the Philippines.

	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
			(in millions)		
For the year ended December 31, 2016 (Unaudited)					
Revenues	Php104,914	Php72,728	Php20	(Php12,400)	Php165,262
Expenses	93,204	61,285	42	(13,972)	140,559
Other income (expenses)	(3,517)	(291)	2,748	(1,572)	(2,632)
Income before income tax	8,193	11,152	2,726	–	22,071
Provision for (Benefit from) income tax	(1,270)	3,018	161	–	1,909
Net income/Segment profit	9,463	8,134	2,565	–	20,162
EBITDA	32,661	26,950	(22)	1,572	61,161
EBITDA margin[1]	32%	39%	–	–	39%
Core income	11,402	7,746	8,709	–	27,857
For the year ended December 31, 2015 (Audited)					
Revenues	115,513	68,865	–	(13,275)	171,103
Expenses	95,358	58,417	59	(14,566)	139,268
Other income (expenses)	(1,958)	(2,599)	651	(1,291)	(5,197)
Income before income tax	18,197	7,849	592	–	26,638
Provision for income tax	2,763	1,656	144	–	4,563
Net income/Segment profit	15,434	6,193	448	–	22,075
EBITDA	44,237	24,749	(59)	1,291	70,218
EBITDA margin[1]	40%	38%	–	–	43%
Core income	22,512	6,539	6,161	–	35,212
Increase (Decrease)					
Revenues	(10,599)	3,863	20	875	(5,841)
Expenses	(2,154)	2,868	(17)	594	1,291
Other income (expenses)	(1,559)	2,308	2,097	(281)	2,565
Income before income tax	(10,004)	3,303	2,134	–	(4,567)
Provision for (Benefit from) income tax	(4,033)	1,362	17	–	(2,654)
Net income/Segment profit	(5,971)	1,941	2,117	–	(1,913)
EBITDA	(11,576)	2,201	37	281	(9,057)
Core income	(11,110)	1,207	2,548	–	(7,355)

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

On a Consolidated Basis

Revenues

We reported consolidated revenues of Php165,262 million in 2016, a decrease of Php5,841 million, or 3%, as compared with Php171,103 million in 2015, primarily due to lower revenues from mobile, and digital platforms and mobile financial services as a result of the deconsolidation of ePay Investments Pte. Ltd., or ePay, for the period February to July 2016, from our wireless business, and lower revenues from fixed line voice services, partially offset by higher corporate data and leased lines, miscellaneous and non-service revenues from our fixed line business, as well as higher home broadband revenues.

The following table shows the breakdown of our consolidated revenues by services for the years ended December 31, 2016 and 2015:

	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
			(in millions)		
For the year ended December 31, 2016					
Service Revenues					
Wireless	*Php100,582*			*(Php1,467)*	*Php99,115*
Mobile	96,497			(1,431)	95,066
Home Broadband	2,772			(14)	2,758
Digital platforms and mobile financial services	728			(19)	709
MVNO and others	585			(3)	582
Fixed Line		*Php69,006*		*(10,920)*	*58,086*
Voice		29,630		(4,128)	25,502
Data		37,711		(5,984)	31,727
Home broadband		14,896		(167)	14,729
Corporate data and leased lines		19,980		(5,025)	14,955
Data Center and IT		2,835		(792)	2,043
Miscellaneous		1,665		(808)	857
Others			*Php20*	*(11)*	*9*
Total Service Revenues	100,582	69,006	20	(12,398)	157,210
Non-Service Revenues					
Sale of computers, cellular handsets and SIM-packs	4,332	2,909	–	(2)	7,239
Point-product sales	–	813	–	–	813
Total Non-Service Revenues	4,332	3,722	–	(2)	8,052
Total Revenues	104,914	72,728	20	(12,400)	165,262
For the year ended December 31, 2015					
Service Revenues					
Wireless	*110,716*			*(1,528)*	*109,188*
Mobile	105,655			(1,480)	104,175
Home Broadband	3,040			(24)	3,016
Digital platforms and mobile financial services	1,051			(3)	1,048
MVNO and others	970			(21)	949
Fixed Line		*65,475*		*(11,733)*	*53,742*
Voice		30,253		(4,454)	25,799
Data		33,748		(6,578)	27,170
Home broadband		12,338		(10)	*12,328*
Corporate data and leased lines		18,806		(5,863)	*12,943*
Data Center and IT		2,604		(705)	*1,899*
Miscellaneous		1,474		(701)	773
Total Service Revenues	110,716	65,475	–	(13,261)	162,930
Non-Service Revenues					
Sale of computers, cellular handsets and SIM-packs	4,797	2,692	–	(2)	7,487
Point-product sales	–	698	–	(12)	686
Total Non-Service Revenues	4,797	3,390	–	(14)	8,173
Total Revenues	Php115,513	Php68,865	–	(Php13,275)	Php171,103

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

	2016	%	2015	%	Change Amount	Change %
			(in millions)			
Wireless	Php104,914	64	Php115,513	68	(Php10,599)	(9)
Fixed line	72,728	44	68,865	40	3,863	6
Others	20	–	–	–	20	100
Inter-segment transactions	(12,400)	(8)	(13,275)	(8)	875	(7)
Consolidated	Php165,262	100	Php171,103	100	(Php5,841)	(3)

Expenses

Consolidated expenses increased by Php1,291 million, or 1%, to Php140,559 million in 2016 from Php139,268 million in 2015, as a result of higher expenses related to depreciation and amortization, asset impairment, cost of sales, and operating expenses related to professional and other contracted services, rent, and repairs and maintenance, partially offset by lower expenses related to selling and promotions, compensation and employee benefits, taxes and licenses, communication, training and travel, and other operating expenses, as well as lower interconnection costs.

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

	2016	%	2015	%	Change Amount	Change %
			(in millions)			
Wireless	Php93,204	66	Php95,358	68	(Php2,154)	(2)
Fixed line	61,285	44	58,417	42	2,868	5
Others	42	–	59	–	(17)	(29)
Inter-segment transactions	(13,972)	(10)	(14,566)	(10)	594	(4)
Consolidated	Php140,559	100	Php139,268	100	Php1,291	1

Other Expenses

Consolidated other expenses amounted to Php2,632 million in 2016, a decrease of Php2,565 million, or 49%, from Php5,197 million in 2015, primarily due to the combined effects of the following: (i) other income of Php4,284 million in 2016 as against other expenses of Php362 million in 2015 due to higher gain on sale of Beacon Electric Asset Holdings, Inc., or Beacon, shares by PCEV in 2016 compared to gain on sale of Beacon's Meralco shares in 2015 and a higher gain on sale of property, partly offset by higher impairment resulting from the fair value decline of our investment in Rocket Internet SE, or Rocket; (ii) higher net gain on derivative financial instruments by Php576 million on account of mark-to-market gains on foreign exchange derivatives due to the higher level of depreciation of the Philippine peso relative to the U.S. dollar, partly offset by narrower dollar and peso interest rate differentials in 2016; (iii) lower foreign exchange losses by Php251 million due to lower net foreign currency-denominated liabilities, partly offset by higher level of depreciation of the Philippine peso relative to the U.S. dollar to Php49.77 as at December 31, 2016 from Php47.12 as at December 31, 2015 and Php44.74 as at December 31, 2014; (iv) higher interest income by Php247 million due to an increase in principal amount of temporary cash investments and the higher weighted average rate of the Philippine peso relative to the U.S. dollar in 2016, partly offset by lower weighted average interest rates; (v) higher net financing costs by Php1,095 million due to higher outstanding loan balance, higher weighted average interest rate, higher financing charges and higher weighted average rate of the Philippine peso relative to the U.S. dollar in 2016, partly offset by higher capitalized interest; and (vi) a decrease in equity share in net earnings of associates by Php2,060 million due to lower share in net earnings of Beacon, equity share in the net losses of Vega Telecom Inc., or VTI, Philippines Internet Holding S.à.r.l., or PHIH, and ECommerce Pay Holding S.à r.l., or ECommerce Pay, and higher share in net losses of Cignal TV and AF Payments, Inc., or AFPI, for the year ended December 31, 2016, partly offset by higher share in net earnings of Asia Outsourcing Beta Limited, or Beta, due to the sale of its SPi CRM business, and Hastings Holdings, Inc., or Hastings.

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

	2016	2015	Change Amount	Change %
		(in millions)		
Wireless	(Php3,517)	(Php1,958)	(Php1,559)	80
Fixed line	(291)	(2,599)	2,308	(89)
Others	2,748	651	2,097	322
Inter-segment transactions	(1,572)	(1,291)	(281)	22
Consolidated	(Php2,632)	(Php5,197)	Php2,565	(49)

Net Income

Consolidated net income decreased by Php1,913 million, or 9%, to Php20,162 million in 2016, from Php22,075 million in 2015. The decrease was mainly due to the combined effects of the following: (i) lower consolidated revenues by Php5,841 million; (ii) higher consolidated expenses by Php1,291 million; (iii) a decrease in consolidated other expenses – net by Php2,565 million; and (iv) a decrease in consolidated provision for income tax by Php2,654 million. Our consolidated basic and diluted EPS decreased to Php92.33 in 2016 from consolidated basic and diluted EPS of Php101.85 in 2015. Our weighted average number of outstanding common shares was approximately 216.06 million in each of the years ended December 31, 2016 and 2015.

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

					Change	
	2016	%	2015	%	Amount	%
			(in millions)			
Wireless	Php9,463	47	Php15,434	70	(Php5,971)	(39)
Fixed line	8,134	40	6,193	28	1,941	31
Others	2,565	13	448	2	2,117	473
Consolidated	Php20,162	100	Php22,075	100	(Php1,913)	(9)

EBITDA

Our consolidated EBITDA amounted to Php61,161 million in 2016, a decrease of Php9,057 million, or 13%, as compared with Php70,218 million in 2015, primarily due to lower consolidated revenues, higher provisions for doubtful accounts and inventory obsolescence, as well as an increase in cost of sales, partially offset by lower consolidated cash operating expenses mainly driven by selling and promotions, compensation and employee benefits, taxes and licenses, and interconnection costs.

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

					Change	
	2016	%	2015	%	Amount	%
			(in millions)			
Wireless	Php32,661	53	Php44,237	63	(Php11,576)	(26)
Fixed line	26,950	44	24,749	35	2,201	9
Others	(22)	–	(59)	–	37	(63)
Inter-segment transactions	1,572	3	1,291	2	281	22
Consolidated	Php61,161	100	Php70,218	100	(Php9,057)	(13)

Core Income

Our consolidated core income amounted to Php27,857 million in 2016, a decrease of Php7,355 million, or 21%, as compared with Php35,212 million in 2015 primarily due to lower consolidated EBITDA and higher depreciation, partially offset by a decrease in other expenses and lower provision for income tax. Our consolidated basic and diluted core EPS, decreased to Php128.68 in 2016 from Php162.70 in 2015.

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

					Change	
	2016	%	2015	%	Amount	%
			(in millions)			
Wireless	Php11,402	41	Php22,512	64	(Php11,110)	(49)
Fixed line	7,746	28	6,539	19	1,207	18
Others	8,709	31	6,161	17	2,548	41
Consolidated	Php27,857	100	Php35,212	100	(Php7,355)	(21)

On a Business Segment Basis

Wireless

Revenues

We generated revenues of Php104,914 million from our wireless business in 2016, a decrease of Php10,599 million, or 9%, from Php115,513 million in 2015.

The following table summarizes our total revenues from our wireless business for the years ended December 31, 2016 and 2015 by service:

					Decrease	
	2016	%	2015	%	Amount	%
			(in millions)			
Service Revenues:						
Mobile	Php96,497	92	Php105,655	91	(Php9,158)	(9)
Home Broadband	2,772	3	3,040	3	(268)	(9)
Digital platforms and mobile financial services	728	1	1,051	1	(323)	(31)
MVNO and others[(1)]	585	–	970	1	(385)	(40)
Total Wireless Service Revenues	100,582	96	110,716	96	(10,134)	(9)
Non-Service Revenues:						
Sale of cellular handsets, cellular subscriber identification module, or SIM,-packs and broadband data modems	4,332	4	4,797	4	(465)	(10)
Total Wireless Revenues	Php104,914	100	Php115,513	100	(Php10,599)	(9)

(1) Includes service revenues generated by MVNOs of PLDT Global subsidiaries.

Service Revenues

Our wireless service revenues in 2016 decreased by Php10,134 million, or 9%, to Php100,582 million as compared with Php110,716 million in 2015, mainly as a result of lower revenues from mobile, home broadband, digital platforms and mobile financial services, and MVNO and other services. As a percentage of our total wireless revenues, service revenues accounted for 96% in each of 2016 and 2015.

Mobile Services

Our mobile service revenues amounted to Php96,497 million in 2016, a decrease of Php9,158 million, or 9%, from Php105,655 million in 2015. Mobile service revenues accounted for 96% and 95% of our wireless service revenues in 2016 and 2015, respectively.

					Increase (Decrease)	
	2016	%	2015	%	Amount	%
			(in millions)			
Mobile Services:						
Voice	Php37,094	38	Php46,129	44	(Php9,035)	(20)
SMS	32,745	34	37,982	36	(5,237)	(14)
Data	25,517	27	20,179	19	5,338	26
Inbound roaming and others[(1)]	1,141	1	1,365	1	(224)	(16)
Total	Php96,497	100	Php105,655	100	(Php9,158)	(9)

(1) Refers to other non-subscriber-related revenues consisting primarily of inbound international roaming fees, share in revenues from Smart Money and revenues from and other Smart subsidiaries.

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

In order to fulfill its goal of providing its subscribers with the best digital experience, Smart is committed to providing its customers with a superior data experience. Key to achieving this requires a superior network in terms of coverage, capacity and internet speeds. This involves the use of 3G and Long-Term Evolution, or

LTE, technologies, and the integration of Smart and Sun networks to improve coverage and quality for subscribers of both brands, among others.

On April 13, 2016, Smart was the first to introduce LTE-Advanced in Boracay, which achieved breakthrough LTE speeds of up to 250 Mbps. The program also boosted 3G data service behind an enhanced 3G/high speed packet access, or HSPA/HSPA+ coverage and capacity.

Since July 2016, PLDT and Smart have rolled-out carrier-grade Smart WiFi in key transport hubs, identified by the Department of Transportation, in line with the PLDT Group's commitment to make internet available to the public at world-class speeds for a seamless digital experience. Apart from the Ninoy Aquino International Airport, the country's biggest airport, Smart WiFi is now in key airports all over the country, including airports located in Davao, Misamis Oriental, Bacolod, Iloilo, Roxas, Zamboanga, Clark, Dumaguete, Laoag, General Santos, Kalibo and Puerto Princesa. Smart WiFi was also installed in the sea ports of Batangas City and Calapan in Mindoro. It is scheduled for rollout in more regional airports, sea ports, and the rail-based MRT and LRT lines 1 and 2 in Metro Manila, and the rest of the country, in the coming months.

In conjunction with the drive to boost our 3G/LTE data services, we introduced on July 1, 2016, *Giga Surf 50* with 1GB of open access data allowance plus 300 MB for access to *iflix*, *Spinnr*, *YouTube*, and other streaming services for Php50 valid for three days. This promo is open to *Smart Postpaid, Smart Prepaid, Smart Bro Postpaid* and *Smart Bro Prepaid* subscribers and can also be shared through Smart's *PasaData*.

In October 2016, we also completed our spectrum refarming in Davao which aimed to extend coverage and increase our data services in terms of speed and quality. As a result of capacity enhancements, the average download speeds of Smart's 3G service in Metro Davao have increased nearly six times to about 6 Mbps while that of LTE has gone up more than 4.5 times to over 17 Mbps, based on internal field tests.

Similar to the network upgrade completed in Davao, initiatives expected to dramatically improve network quality are now ongoing in Cebu, Rizal and Metro Manila.

As we work on building a superior network around the country, we continue to keep an eye on the future of mobile technology. In December 2016, Smart and Nokia successfully carried out the country's first 5G showcase over a live network at Nokia Technology Center in Quezon City, achieving 5G speeds of 2.5 Gigabits per second using 100 Megahertz, or MHz, with latency of just one millisecond. This milestone is part of Smart's roadmap to be 5G-ready by 2020 through strategic investments in infrastructure today.

Smart also teamed up with PayMaya Philippines, Inc., or PayMaya, to launch Smart Mastercard in October 2016. Under the partnership, mobile users who download the PayMaya app on their Android or iOS phones and register with their Smart, TNT or Sun number, may instantly get a virtual Smart Mastercard account number which they can load up at PayMaya load-up centers and use in more than 36 million merchants worldwide that accept Mastercard. Smart subscribers who download the app can also get as much as 10 percent discount on Smart Prepaid load when they buy in-app, as well as enjoy exciting perks from partners.

Voice Services

Mobile revenues from our voice services, which include all voice traffic, decreased by Php9,035 million, or 20%, to Php37,094 million in 2016 from Php46,129 million in 2015 primarily due to lower domestic and international voice revenues due to the availability of alternative calling options and other OTT services such as *Viber*, *Facebook Messenger*, etc. Mobile voice services accounted for 38% and 44% of our mobile service revenues in 2016 and 2015, respectively.

The following table shows the breakdown of our mobile voice revenues for the years ended December 31, 2016 and 2015:

	2016	%	2015	%	Decrease Amount	%
			(in millions)			
Voice Services:						
Domestic	Php28,666	77	Php35,152	76	(Php6,486)	(18)
International	8,428	23	10,977	24	(2,549)	(23)
Total	Php37,094	100	Php46,129	100	(Php9,035)	(20)

Domestic voice service revenues decreased by Php6,486 million, or 18%, to Php28,666 million in 2016 from Php35,152 million in 2015, due to lower domestic outbound and inbound voice service revenues.

International voice service revenues decreased by Php2,549 million, or 23%, to Php8,428 million in 2016 from Php10,977 million in 2015 primarily due to lower international inbound and outbound voice service revenues as a result of lower international voice traffic, partially offset by the effect of higher weighted average exchange rate of the Philippine peso relative to the U.S. dollar.

SMS Services

Mobile revenues from our SMS services, which include all SMS-related services and value-added services, or VAS, decreased by Php5,237 million, or 14%, to Php32,745 million in 2016 from Php37,982 million in 2015 mainly from lower bucket-priced and unlimited SMS revenues. Mobile SMS services accounted for 34% and 36% of our mobile service revenues in 2016 and 2015, respectively.

The following table shows the breakdown of our mobile SMS service revenues for the years ended December 31, 2016 and 2015:

	2016	%	2015	%	Decrease Amount	%
			(in millions)			
SMS Services:						
Domestic[1]	Php30,848	94	Php35,445	93	(Php4,597)	(13)
International	1,897	6	2,537	7	(640)	(25)
Total	Php32,745	100	Php37,982	100	(Php5,237)	(14)

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

Data Services

Mobile revenues from our data services, which include mobile internet, mobile broadband and other data services, increased by Php5,338 million, or 26%, to Php25,517 million in 2016 from Php20,179 million in 2015.

The following table shows the breakdown of our mobile data revenues for the years ended December 31, 2016 and 2015:

	2016	%	2015	%	Increase Amount	%
			(in millions)			
Data Services:						
Mobile internet[1]	Php17,167	67	Php12,055	60	Php5,112	42
Mobile broadband	8,147	32	7,951	39	196	2
Other data	203	1	173	1	30	17
Total	Php25,517	100	Php20,179	100	Php5,338	26

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

Mobile internet

Mobile internet service revenues increased by Php5,112 million, or 42%, to Php17,167 million in 2016 from Php12,055 million in 2015 as a result of the increase in smartphone ownership and greater data adoption among our subscriber base leading to an increase in mobile internet browsing and prevalent use of mobile apps, social networking sites and other over-the-top, or OTT, services. Mobile internet services accounted for 18% and 11% of our mobile service revenues in 2016 and 2015, respectively. Data offerings such as *Smart Big Bytes Barkada, Shared Data, Giga Surf* and *App on Flexibundles* were also introduced during the year to boost data usage.

Mobile broadband

Mobile broadband revenues amounted to Php8,147 million in 2016, an increase of Php196 million, or 2%, from Php7,951 million in 2015 primarily due to higher mobile broadband traffic.

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

Smart Bro continues to grow mobile broadband revenues through various prepaid and postpaid offers. *Smart Bro* bannered various packages both for new and existing subscribers. The *BRO-kada,* comprised of today's favorite millenial celebrities, went around the country to make data more accessible to its target market, offering the *Prepaid Pocket WiFi* at Php888 and the iPad Mini 2 at Plan 599. Furthermore, it has partnered with PLDT to offer the *Pocket WiFi* even to far-flung areas that can be served with the wireless broadband access that *Smart Bro* can provide.

In November 2016, *Smart Bro* unveiled its new postpaid plans that come with free *Pocket WiFi* and loaded with more data and faster speed, starting with Plan 299, which comes with 3.5GB data, to Plan 999, which offers 15GB data.

The brand closed the year with *Smart Bro's* free *Pocket WiFi* for all postpaid plans, loaded with more data and faster speed. All these programs brought in more subscribers into the brand and driving growth in activations.

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

Other data

Revenues from our other data services, which include domestic leased lines and share in revenue from PLDT *WeRoam*, increased by Php30 million, or 17%, to Php203 million in 2016 from Php173 million in 2015.

Inbound Roaming and Others

Mobile revenues from inbound roaming and other services decreased by Php224 million, or 16%, to Php1,141 million in 2016 from Php1,365 million in 2015.

The following table shows the breakdown of our mobile service revenues for the years ended December 31, 2016 and 2015:

			Decrease	
	2016	**2015**	**Amount**	**%**
		(in millions)		
Mobile service revenues	Php96,497	Php105,655	(Php9,158)	(9)
By service type				
Prepaid	67,304	76,143	(8,839)	(12)
Postpaid	28,052	28,147	(95)	–
Inbound roaming and others	1,141	1,365	(224)	(16)

Prepaid Revenues

Revenues generated from our mobile prepaid services amounted to Php67,304 million in 2016, a decrease of Php8,839 million, or 12%, as compared with Php76,143 million in 2015. Mobile prepaid service revenues accounted for 70% and 72% of mobile service revenues in 2016 and 2015, respectively. The decrease in revenues from our mobile prepaid services was primarily driven by lower mobile prepaid subscriber base resulting to lower voice and text messaging revenues, partially offset by an increase in mobile internet revenues.

In 2016, as part of its attempt to increase smartphone ownership among prepaid subscribers, Smart launched several promotions that offered quality smartphones at compelling price points, bundled with perks and rewards.

In July 2016, *Smart Prepaid* relaunched its Smart Prepaid LTE SIM to target data users, with free 50MB mobile data per month for six months and a 100MB monthly data reward for an accumulated top-up of Php100 per month for six months.

In August 2016, *Smart Prepaid* also launched the *All-Out Surf* bundle, which combines volume-based data, unlimited all-net texts and capped on-net minutes starting at Php30 valid for two days. This was designed for heavy text users who are transitioning into mobile data users.

On September 27, 2016, Smart expanded its suite of digital content with a milestone partnership with multimedia giant ABS-CBN for *iWanTV*, the latter's streaming service for TV shows, movies and other exclusive digital content. Under the partnership, all Smart subscribers enjoyed free access to the *iWanTV* app for every purchase of *Giga Surf* products, allowing them to catch their favorite local TV series and shows on-the-go. Smart makes it a lot easier for subscribers to pay for their *iWanTV* subscription using prepaid load or charged to their postpaid account.

Along with Smart's digital transformation, its value brand, *TNT*, also launched its new logo, brand ambassadors and theme song *"It's a Tropa Thing"* on June 8, 2016, expanding its target market to appeal to the more tech-savvy, fun-loving and budget-conscious Filipino youth.

TNT continues to offer the *Alden & Maine load* or *AM15* that allows *Katropas* to keep up with their favorite couple, Alden and Maine, and all updates online. With Php15 per day, a *TNT* subscriber can enjoy 100MB of mobile data that can be used to access any of their favorite apps like *Facebook, Viber, Twitter, Clash of Clans* and *Dubsmash*, one day of unlimited texts to all networks and 60 minutes of calls to TNT, Smart and Sun.

On September 17, 2016, TNT launched *Babad Apps* which give subscribers access to their favorite mobile applications at Php5 per day or Php10 for three days, per app. *Babad Apps* that subscribers can choose from include *Facebook*, *Instagram*, *Twitter*, *Viber*, *WeChat*, *Clash of Clans*, *Wattpad*, *Boom Beach*, *Hay Day*, *Clash Royale*, *Youtube* and *Google*.

In December 2016, TNT launched *ItsATropaTreat*, which encouraged subscribers to pass on AM15 and enjoy digital treats such as free 16MB or 16 texts for every registration to top TNT promos.

Postpaid Revenues

Revenues generated from mobile postpaid service amounted to Php28,052 million in 2016, a decrease of Php95 million as compared with Php28,147 million in 2015, and accounted for 29% and 27% of mobile service revenues in 2016 and 2015, respectively. The decrease in our mobile postpaid service revenues was primarily due to a lower postpaid subscriber base.

We continue to offer a wide array of choices for postpaid subscription plans. In January 2016, *Smart Postpaid* introduced the country's first *Shared Data Plan 999*, which provides three smartphones and three mobile numbers under a single account, that are capable of sharing 6GB of mobile data volume per month. The plan also comes with unlimited calling among the three users.

Smart Postpaid continues to offer *Smart All-in Plans*, which are offered at Plan 500 up to Plan 2500, enable subscribers to avail of call, text and data services, mix and match services or create their own plan using various *Flexibundles,* all charged within the subscriber's monthly service fee. Top picks for *Flexibundles* are *Tri-net Plus 399, Unli Call and Text 599* and *SurfMax 995* while the newest bundles include *App On*, *Giga Surf* and *Shared Data* bundles.

In November 2016, *Smart Postpaid* launched *Giga Plans* which offer up to ten times more than Smart's previous data allocations, plus call and text credits, and a free VAS subscription of choice. Giga Plans start at *Plan 399* with 1GB of data, up to *Plan 2999* with 36GB – both with free calls and texts bundles.

Sun, on the other hand, enhanced its *Plan 599* to include a free phone and tablet bundle, plus unlimited calls and texts to Sun, 400 texts to other networks and 400MB data for surfing. Sun also launched *Fixed Load Plans*, which offer a free phone with a set amount of monthly load and service inclusions, designed for subscribers who want to manage their budget easily. Sun *Fixed Load Plans* start at *Plan 199*, which comes with a free smartphone, four hours of calls to Sun, and unlimited texts to Sun numbers; to *Fixed Load Plan 350*, which also includes a free smartphone, plus unlimited calls and texts to Sun numbers.

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

The following table shows our wireless subscriber base as at December 31, 2016 and 2015:

			Increase (Decrease)	
	2016	**2015**	**Amount**	**%**
Mobile subscriber base	62,763,209	68,612,118	(5,848,909)	(9)
Smart[(1)]	23,027,793	26,921,211	(3,893,418)	(14)
Postpaid	*1,383,830*	*1,502,678*	*(118,848)*	*(8)*
Prepaid	*21,643,963*	*25,418,533*	*(3,774,570)*	*(15)*
TNT	29,845,509	28,054,160	1,791,349	6
Sun Cellular[(1)]	9,889,907	13,636,747	(3,746,840)	(27)
Postpaid	*1,426,438*	*2,045,580*	*(619,136)*	*(30)*
Prepaid	*8,463,469*	*11,591,167*	*(3,127,698)*	*(27)*
Home broadband subscriber base	270,203	258,776	*11,427*	*4*
Total wireless subscribers	63,033,412	68,870,894	*(5,837,482)*	*(8)*

(1) Includes mobile broadband subscribers.

The following table summarizes our average monthly churn rates for the years ended December 31, 2016 and 2015:

	2016	**2015**
	(in %)	
Smart	7.5	6.4
Postpaid	4.8	3.3
Prepaid	7.6	6.6
TNT	6.3	5.7
Sun Cellular	8.5	10.3
Postpaid	6.4	4.3
Prepaid	8.8	11.3

The following table summarizes our average monthly ARPUs for the years ended December 31, 2016 and 2015:

	Gross[(1)]		Increase (Decrease)		Net[(2)]		Increase (Decrease)	
	2016	2015	Amount	%	2016	2015	Amount	%
Prepaid								
Smart	Php117	Php129	(Php12)	(9)	Php107	Php118	(Php11)	(9)
TNT	82	91	(9)	(10)	76	84	(8)	(10)
Sun	90	74	16	22	83	68	15	22
Postpaid								
Smart	966	993	(27)	(3)	951	982	(31)	(3)
Sun	443	444	(1)	–	437	441	(4)	(1)

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

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

Home Broadband

HOMEBro, is 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. *Home Ultera*, our fixed wireless broadband offering specifically designed for the home, utilizes the TD-LTE technology and offers customized packages that cater to the lower income home segment.

Revenues from our *HOMEBro* services decreased by Php268 million, or 9%, to Php2,772 million in 2016 from Php3,040 million in 2015 due mainly to the continued migration of our high-value fixed wireless subscribers from legacy technologies (Canopy & Wimax) to either TD-LTE or wired broadband (DSL/FTTH). In addition, average revenue per user has decreased as a result of price competition and PLDT's continued thrust to bring high-quality broadband services to the lower income segments of the Home market.

Despite the decline in revenues, subscribers of our *HOMEBro* services increased by 11,427 or 4% from 258,776 subscribers as of December 31, 2015 to 270,203 subscribers as of December 31, 2016. This significant turnaround in subscriber base was directly attributed to the launch of the country's most affordable postpaid broadband offering designed for the home – *Home Ultera Plan 699*.

On top of providing the country's most affordable home broadband service, PLDT has always been at the forefront of providing subscribers with diverse and compelling bundled content through its partnerships with globally renowned content providers. These partners include Southeast Asia's leading internet TV service provider *iflix*; Fox International Channels which offers a wide range of video-on-demand, live content and catch-up TV; and ABS-CBN's *iWanTV* – the number one OTT content platform in the Philippines.

Digital Platforms and Mobile Financial Services

Revenues from digital platforms and mobile financial services, as reported by Voyager, decreased by Php323 million, or 31%, to Php728 million in 2016 from Php1,051 million in 2015 resulting from the deconsolidation of ePay, the holding company of PayMaya, for the period February to July 2016, with total service revenues of Php503 million during the said period. ePay was reconsolidated to Smart in August 2016 and posted revenues of Php247 million for the months of January, and August until December 2016. Had we included PayMaya revenues for the period February to July 2016, revenues would have been Php1,231 million in 2016, an increase of 17%, from Php1,051 million in 2015.

MVNO and Others

Revenues from our other services decreased by Php385 million, or 40%, to Php585 million in 2016 from Php970 million 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 the Philippine peso relative to the U.S. dollar to Php47.48 for the year ended December 31, 2016 from Php45.51 for the year ended December 31, 2015 on our U.S. dollar and U.S. dollar-linked other service revenues.

Non-Service Revenues

Our wireless non-service revenues consist of sales of cellular handsets, cellular SIM-packs and broadband data modems, tablets and accessories. Our wireless non-service revenues decreased by Php465 million, or 10%, to Php4,332 million in 2016 from Php4,797 million in 2015, primarily due to higher revenues from mobile prepaid attributed to *Smart Prepaid Android Phone Kits*.

Expenses

Expenses associated with our wireless business amounted to Php93,204 million in 2016, a decrease of Php2,154 million, or 2%, from Php95,358 million in 2015. A significant portion of the decrease was mainly attributable to lower selling and promotions, compensation and employee benefits, rent, taxes and licenses, and interconnection costs, partially offset by higher expenses related to depreciation and amortization, asset impairment, professional and other contracted services, and cost of sales. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 89% and 83% in 2016 and 2015, respectively.

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

					Increase (Decrease)	
	2016	%	2015	%	Amount	%
			(in millions)			
Depreciation and amortization	Php18,984	20	Php17,218	18	Php1,766	10
Cost of sales	14,140	15	13,811	15	329	2
Rent	9,805	11	10,657	11	(852)	(8)
Asset impairment	9,284	10	8,446	9	838	10
Repairs and maintenance	8,367	9	8,577	9	(210)	(2)
Interconnection costs	8,035	9	8,513	9	(478)	(6)
Compensation and employee benefits	6,706	7	7,725	8	(1,019)	(13)
Professional and other contracted services	6,119	7	5,613	6	506	9
Selling and promotions	5,570	6	7,712	8	(2,142)	(28)
Taxes and licenses	2,675	3	3,124	3	(449)	(14)
Insurance and security services	1,149	1	1,190	1	(41)	(3)
Amortization of intangible assets	929	1	1,076	1	(147)	(14)
Communication, training and travel	809	1	958	1	(149)	(16)
Cost of content	289	–	62	–	227	366
Other expenses	343	–	676	1	(333)	(49)
Total	Php93,204	100	Php95,358	100	(Php2,154)	(2)

Depreciation and amortization charges increased by Php1,766 million, or 10%, to Php18,984 million primarily due to higher depreciable asset base.

Cost of sales increased by Php329 million, or 2%, to Php14,140 million primarily due to higher average costs and increased smartphone and data-capable device issuances for Smart Postpaid subscribers, and increased availments for *Smart Prepaid Android Phone Kits*.

Rent expenses decreased by Php852 million, or 8%, to Php9,805 million primarily due to lower domestic fiber optic network rental charges.

Asset impairment increased by Php838 million, or 10%, to Php9,284 million primarily due to higher provision for doubtful accounts and inventory obsolescence, partly offset by an impairment provision for property and equipment in 2015.

Repairs and maintenance expenses decreased by Php210 million, or 2%, to Php8,367 million mainly due to lower site and office electricity costs, lower maintenance costs on domestic cable and wire facilities, customer premises and telecoms equipment, partially offset by higher maintenance costs on site facilities and IT software as a result of our network expansion.

Interconnection costs decreased by Php478 million, or 6%, to Php8,035 million primarily due to lower interconnection cost on international voice and text services, partially offset by an increase in interconnection charges on domestic voice and text services.

Compensation and employee benefits decreased by Php1,019 million, or 13%, to Php6,706 million primarily due to lower salaries and employee benefits, provision for pension benefits and MRP costs. Employee headcount decreased to 7,343 as at December 31, 2016 as compared with 7,505 as at December 31, 2015.

Professional and other contracted service fees increased by Php506 million, or 9%, to Php6,119 million primarily due to increase in managed services, facility usage costs and contracted services, partly offset by lower call center and consultancy fees.

Selling and promotion expenses decreased by Php2,142 million, or 28%, to Php5,570 million primarily due to lower advertising and promotions, and public relations expenses, partially offset by higher commission expenses.

Taxes and licenses decreased by Php449 million, or 14%, to Php2,675 million due to tax settlement, real property and other business-related taxes, partly offset by higher spectrum user fees for cellular service and radio equipment.

Insurance and security services decreased by Php41 million, or 3%, to Php1,149 million primarily due to lower site security expenses, partially offset by higher office security expenses.

Amortization of intangible assets decreased by Php147 million, or 14%, to Php929 million primarily due to reclassification of music license.

Communication, training and travel expenses decreased by Php149 million, or 16%, to Php809 million primarily due to lower fuel costs for vehicles as a result of lower average fuel cost per liter and lower communication expenses, partially offset by higher travel expenses.

Cost of content increased by Php227 million to Php289 million primarily due to music licenses recognized as cost of service effective 2016.

Other expenses decreased by Php333 million, or 49%, to Php343 million primarily due to lower various business and operational-related expenses.

Other Expenses

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

			Change	
	2016	**2015**	**Amount**	**%**
		(in millions)		
Other Income (Expenses):				
Financing costs – net	(Php2,487)	(Php1,799)	(Php688)	38
Foreign exchange losses – net	(1,702)	(1,622)	(80)	5
Equity share in net losses of associates	(237)	(81)	(156)	193
Interest income	270	308	(38)	(12)
Gain on derivative financial instruments – net	485	–	485	100
Other income – net	154	1,236	(1,082)	(88)
Total	(Php3,517)	(Php1,958)	(Php1,559)	80

Our wireless business' other expenses amounted to Php3,517 million in 2016, an increase of Php1,559 million, or 80%, from Php1,958 million in 2015, primarily due to the combined effects of the following: (i) a decrease in other income – net by Php1,082 million mainly due to reversal of asset retirement obligation in 2015 and lower gain on insurance claims, partly offset by higher income from consultancy services; (ii) higher net financing costs by Php688 million due to higher outstanding loan balance, higher weighted average interest rate, higher financing charges and higher weighted average of the Philippine peso relative to the U.S. dollar in 2016, partly offset by higher capitalized interest; (iii) higher equity share in net losses of associates by Php156 million due to equity share in net losses of PHIH and ECommerce Pay in 2016, and higher share in net losses of AFPI; (iv) higher foreign exchange losses by Php80 million on account of the revaluation of net foreign currency-denominated liabilities due to the higher level of depreciation of the Philippine peso relative to the U.S. dollar in 2016 as against the same period in 2015; (v) lower interest income by Php38 million mainly due to lower weighted average interest rate, and a decrease in the principal amount of temporary cash investments, partly offset by higher weighted average rate of the Philippine peso relative to the U.S. dollar; and (vi) net gains on derivative financial instruments of Php485 million in 2016 on account of mark-to-market gains on foreign exchange derivatives due to the higher level of depreciation of the Philippine peso relative to the U.S. dollar, partly offset by narrower dollar and peso interest rate differentials in 2016.

Provision for (Benefit from) Income Tax

Benefit from income tax amounted to Php1,270 million in 2016 as against provision for income tax of Php2,763 million in 2015 primarily due to lower taxable income and recognition of deferred tax benefit relating to Smart's acquisition of DMPI's subscriber base.

Net Income

As a result of the foregoing, our wireless business' net income decreased by Php5,971 million, or 39%, to Php9,463 million in 2016 from Php15,434 million in 2015.

EBITDA

Our wireless business' EBITDA decreased by Php11,576 million, or 26%, to Php32,661 million in 2016 from Php44,237 million in 2015. EBITDA margin decreased to 32% in 2016 from 40% in 2015.

Core Income

Our wireless business' core income decreased by Php11,110 million, or 49%, to Php11,402 million in 2016 from Php22,512 million in 2015 on account of lower revenues and higher other expenses, partially offset by lower operating expenses and benefit for income tax in 2016.

Fixed Line

Revenues

Revenues generated from our fixed line business amounted to Php72,728 million in 2016, an increase of Php3,863 million, or 6%, from Php68,865 million in 2015.

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

					Increase (Decrease)	
	2016	**%**	**2015**	**%**	**Amount**	**%**
			(in millions)			
Service Revenues:						
Voice	Php29,630	41	Php30,253	44	(Php623)	(2)
Data	37,711	52	33,748	49	3,963	12
Miscellaneous	1,665	2	1,474	2	191	13
	69,006	95	65,475	95	3,531	5
Non-Service Revenues:						
Sale of computers, phone units and SIM packs, and point-product sales	3,722	5	3,390	5	332	10
Total Fixed Line Revenues	Php72,728	100	Php68,865	100	Php3,863	6

Service Revenues

Our fixed line service revenues increased by Php3,531 million, or 5%, to Php69,006 million in 2016 from Php65,475 million in 2015 due to higher revenues from our data and miscellaneous services, partially offset by lower voice service revenues.

Voice Services

Revenues from our voice services decreased by Php623 million, or 2%, from Php29,630 million in 2016 from Php30,253 million in 2015 primarily due to lower international and domestic services, partially offset by higher revenues from local exchange.

The following table shows information of our voice service revenues for the years ended December 31, 2016 and 2015:

					Increase (Decrease)	
	2016	**%**	**2015**	**%**	**Amount**	**%**
			(in millions)			
Voice						
Local exchange	Php17,792	60	Php17,076	56	Php716	4
International	8,056	27	9,219	31	(1,163)	(13)
Domestic	3,782	13	3,958	13	(176)	(4)
Total	Php29,630	100	Php30,253	100	(Php623)	(2)

Local Exchange

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

	2016	2015	Increase Amount	%
Total local exchange service revenues (in millions)	Php17,792	Php17,076	Php716	4
Number of fixed line subscribers	2,438,473	2,303,454	135,019	6
Number of fixed line LEC employees	7,205	7,039	166	2
Number of fixed line subscribers per employee	338	327	11	3

Revenues from our local exchange service increased by Php716 million, or 4%, to Php17,792 million in 2016 from Php17,076 million in 2015, primarily due to an increase in subscribers. The percentage contribution of local exchange revenues to our total fixed line service revenues was 26% in each of the years ended December 31, 2016 and 2015.

International

Our international service revenues decreased by Php1,163 million, or 13%, to Php8,056 million in 2016 from Php9,219 million in 2015, primarily due to lower call volumes for both inbound and outbound traffic as a result of the 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 relative to the U.S. dollar to Php47.48 in 2016 from Php45.51 in 2015, and the net increase in average billing rates in dollar terms. The percentage contribution of international service revenues to our total fixed line service revenues accounted for 12% and 14% in 2016 and 2015, respectively.

Domestic

Our domestic service revenues decreased by Php176 million, or 4%, to Php3,782 million in 2016 from Php3,958 million in 2015, primarily due to a decrease in call volumes. The percentage contribution of domestic service revenues to our fixed line service revenues were 5% and 6% in 2016 and 2015, respectively.

Data Services

The following table shows information of our data service revenues for the years ended December 31, 2016 and 2015:

	2016	2015	Increase Amount	%
Data service revenues (in millions)	Php37,711	Php33,748	Php3,963	12
Home broadband	14,896	12,338	2,558	21
Corporate data and leased lines	19,980	18,806	1,174	6
Data Center and IT	2,835	2,604	231	9

Our data services posted revenues of Php37,711 million in 2016, an increase of Php3,963 million, or 12%, from Php33,748 million in 2015, primarily due to higher home broadband revenues from DSL and *Fibr*, an increase in corporate data and leased lines primarily i-Gate, Fibernet, Metro Ethernet and *Shops.Work*, and higher data center and IT revenues. The percentage contribution of this service segment to our fixed line service revenues was 55% and 52% in 2016 and 2015, respectively.

Home Broadband

PLDT HOME remains to be the nation's leading home broadband service provider, now serving over 1.4 million subscribers nationwide. PLDT HOME's broadband data services include Home DSL and Home Fibr, the country's most powerful broadband connection. Home broadband data revenues amounted to Php14,896 million in 2016, an increase of Php2,558 million, or 21%, from Php12,338 million in 2015. Home broadband revenues accounted for 39% and 36% of total data service revenues in 2016 and 2015, respectively. This growth is driven by the company's commitment to aggressively expand the fiber-to-the-home (FTTH) network in the Philippines.

Beyond network expansion, PLDT HOME is also aggressively modernizing and upgrading its current copper network through the use of new technologies like VDSL which delivers speeds of up to 100 Mbps. Pilot testing of G.Fast and Gigawire technologies are currently underway which will soon see subscribers enjoying speeds of up to 500 Mbps on their copper lines.

PLDT HOME is strongly committed to fulfill our subscribers' digital home lifestyle needs through conveniently and strategically bundled packages with our core data service. PLDT HOME was first to market such services under the *Connected Home* banner, spreading close to half a million digital services nationwide.

Consistent with its goal of always spearheading innovation for the home, PLDT launched the *Smart Home* digital services in 2016. This digital ecosystem is built on these key pillars: connectivity, peace of mind, entertainment, and convergence. The connectivity that binds the *Smart Home* is best experienced through devices like the Telpad which is the world's first landline, broadband and tablet service in one; and the TVolution which turns an ordinary TV into a smart TV, enabled by Home Fibr's fastest Internet speeds of up to 1 Gbps. This allows for high-speed browsing of multiple websites and the country's first symmetrical speed service which provides equal upload and download speeds. PLDT HOME also pioneered the 'peace of mind' suite which features security-enhancing products like the home monitoring system Fam Cam launched in partnership with network solutions giant D-Link; the online safety solution Fam Zone which is Australia's leading online parental control platform; and the multi-functional kiddie gadget Smart Watch manufactured by global telecommunications company Alcatel.

PLDT HOME has always been at the forefront of providing subscribers with diverse and compelling bundled content through its partnerships with globally renowned content providers. These partners include Southeast Asia's internet TV service provider *iflix*; US-based internet TV pioneer Netflix; the country's pay TV service provider Cignal Digital TV; Fox International Channels which offers a wide range of video-on-demand, live content and catch-up TV; and ABS-CBN's *iWanTV,* an OTT content platform in the Philippines.

Finally, PLDT HOME has blazed the trail for the convergence of wired and wireless connections through its data sharing feature which allows subscribers to seamlessly share data with their Smart mobile phones, thus revolutionizing the way families share and enjoy their high-speed connection. The data sharing bundle also allows subscribers to conveniently upgrade their mobile devices to the latest iPhone plans or bundle their home broadband service with a Smart Bro Pocket WiFi so they can enjoy the same strongest connections even outside the home.

Corporate Data and Leased Lines

Corporate data and leased line services contributed Php19,980 million in 2016, an increase of Php1,174 million, or 6%, as compared with Php18,806 million in 2015 mainly due to sustained market traction of broadband data services such as DSL and *Fibr*, as a result of higher internet connectivity requirements, and key Private Networking Solutions such as Internet Protocol-Virtual Private Network, or IP-VPN, Metro Ethernet and *Shops.Work*. Corporate data and leased line revenues accounted for 53% and 56% of total data services in 2016 and 2015, respectively.

Leased lines and other data services include: (1) Diginet, our domestic private leased line service providing Smart's fiber optic and leased line data requirements; (2) IP-VPN, a managed corporate IP network that offers a secure means to access corporate network resources; (3) Metro Ethernet, our high-speed wide area networking services that enable mission-critical data transfers; and (4) *Shops.Work*, our connectivity solution for retailers and franchisers that links company branches to their head office.

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.

2016 saw the addition of a new international Point of Presence (PoP) in Sydney, Australia, which complements existing PoPs in the United States, Hong Kong, Singapore, and the United Kingdom. PLDT's sixth PoP further strengthens PLDT's formidable global network, resulting in maximum international connectivity.

Data Center and IT

Data centers provide colocation and related connectivity, disaster recovery, server hosting, cloud, big data and other data center services. As at December 31, 2016, ePLDT Group had a total of 6,797 rack capacity in seven locations covering Metro Manila, Subic and Cebu. On July 28, 2016, PLDT, through ePLDT, inaugurated VITRO Makati, the country's biggest data center with 3,600 racks at full capacity, and located in one of the country's premiere business districts. It is equipped with highly-resilient systems and facilities to guarantee continuous operations, ensuring that businesses can utilize robust and scalable digital infrastructure, as well as world-class 24/7 technical support capabilities. Data center and IT revenues increased by Php231 million, or 9%, to Php2,835 million in 2016 from Php2,604 million in 2015 mainly due to higher revenues from colocation, managed IT and social engagement solutions services. Cloud services include cloud contact center, cloud Infrastructure as a Service, cloud Software as a Service, managed security services and cloud professional services. The percentage contribution of this service segment to our total data service revenues was 8% in each of 2016 and 2015.

Miscellaneous Services

Miscellaneous service revenues are derived mostly from rental, outsourcing and facilities management fees, and directory advertising. These service revenues increased by Php191 million, or 13%, to Php1,665 million in 2016 from Php1,474 million in 2015 mainly due to higher outsourcing and management fees, partly offset by royalties from directory services in 2015. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues was 2% in each of 2016 and 2015.

Non-service Revenues

Non-service revenues increased by Php332 million, or 10%, to Php3,722 million in 2016 from Php3,390 million in 2015, primarily due to higher sale of *FabTAB* for *myDSL* retention and *PLP* units, computer-bundled, and TVolution units, partially offset by lower sale of *UNO* equipment, *Telpad* units, managed IT equipment, set top box and managed PABX.

Expenses

Expenses related to our fixed line business totaled Php61,285 million in 2016, an increase of Php2,868 million, or 5%, as compared with Php58,417 million in 2015. The increase was primarily due to higher expenses related to professional and other contracted services, depreciation and amortization, rent, asset impairment, repairs and maintenance, cost of content, selling and promotions, communication, training and travel, and other operating expenses, partly offset by lower expenses related to interconnection costs, compensation and employee benefits, taxes and licenses, and insurance and security services. As a percentage of our total fixed line revenues, expenses associated with our fixed line business accounted for 84% and 85% in 2016 and 2015, respectively.

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

	2016	%	2015	%	Increase (Decrease) Amount	%
			(in millions)			
Depreciation and amortization	Php15,471	25	Php14,301	25	Php1,170	8
Compensation and employee benefits	13,238	22	13,899	24	(661)	(5)
Repairs and maintenance	7,480	12	7,028	12	452	6
Interconnection costs	5,940	10	6,666	11	(726)	(11)
Professional and other contracted services	5,641	9	4,382	8	1,259	29
Rent	3,373	6	2,768	5	605	22
Cost of sales	2,617	4	2,596	4	21	1
Selling and promotions	2,133	3	2,036	4	97	5
Asset impairment	1,758	3	1,244	2	514	41
Taxes and licenses	1,131	2	1,425	2	(294)	(21)
Insurance and security services	697	1	715	1	(18)	(3)
Communication, training and travel	612	1	549	1	63	11
Cost of content	287	–	163	–	124	76
Other expenses	907	2	645	1	262	41
Total	Php61,285	100	Php58,417	100	Php2,868	5

Depreciation and amortization charges increased by Php1,170 million, or 8% to Php15,471 million due to a higher depreciable asset base.

Compensation and employee benefits expenses decreased by Php661 million, or 5%, to Php13,238 million primarily due to lower MRP costs by Php1,344 million, or 92%, to Php110 million in 2016, and lower provision for pension benefits, partially offset by higher salaries and employee benefits. Employee headcount increased to 10,695 as at December 31, 2016 as compared with 9,671 as at December 31, 2015.

Repairs and maintenance expenses increased by Php452 million, or 6%, to Php7,480 million primarily due to higher repairs and maintenance costs on cable and wire facilities, and higher maintenance costs on IT hardware and software, and buildings, partially offset by lower office and site electricity charges.

Interconnection costs decreased by Php726 million, or 11%, to Php5,940 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 interconnection/ settlement costs, particularly Fibernet and Infonet.

Professional and other contracted service expenses increased by Php1,259 million, or 29%, to Php5,641 million primarily due to higher consultancy, contracted service, and technical service fees, partially offset by lower bill printing, collection agency and legal fees.

Rent expenses increased by Php605 million, or 22%, to Php3,373 million primarily due to higher international leased circuit, office building and pole rental charges.

Cost of sales increased by Php21 million, or 1%, to Php2,617 million primarily due to higher sale of *FabTab* for *myDSL* retention, *PLP* units, computer-bundled, and TVolution units, partially offset by lower sale of UNO equipment, *Telpad* units, managed IT equipment, set top box and managed PABX.

Selling and promotion expenses increased by Php97 million, or 5%, to Php2,133 million primarily due to higher cost of events, and advertising and promotions expenses, partly offset by lower expenses on commissions and public relations.

Asset impairment increased by Php514 million, or 41%, to Php1,758 million mainly due to higher provision for inventory obsolescence and doubtful accounts.

Taxes and licenses decreased by Php294 million, or 21%, to Php1,131 million as a result of lower tax settlement and other business-related taxes.

Insurance and security services decreased by Php18 million, or 1%, to Php697 million primarily due to lower insurance and bond premiums, office security services and life insurance premiums.

Communication, training and travel expenses increased by Php63 million, or 11%, to Php612 million mainly due to higher local training and travel, an increase in communication charges, and an increase in fuel consumption, partly offset by a decrease in average cost per liter of fuel.

Cost of content increased by Php124 million, or 76%, to Php287 million primarily due to various partnership with content providers during the year.

Other expenses increased by Php262 million, or 41%, to Php907 million primarily due to higher various business and operational-related expenses.

Other Expenses

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

			Change	
	2016	**2015**	**Amount**	**%**
		(in millions)		
Other Income (Expenses):				
Financing costs – net	(Php4,917)	(Php4,509)	(Php408)	9
Foreign exchange losses – net	(486)	(892)	406	(46)
Equity share in net earnings (losses) of associates	(40)	38	(78)	(205)
Gains on derivative financial instruments – net	511	420	91	22
Interest income	707	620	87	14
Other income – net	3,934	1,724	2,210	128
Total	(Php291)	(Php2,599)	Php2,308	(89)

Our fixed line business' other expenses amounted to Php291 million in 2016, a decrease of Php2,308 million, or 89% from Php2,599 million in 2015 mainly due to the combined effects of the following: (i) an increase in other income – net by Php2,210 million due to gain on sale of property and lower loss on sale of fixed assets and materials; (ii) lower foreign exchange losses by Php406 million due to lower net foreign currency-denominated liabilities, partly offset by higher level of depreciation of the Philippine peso relative to the U.S. dollar; (iii) higher net gain on derivative financial instruments by Php91 million on account of mark-to-market gains on foreign exchange derivatives due to the higher level of depreciation of the Philippine peso relative to the U.S. dollar, partly offset by narrower dollar and peso interest rate differentials in 2016; (iv) an increase in interest income by Php87 million due to an increase in principal amount of temporary cash investments, higher weighted average interest rates and higher weighted average rate of the Philippine peso relative to the U.S. dollar in 2016; (v) equity share in net losses of associates of Php40 million in 2016 as against equity share in net earnings of associates of Php38 million in 2015 mainly due to the share in higher net losses of Cignal TV, partly offset by higher share in net earnings of Hastings; (vi) higher financing costs by Php408 million mainly due to higher outstanding loan balance, higher weighted average interest rate and the higher level of depreciation of the Philippine peso relative to the U.S. dollar in 2016, partially offset by lower financing charges and higher capitalized interest.

Provision for Income Tax

Provision for income tax amounted to Php3,018 million in 2016, an increase of Php1,362 million, or 82%, from Php1,656 million in 2015 primarily due to higher taxable income. The effective tax rates for our fixed line business were 27% and 21% in 2016 and 2015, respectively.

Net Income

As a result of the foregoing, our fixed line business registered a net income of Php8,134 million in 2016, an increase of Php1,941 million, or 31%, as compared with Php6,193 million in 2015.

EBITDA

Our fixed line business' EBITDA increased by Php2,201 million, or 9%, to Php26,950 million in 2016 from Php24,749 million in 2015. EBITDA margin increased to 39% in 2016 from 38% in 2015.

Core Income

Our fixed line business' core income increased by Php1,207 million, or 18%, to Php7,746 million in 2016 from Php6,539 million in 2015, primarily as a result of higher revenues and lower other expenses, partially offset by higher operating expenses and provision for income tax.

Others

Expenses

Expenses related to our other business totaled Php42 million in 2016, a decrease of Php17 million, or 29%, as compared with Php59 million in 2015 primarily due to lower cash operating expenses.

Other Income

The following table summarizes the breakdown of other income – net for other business segment for the years ended December 31, 2016 and 2015:

			Change	
	2016	**2015**	**Amount**	**%**
		(in millions)		
Other Income (Expenses):				
Equity share in net earnings of associates and joint ventures	Php1,458	Php3,284	(Php1,826)	(56)
Interest income	306	99	207	209
Financing costs – net	(187)	(179)	(8)	4
Foreign exchange losses – net	(597)	(522)	(75)	14
Other income (expenses) – net	1,768	(2,031)	3,799	(187)
Total	Php2,748	Php651	Php2,097	322

Other income increased by Php2,097 million to Php2,748 million in 2016 from Php651 million in 2015 primarily due to the combined effects of the following: (i) other income of Php1,768 million in 2016 as against other expenses of Php2,031 million in 2015 due to higher gain on sale of Beacon shares by PCEV in 2016 as against the gain on sale of Meralco shares by Beacon in 2015, partly offset by higher impairment loss on our investment in Rocket resulting from the decline in fair value; (ii) an increase in interest income by Php207 million; (iii) higher financing costs by Php8 million; (ii) higher foreign exchange losses by Php75 million; and (v) lower equity share in net earnings of associates by Php1,826 million mainly from lower equity share in Beacon and equity share in net losses of VTI in 2016, partly offset by higher equity share in net earnings of Beta due to the sale of its SPi CRM business.

Net Income

As a result of the foregoing, our other business segment registered a net income of Php2,565 million in 2016, an increase of Php2,117 million from Php448 million in 2015.

Core Income

Our other business segment's core income amounted to Php8,709 million in 2016, an increase of Php2,548 million, or 41%, as compared with Php6,161 million in 2015 mainly as a result of higher other income and lower cash operating expenses.

Liquidity and Capital Resources

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

	For the Years Ended December 31,	
	2016	2015
	(in millions)	
	(Unaudited)	(Audited)
Cash Flows		
Net cash flows provided by operating activities	Php48,976	Php69,744
Net cash flows used in investing activities	(41,982)	(39,238)
Capital expenditures	*42,825*	*43,175*
Net cash flows used in financing activities	(15,341)	(11,385)
Net increase (decrease) in cash and cash equivalents	(7,733)	19,796

	December 31,	
	2016	2015
	(in millions)	
	(Unaudited)	(Audited)
Capitalization		
Long-term portion of interest-bearing financial liabilities – net of current portion:		
Long-term debt	Php151,759	Php143,982
Current portion of interest-bearing financial liabilities:		
Long-term debt maturing within one year	33,273	16,910
Obligations under finance lease maturing within one year	–	1
	33,273	16,911
Total interest-bearing financial liabilities	185,032	160,893
Total equity attributable to equity holders of PLDT	108,175	113,608
	Php293,207	Php274,501
Other Selected Financial Data		
Total assets	Php475,119	Php455,095
Property and equipment	203,188	195,782
Cash and cash equivalents	38,722	46,455
Short-term investments	2,738	1,429

Our consolidated cash and cash equivalents and short-term investments totaled Php41,460 million as at December 31, 2016. Principal sources of consolidated cash and cash equivalents in 2016 were cash flows from operating activities amounting to Php48,976 million, proceeds from availment of long-term debt of Php40,569 million, proceeds from disposal of investment in Beacon of Php17,000 million; dividends received of Php4,409 million, proceeds from disposal of property and equipment of Php1,889 million, interest received of Php947 million and net proceeds from redemption of investment in debt securities of Php589 million. These funds were used principally for: (1) capital expenditures, including capitalized interest, of Php42,825 million; (2) cash dividend payments of Php22,987 million; (3) payment for purchase of investment in VTI, Bow Arken and Brightshare by Php21,524 million; (4) debt principal and interest payments of Php19,650 million and Php6,512 million, respectively; (5) reduction in capital expenditures under long-term financing of Php6,040 million; (6) net payment for purchase of short-term investments of Php1,177 million; (7) net payment for purchase of available-for-sale investments of Php998 million; and (8) settlement of derivative financial instruments of Php541 million.

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

Operating Activities

Our consolidated net cash flows provided by operating activities decreased by Php20,768 million, or 30%, to Php48,976 million in 2016 from Php69,744 million in 2015, primarily due to lower collection efficiency, lower operating income, higher level of settlement of accounts payable and other liabilities, and higher prepayments, partially offset by lower pension contribution and lower corporate taxes paid.

Cash flows provided by operating activities of our wireless business decreased by Php21,931 million, or 47%, to Php24,988 million in 2016 from Php46,919 million in 2015 primarily due to lower operating income, lower collection efficiency, higher level of settlement of accounts payable and other liabilities, and higher prepayments, partially offset by lower pension contribution and lower corporate taxes paid. Cash flows provided by operating activities of our fixed line business increased by Php2,329 million, or 10%, to Php24,885 million in 2016 from Php22,556 million in 2015, primarily due to higher operating income and lower pension contribution, partly offset by lower collection efficiency and higher prepayments. Cash flows used in operating activities of our other business amounted to Php829 million in 2016 as against cash flows provided by operating activities of Php740 million in 2015 due to operating loss in 2016.

Investing Activities

Consolidated net cash flows used in investing activities amounted to Php41,982 million in 2016, an increase of Php2,744 million, or 7%, from Php39,238 million in 2015, primarily due to the combined effects of the following: (1) higher net payment for purchase of investment in joint ventures and associates by Php3,250 million specifically for the purchase of San Miguel Corporation, or SMC's, telecommunications business, partly offset by the sale of PCEV's share in Beacon; (2) lower dividends received by Php1,135 million; (3) higher net payment for purchase of short-term investments by Php452 million; (4) higher net payment for purchase of available-for-sale investments by Php73 million; (5) lower payment for purchase of investments – net of cash acquired by Php131 million; (6) proceeds from redemption of investment in debt securities by Php297 million; (7) lower capital expenditures by Php350 million; and (8) higher proceeds from disposal of property and equipment by Php1,555 million.

Our consolidated capital expenditures, including capitalized interest, in 2016 totaled Php42,825 million, a decrease of Php350 million, or 1%, as compared with Php43,175 million in 2015, primarily due to PLDT's lower capital spending, partially offset by Smart Group's higher capital spending. Smart Group's capital spending, increased by Php1,782 million, or 6%, to Php32,089 million in 2016 from Php30,307 million 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 Php3,201 million, or 28%, to Php8,058 million in 2016 from Php11,259 million 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, and acquisition of new platforms to complement introduction of new products and services, as well as 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 Php15,341 million in 2016, an increase of Php3,956 million, or 35%, from Php11,385 million in 2015, resulting largely from the combined effects of the following: (1) net settlement of capital expenditures under long-term financing by Php6,351 million; (2) lower proceeds from availment of long-term debt by Php3,798 million; (3) higher payments of long-term debt by Php2,566 million; (4) higher interest payments by Php1,105 million; (5) lower settlement of derivative financial instruments of Php97 million; and (6) lower cash dividends paid by Php9,545 million.

Debt Financing

Proceeds from availment of long-term debt for the year ended December 31, 2016 amounted to Php40,569 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 Php19,650 million and Php6,512 million, respectively, for the year ended December 31, 2016.

Our consolidated long-term debt increased by Php24,140 million, or 15%, to Php185,032 million as at December 31, 2016 from Php160,892 million as at December 31, 2015 primarily due to drawings from our long-term facilities and the depreciation of the Philippine peso relative to the U.S. dollar, partly offset by debt amortizations and prepayments. As at December 31, 2016, the long-term debt levels of Smart increased by 21% to Php74,851 million and PLDT's long-term debt level increased to Php109,867 million, or 17%, while DMPI's decreased by 94% to Php314 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 loan was fully drawn on March 30, 2016. The amount of US$25 million, or Php1,234 million, net of unamortized debt issuance cost remained outstanding as at December 31, 2016.

On July 1, 2016, PLDT signed a Php6,000 million term loan facility with Metropolitan Bank and Trust Company, or Metrobank, to partially finance capital expenditures and/or refinance its existing loan obligations, the proceeds of which will be utilized for its service improvements and expansion programs. Two drawdowns of Php3,000 million each were made on August 30, 2016 and November 10, 2016. The amount of Php5,971 million, net of unamortized debt issuance cost remained outstanding as at December 31, 2016.

On July 1, 2016, PLDT signed a Php3,000 million term loan facility with Metrobank to partially finance capital expenditures and/or refinance its existing loan obligations, the proceeds of which will be utilized for its service improvements and expansion programs. The amount of Php3,000 million was fully drawn on February 20, 2017.

On July 14, 2016, PLDT signed a Php8,000 million term loan facility with Security Bank Corporation to partially finance capital expenditures and/or refinance its existing loan obligations, the proceeds of which will be utilized for its service improvements and expansion programs. The amount of Php8,000 million was fully drawn on February 27, 2017.

On September 20, 2016, PLDT signed a Php6,500 million term loan facility with Bank of the Philippine Islands to partially finance capital expenditures and/or refinance its existing loan obligations, the proceeds of which will be utilized for its service improvements and expansion programs. The amount of Php3,500 million was partially drawn on November 2, 2016 and the remaining Php3,000 million was fully drawn on December 19, 2016. The amount of Php6,483 million, net of unamortized debt issuance cost, remained outstanding as at December 31, 2016.

On September 28, 2016, Smart signed a Php3,000 million term loan facility with Banco De Oro to partially finance capital expenditures and/or refinance its existing loan obligations, the proceeds of which will be utilized for its service improvements and expansion programs. The amount of Php3,000 million was fully drawn on October 5, 2016. The amount of Php2,985 million, net of unamortized debt issuance cost, remained outstanding as at December 31, 2016.

On September 28, 2016, Smart signed a Php5,400 million term loan facility with Union Bank of the Philippines to partially finance capital expenditures and/or refinance its existing loan obligations, the proceeds of which will be utilized for its service improvements and expansion programs. The amount of Php2,400 million was partially drawn on October 24, 2016 and the remaining Php3,000 million was fully drawn on November 21, 2016. The amount of Php5,374 million, net of unamortized debt issuance cost, remained outstanding as at December 31, 2016.

On October 14, 2016, PLDT signed a Php5,300 million term loan facility agreement with the Bank of the Philippine Islands to finance capital expenditures and/or refinance existing loan obligations, the proceeds of which will be utilized for its service improvements and expansion programs. The amount of Php5,300 million was fully drawn on December 19, 2016 and remained outstanding as at December 31, 2016.

On October 27, 2016, Smart signed a Php2,500 million term loan facility agreement with China Banking Corporation to finance its capital expenditures. The amount of Php2,500 million was fully drawn on December 8, 2016.

On October 28, 2016, Smart signed a Php4,000 million term loan facility with Security Bank Corporation to refinance its existing term loans and/or partially finance capital expenditure requirements for service improvement and network expansion.

On December 23, 2016, PLDT signed a Php3,500 million term loan facility with Land Bank of the Philippines to finance its capital expenditures and/or refinance maturing debt.

On January 31, 2017, PLDT signed a US$25 million term loan facility with NTT Finance Corporation to finance its capital expenditure requirements for network expansion and improvement and/or refinance existing indebtedness, the proceeds of which were utilized for service improvements and network expansion.

Approximately Php108,955 million principal amount of our consolidated outstanding long-term debt as at December 31, 2016 is scheduled to mature over the period from 2017 to 2021. Of this amount, Php65,455 million is attributable to PLDT, Php43,186 million to Smart and Php314 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 December 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 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 2016, in view of our elevated capital expenditures to support the build-out of a resilient and reliable data network, lower EBITDA primarily due to higher subsidies to grow the data business and defend market share and the resources required to support the acquisition of SMC's telecommunications business, we have lowered our regular dividend payout to 60% of our core income. In declaring dividends, we take into consideration the interest of our shareholders, as well as our working capital, capital expenditures and debt servicing requirements. The retention of earnings may be necessary to meet the funding requirements of our business expansion and development programs. However, in the event that no investment opportunities arise, we may consider the option of returning additional cash to our shareholders in the form of special dividends of up to the balance of our core earnings or to undertake share buybacks. We were able to pay out approximately 100% of our core earnings for seven consecutive years from 2007 to 2013, approximately 90% of our core earnings for 2014, 75% of our core earnings for 2015 and 60% of our core earnings in 2016. 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 2016 amounted to Php22,987 million as compared with Php32,532 million paid to shareholders in 2015.

The following table shows the dividends declared to shareholders from the earnings for the years ended December 31, 2016 and 2015:

	Date			Amount	
Earnings	Approved	Record	Payable	Per share	Total Declared
				(in millions, except per share amount)	
2016					
Common					
Regular Dividend	August 2, 2016	August 16, 2016	September 1, 2016	Php49.00	Php10,587
	March 7, 2017	March 21, 2017	April 6, 2017	28.00	6,050
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock[(1)]	January 26, 2016	February 24, 2016	March 15, 2016	–	12
	May 3, 2016	May 24, 2016	June 15, 2016	–	12
	August 2, 2016	August 18, 2016	September 15, 2016	–	12
	November 14, 2016	November 28, 2016	December 15, 2016	–	12
Voting Preferred Stock	February 29, 2016	March 30, 2016	April 15, 2016	–	3
	June 14, 2016	June 30, 2016	July 15, 2016	–	3
	August 30, 2016	September 20, 2016	October 15, 2016	–	2
	December 6, 2016	December 20, 2016	January 15, 2017	–	3
Charged to Retained Earnings					Php16,696
2015					
Common					
Regular Dividend	August 4, 2015	August 27, 2015	September 25, 2015[(2)]	Php65.00	Php14,044
	February 29, 2016	March 14, 2016	April 1, 2016	57.00	12,315
Preferred					
10% Cumulative Convertible Preferred Stock	May 5, 2015	May 19, 2015	May 30, 2015	1.00	–
Series IV Cumulative Non-convertible Redeemable Preferred Stock[(1)]	January 27, 2015	February 26, 2015	March 15, 2015	–	12
	May 5, 2015	May 26, 2015	June 15, 2015	–	12
	August 4, 2015	August 20, 2015	September 15, 2015	–	13
	November 3, 2015	November 20, 2015	December 15, 2015	–	12
Voting Preferred Stock	March 3, 2015	March 19, 2015	April 15, 2015	–	2
	June 9, 2015	June 26, 2015	July 15, 2015	–	3
	August 25, 2015	September 15, 2015	October 15, 2015	–	2
	December 1, 2015	December 18, 2015	January 15, 2016	–	3
Charged to Retained Earnings					Php26,418

(1) Dividends were declared based on total amount paid up.
(2) Payment was moved to September 28, 2015 in view of Proclamation No. 1128, Series of 2015, dated September 15, 2015, declaring September 25, 2015 a regular holiday.

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

Contractual Obligations and Commercial Commitments

Contractual Obligations

For a discussion of our consolidated contractual undiscounted obligations as at December 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 Php6,788 million and Php46 million as at December 31, 2016 and 2015, respectively. These commitments will expire within one year. The amount in 2016 includes standby letters of credit issued in relation with PLDT's acquisition of VTI, Bow Arken and Brightshare as at December 31, 2016.

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 December 31, 2016 and September 30, 2016 other than those whose carrying amounts are reasonable approximations of fair values:

	Fair Values	
	December 31, 2016	**September 30, 2016**
	(Unaudited) (in millions)	
Noncurrent Financial Assets		
Investments in debt securities and other long-term investments – net of current portion	Php377	Php751
Advances and other noncurrent assets – net of current portion	7,743	7,855
Total noncurrent financial assets	8,120	8,606
Noncurrent Financial Liabilities		
Interest-bearing financial liabilities	146,654	131,650
Customers' deposits	1,879	1,956
Deferred credits and other noncurrent liabilities	12,457	14,259
Total noncurrent financial liabilities	Php160,990	Php147,865

The following table sets forth the amount of gains (losses) recognized for the financial assets and liabilities for the year ended December 31, 2016 and the nine months ended September 30, 2016:

	December 31, 2016	**September 30, 2016**
	(Unaudited) (in millions)	
Profit and Loss		
Interest income	Php1,046	Php743
Gains on derivative financial instruments – net	996	511
Accretion on financial liabilities	(230)	(176)
Interest on loans and other related items	(7,522)	(5,507)
Other Comprehensive Income		
Net fair value gains (losses) on cash flow hedges – net of tax	10	(281)
Net gains available-for-sale financial investments – net of tax	860	1,317

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 were 1.8% and 1.4% in the years ended December 31, 2016 and 2015, respectively. Moving forward, we currently expect inflation to rise following the impact of peso depreciation on oil prices.

PART II – OTHER INFORMATION

Extension of Smart's Congressional Franchise

On March 27, 1992, the Philippine Congress granted the legislative franchise to Smart under Republic Act No. 7294, or R.A. 7294, to establish, install, maintain, lease and operate integrated telecommunications, computer, electronic services and stations throughout the Philippines for public domestic and international telecommunications and for other purposes. R. A. 7294 became law on April, 15, 1992, which was 15 days from date of publication in at least two newspapers of general circulation in the Philippines.

Smart's franchise will expire on April 15, 2017. House Bill No. 4637, seeking to extend for another 25 years the franchise granted to Smart, was filed last August 15, 2016. On January 16, 2017, the House of Representatives approved the same on Third Reading. Senate Bill No. 1302, the counterpart bill in the Senate, was filed by Senator Juan Miguel Zubiri on January 19, 2017. Senate Bill No. 1302 is currently on Second Reading where the period for interpellation has concluded. It is now set for discussion of possible amendments. Once approved by the Senate and the House of Representatives (in case of conflicting provisions with the version of the House Bill) the Bill will be transmitted to Malacañang, the President either signs it into law or vetoes it or, the Bill lapses into law after a period of 30 days without any action on the part of the President.

Php2,610 Million and Php1,590 Million Perpetual Notes

Smart issued Php2,610 million and Php1,590 million perpetual notes under a Notes Facility Agreements dated March 3, 2017 and March 6, 2017, respectively. Proceeds from the issuance of these notes are intended to finance capital expenditures. The notes have no fixed redemption date and Smart may, at its sole option, redeem the notes in whole but not in part. In accordance with *PAS 32*, the notes are classified as part of equity in the financial statements of Smart. The notes are subordinated to and rank junior to all senior loans of Smart.

Amendments to the By-Laws of PLDT

On August 30, 2016, the Board of Directors, exercising its own power, and the authority duly delegated to it by the stockholders of PLDT to amend the By-Laws, authorized and approved the following amendments: (i) change in the name of the Company from Philippine Long Distance Telephone Company to PLDT Inc. both in the heading and Section 1, Article XV of the By-Laws; and (ii) change in the logo of the Company as stated in Section 1, Article XV of the By-Laws from desk telephone to the current triangle-shaped logo of the corporation. On November 14, 2016, the Amended By-Laws of the Company containing the aforementioned amendments was approved by the Philippine SEC.

Amendments to the Articles of Incorporation of PLDT

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

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

In the Matter of the Wilson Gamboa Case and Jose M. Roy III Petition

The Supreme Court, in a Decision dated November 22, 2016, dismissed the petitions filed by Jose M. Roy III and other petitioners-in-intervention against Philippine SEC Chairperson, Teresita Herbosa (the "Decision"). The Decision upheld the validity of the Philippine SEC Guidelines Memorandum Circular, or MC, No. 8, which requires public utility corporations to maintain at least 60% Filipino ownership in both its "total number of outstanding shares of stock entitled to vote in the election of directors" and its "total number of outstanding shares of stock, whether or not entitled to vote in the election of directors" and declared the same to be compliant with the Court's ruling in the Gamboa Case. Consequently, the Court ruled that MC No. 8 cannot be said to have been issued with grave abuse of discretion.

In the course of discussing the petitions, the Supreme Court expressly rejected petitioners' argument that the 60% Filipino ownership requirement for public utilities must be applied to each class of shares. According to the Court, the position is "simply beyond the literal text and contemplation of Section 11, Article XII of the 1987 Constitution" and the petitioners' suggestion would "effectively and unwarrantedly amend or change" the Court's ruling in the Gamboa Case. In categorically rejecting the petitioners' claim, the Court declared and stressed that its Gamboa ruling "did NOT make any definitive ruling that the 60% Filipino ownership requirement was intended to apply to each class of shares." On the contrary, according to the Court, "nowhere in the discussion of the term "capital" in Section 11, Article XII of the 1987 Constitution in the Gamboa Decision did the Court mention the 60% Filipino equity requirement to be applied to each class of shares."

In respect of ensuring Filipino ownership and control of public utilities, the Court noted that this is already achieved by the requirements under MC No. 8. According to the Court, "since Filipinos own at least 60% of the outstanding shares of stock entitled to vote directors, which is what the Constitution precisely requires, then the Filipino stockholders control the corporation – i.e., they dictate corporate actions and decisions…"

The Court further noted that the application of the Filipino ownership requirement as proposed by petitioners "fails to understand and appreciate the nature and features of stocks and financial instruments" and would "greatly erode" a corporation's "access to capital – which a stock corporation may need for expansion, debt relief/repayment, working capital requirement and other corporate pursuits." The Court reaffirmed that "stock corporations are allowed to create shares of different classes with varying features" and that this "is a flexibility that is granted, among others, for the corporation to attract and generate capital (funds) from both local and foreign capital markets" and that "this access to capital – which a stock corporation may need for expansion, debt relief/prepayment, working capital requirement and other corporate pursuits – will be greatly eroded with further unwarranted limitations that are not articulated in the Constitution." The Court added that "the intricacies and delicate balance between debt instruments (liabilities) and equity (capital) that stock corporations need to calibrate to fund their business requirements and achieve their financial targets are better left to the judgment of their boards and officers, whose bounden duty is to steer their companies to financial stability and profitability and who are ultimately answerable to their shareholders."

The Court went on to say that "too restrictive definition of 'capital', one that was never contemplated in the Gamboa Decision, will surely have a dampening effect on the business milieu by eroding the flexibility inherent in the issuance of preferred shares with varying terms and conditions. Consequently, the rights and prerogatives of the owners of the corporation will be unwarrantedly stymied." Accordingly, the Court said that the petitioners' "restrictive interpretation of the term "capital" would have a tremendous (adverse) impact on the country as a whole – and to all Filipinos."

Transfer of DMPI's Sun Postpaid cellular and broadband assets to Smart

On August 2, 2016, the BOD of Smart and DMPI approved the sale/transfer of DMPI's trademark and subscribers (both individual and corporate) including all of DMPI's assets, rights and obligations directly or indirectly connected to its postpaid cellular and broadband operations. The transfer is in accordance with the integration of the wireless business for a simplified business operations to provide flexibility for business in offering bundled/converged products and enhanced customer experience. The transfer was completed on

November 1, 2016, after which only its prepaid cellular business remains with DMPI.

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

On July 22, 2016, AOGL entered into a Sale and Purchase Agreement, or SPA, with Relia Inc., one of the largest BPO companies in Japan, relating to the acquisition of AOGL's Customer Relationship Management business under the legal entity, SPi CRM, Inc. and Infocom Technologies, Inc., wholly-owned subsidiaries of SPi Technologies, Inc., for an enterprise value of US$181 million. AOGL is the holding company of SPi Technologies, Inc. and subsidiaries, and a wholly-owned subsidiary of Beta which is, in turn, owned 73.29% by CVC Capital Partners, one of the world's leading private equity and investment advisory firms, and 18.32% by PLDT through its indirect subsidiary, PLDT Global Investments Corporation, or PGIC. The transaction was completed on September 30, 2016. As a result of the sale, PGIC received a cash distribution of US$11.2 million from Beta through redemption of its preferred shares and portion of its ordinary shares. Economic interest of PGIC in Beta remained at 18.32% as at December 31, 2016.

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

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

PCEV's effective interest in Meralco, through Beacon, was reduced to 8.74% as at December 31, 2016 from 17.48% as at December 31, 2015, while MPIC's effective interest in Meralco, through its direct ownership in Meralco shares and through Beacon, increased to 41.22% as at December 31, 2016 from 32.48% as at December 31, 2015. There is no change in the aggregate joint interest of MPIC and Beacon in Meralco which remains at 49.96% as at December 31, 2016 and 2015.

Beacon owns 394 million Meralco common shares representing approximately 34.96% effective ownership in Meralco with a carrying value of Php84,815 million and market value of Php104,426 million based on quoted price of Php265 per share as at December 31, 2016.

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

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

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

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

On August 10, 2016, the Philippine SEC approved the increase in Beacon's authorized capital and issuance of a new class of preferred shares.

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

On September 9, 2016, the Board of Directors of Beacon approved the redemption of 198 million Class "B" preferred shares held by PCEV at an aggregate redemption price equal to the aggregate issue price of Php2,500 million. On the same date, Beacon also declared cash dividends on the said preferred shares amounting to Php21 million. The redemption price and cash dividend were paid on September 30, 2016.

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

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

Global Power is the leading power supplier in Visayas region and Mindoro island. In 2016, Global Power increased its combined gross maximum capacity to 854 megawatts, or MW, through a 150 MW expansion project that is currently undergoing final acceptance. In Luzon, Global power has 670 MW expansion project that is still in the process of Engineering, Procurement and Construction selection.

Beacon Powergen's investment in Global Power has a carrying value of Php21,892 million as at December 31, 2016.

Investments of PLDT in VTI, Bow Arken Holdings Company, or Bow Arken, and Brightshare Holdings, Inc., or Brightshare

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

Consideration for the acquisition is Php52.8 billion representing the purchase price for the equity interest, assigned advances of previous owners to VTI, Bow Arken and Brightshare, and Php17.2 billion assumed liabilities, through VTI, Bow Arken and Brightshare. The equity interest and assigned advances consideration amounting to Php52.8 billion will be paid in three tranches: 50% was paid upon signing of the SPAs on May 30, 2016, 25% was paid on December 1, 2016 and the final 25% is payable on May 30, 2017, subject to the fulfillment of certain conditions. The second and final payments are secured by irrevocable standby letters of credit. The SPAs contain a price adjustment mechanism wherein an adjustment to the assumed liabilities consideration and potential cash dividend declaration of one of the VTI subsidiaries will be agreed among PLDT, Globe and previous owners based on the results of confirmatory due diligence procedures jointly performed by PLDT and Globe after May 30, 2016. Pending the completion of the due diligence procedures, as at December 31, 2016, PLDT and Globe have advanced about Php2.6 billion to the acquired companies to cover for the payment of certain assumed liabilities and business as usual expenses. Discussion on the result of the due diligence procedures is ongoing as at March 7, 2017. See *Note 28 – Financial Assets and Liabilities – Commercial Commitments* to the accompanying unaudited consolidated financial statements for further information.

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

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

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

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

On June 10, 2016, PLDT submitted its response to the PCC letter articulating its position that the VTI Notice is adequate, complete and sufficient and compliant with the requirement under the Circulars, and does not contain false material information; as such, the VTI Transaction enjoys the benefit of Section 23 of the PCA. Therefore, the VTI Transaction is deemed approved and cannot be subject to retroactive review by the PCC. Moreover, the parties have taken all necessary steps, including the relinquishment/return of certain frequencies and co-use of the remaining frequencies by Smart and Belltel and Globe and Belltel as discussed above, to ensure that the VTI Transaction will not substantially prevent, restrict or lessen competition to violate the PCA. Nevertheless, in the spirit of cooperation and for transparency, the parties voluntarily submitted to the PCC, among others, copies of the SPAs for the PCC's information and reference.

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

In the Matter of the Petition against the PCC

On July 12, 2016, PLDT filed before the Court of Appeals, or CA, a Petition for Certiorari and Prohibition (With Urgent Application for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction), or the Petition, against the PCC. The Petition seeks to enjoin the PCC from proceeding with the review of the acquisition by PLDT and Globe of the telecommunications business of SMC and performing any act which challenges or assails the "deemed approved" status of the transaction. On July 19, 2016, the 12th Division of the CA issued a Resolution directing the Office of the Solicitor General, or the OSG, to file its Comment within a non-extensible period of 10 days from notice and show cause why the Petition should not be granted. On August 11, 2016, the PCC through the OSG, filed its Comment to the Petition (With Opposition to Petitioner's Application for a Writ of Preliminary Injunction.) On August 19, 2016, PLDT filed its Reply to Respondent PCC's Comment.

On August 26, 2016, the CA 12th Division issued a Writ of Preliminary Injunction enjoining and directing the respondent PCC, their officials and agents, or persons acting for and in their behalf, to cease and desist from conducting further proceedings for the pre-acquisition review and/or investigation of the subject acquisition based on its Letters dated June 7, 2016 and June 17, 2016 during the effectivity hereof and until further orders are issued by the Court. On September 14, 2016, the PCC filed a Motion for Reconsideration of the CA's Resolution dated August 26, 2016. In a Resolution promulgated on October 19, 2016, the CA's 12th Division: (i) accepted the consolidation of Globe's petition versus the PCC (CA G.R. SP No. 146538) into PLDT's petition versus the PCC (CA G.R. SP No. 146528) with the right of replacement; (ii) admitted the Comment dated October 4, 2016 filed by the PCC; (iii) referred to the PCC for Comment (within 10 days from notice) PLDT's Urgent Motion for the Issuance of a Gag Order dated September 30, 2016; and (iv) ordered all parties to submit simultaneous memoranda within a non-extendible period of 15 days from notice. Thereafter, with or without their respective memorandum, the instant cases are submitted for decision. On November 11, 2016, PLDT filed its Memorandum in compliance with the CA Resolution.

On February 17, 2017, the CA issued a Resolution denying PCC's Motion for Reconsideration dated September 14, 2016 for lack of merit. In the same Resolution, the Court granted PLDT's Urgent Motion for the Issuance of a Gag Order and ordered the PCC to remove the offending publication from its website and also to obey the *sub judice* rule and refrain from making any further public pronouncements regarding the transaction while the case remains pending. The Court also reminded the other parties, PLDT and Globe, to likewise observe the *sub judice* rule. For this purpose, the Court issued its gag order admonishing all the parties "to refrain, cease and desist from issuing public comments and statements that would violate the *sub judice* rule and subject them to indirect contempt of court. The parties were also required to comment within ten days from receipt of the Resolution, on the Motion for Leave to Intervene, and Admit the Petition-in-Intervention dated February 7, 2017 filed by *Citizenwatch*, a non-stock and non-profit association.

VTI's Tender Offer for the Minority Stockholders' Shares in Liberty Telecom Holdings, Inc., or LIB

On August 18, 2016, the Board of Directors of VTI approved the voluntary tender offer to acquire the common shares of LIB, a subsidiary of VTI, which are held by the remaining minority shareholders, and the intention to delist the shares of LIB from the PSE.

On August 24, 2016, VTI, owner of 87.12% of the outstanding common shares of LIB, undertook the tender offer to purchase up to 165.88 million common shares owned by the remaining minority shareholders, representing 12.82% of LIB's common stock, at a price of Php2.20 per share. The tender offer period ended on October 20, 2016, the extended expiration date, with over 107 million shares tendered, representing approximately 8.3% of LIB's issued and outstanding common shares. The tendered shares were crossed at the PSE on November 4, 2016, with the settlement on November 9, 2016.

Following the conclusion of the tender offer, VTI now owns more than 95% of the issued and outstanding common shares, and 99.1% of the total issued and outstanding capital stock, of LIB.

The tender offer was undertaken in compliance with the PSE's requirements for the voluntary delisting of LIB common shares from the PSE. The voluntary delisting of LIB has been granted by the PSE effective November 21, 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, or JVA, to market and exclusively distribute Hopscotch's mobile solutions in Southeast Asia. The Hopscotch mobile-platform technology allows for the rapid development of custom mobile applications for sports teams, live events, and brands to create a memorable and monetizable fan experience and also increase mobile advertising revenue. As a vehicle to execute the JVA, PLDT Capital incorporated Gohopscotch Southeast Asia Pte. Ltd., a Singapore company, on March 1, 2016.

eInnovations' Investment in ECommerce Pay

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

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

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

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

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

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

PLDT Online's Investment in iflix Limited, or iflix

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

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

On March 10, 2016, the US$15 million convertible notes held by PLDT Online were converted into 20.7 million ordinary shares of iflix after it completed a new round of funding led by Sky Plc, Europe's leading entertainment company and the Indonesian company, Emtek Group, through its subsidiary, PT Surya Citra Media Tbk, or SCMA. PLDT Online's shares account for the 7.6% of the total equity stock of iflix.

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 December 31, 2016:

Type of Accounts Receivable	**Total**	**Current**	**31–60 Days**	**61–90 Days**	**Over 91 Days**
			(in millions)		
Retail subscribers	Php20,290	Php7,257	Php1,293	Php343	Php11,397
Corporate subscribers	9,333	1,779	1,692	776	5,086
Foreign administrations	5,819	1,038	798	355	3,628
Domestic carriers	354	165	48	14	127
Dealers, agents and others	7,428	3,212	995	167	3,054
Total	43,224	Php13,451	Php4,826	Php1,655	Php23,292
Less: Allowance for doubtful accounts	18,788				
Total Receivables - net	Php24,436				

ANNEX II – FINANCIAL SOUNDNESS INDICATORS

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

	2016	2015
Current Ratio[(1)]	0.47:1.0	0.58:1.0
Net Debt to Equity Ratio[(2)]	1.33:1.0	0.99:1.0
Net Debt to EBITDA Ratio[(3)]	2:35:1.0	1.61:1.0
Total Debt to EBITDA Ratio[(4)]	3.03:1.0	2.29:1.0
Asset to Equity Ratio[(5)]	4.39:1.0	4.01:1.0
Interest Coverage Ratio[(6)]	3.95:1.0	5.20:1.0
Profit Margin[(7)]	12%	13%
Return on Assets[(8)]	4%	5%
Return on Equity[(9)]	18%	18%
EBITDA Margin[(10)]	39%	43%

[(1)] Current ratio is measured as current assets divided by current liabilities (including current portion – LTD, unearned revenues and mandatory tender option liability.)
[(2)] Net Debt to equity ratio is measured as total debt (long-term debt, including current portion and notes payable) less cash and cash equivalent and short-term investments divided by total equity attributable to equity holders of PLDT.
[(3)] Net Debt to EBITDA ratio is measured as total debt (long-term debt, including current portion and notes payable) less cash and cash equivalent and short-term investments divided by EBITDA for the period.
[(4)] Total Debt to EBITDA ratio is measured as total debt (long-term debt, including current portion and notes payable) divided by EBITDA for the period.
[(5)] Asset to equity ratio is measured as total assets divided by total equity attributable to equity holders of PLDT.
[(6)] Interest coverage ratio is measured by EBIT, or earnings before interest and taxes for the period, divided by total financing cost for the period.
[(7)] Profit margin is derived by dividing net income for the period with total revenues for the period.
[(8)] Return on assets is measured as net income for the period divided by average total assets.
[(9)] Return on Equity is measured as net income for the period divided by average total equity attributable to equity holders of PLDT.
[(10)] EBITDA margin is measured as EBITDA for the period divided by service revenues for the 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 fourth quarter of 2016 to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: **PLDT INC.**

Signature and Title: ______________________________

MANUEL V. PANGILINAN
President and Chief Executive Officer

Signature and Title: ______________________________

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

Signature and Title: ______________________________

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

Date: March 7, 2017