PLDT

August 10, 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-Q with Management's Discussion and Analysis and accompanying unaudited consolidated financial statements for the six (6) months ended June 30, 2017.

Very truly yours,

MA. LOURDES C. RAUSA-CHAN
Corporate Secretary

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-Q

Form Type

Not Applicable

Amendment Designation (if applicable)

June 30, 2017

Period Ended Date

Not Applicable

(Secondary License Type and File Number)

COVER SHEET

SEC Registration Number

P	W	-	5	5						

Company Name

P L D T I N C .

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

R A M O N C O J U A N G C O B U I L D I N G

M A K A T I A V E N U E M A K A T I C I T Y

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	**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
11,741 as at June 30, 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

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2017**

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

4. **PLDT Inc.**
Exact name of registrant as specified in its charter

5. **Republic of the Philippines**
Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

7. **Ramon Cojuangco Building, Makati Avenue, Makati City** **0721**
Address of registrant's principal office Postal Code

8. **(632) 816-8556**
Registrant's telephone number, including area code

9. **Not Applicable**
Former name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Capital Stock, Php5 par value	**216,055,775 shares as at June 30, 2017**

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

Yes [**X**] No [ ]

12. Check whether the registrant

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports):

Yes [**X**] No [ ]

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

Yes [**X**] No [ ]

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Our consolidated financial statements as at June 30, 2017 (unaudited) and December 31, 2016 (audited) and for the six months ended June 30, 2017 and 2016 (unaudited) and related notes (pages F-1 to F-144) are filed as part of this report on Form 17-Q.

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

In the following discussion and analysis of our financial condition and results of operations, unless the context indicates or otherwise requires, references to "we," "us," "our" or "PLDT Group" mean 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 Php50.45 to US$1.00, the exchange rate as at June 30, 2017 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, any forward-looking statement made in this report or elsewhere might not occur or may differ materially from actual results.

Financial Highlights and Key Performance Indicators

	Six months ended June 30,		Increase (Decrease)	
	2017	**2016**	**Amount**	**%**
(in millions, except for EBITDA margin, earnings per common share, net debt to equity ratio and operational data)				
Consolidated Income Statement				
Revenues	Php79,015	Php85,284	(Php6,269)	(7)
Expenses	62,746	69,646	(6,900)	(10)
Other income	4,468	1,494	2,974	199
Income before income tax	20,737	17,132	3,605	21
Net income	16,561	12,486	4,075	33
Core income	17,427	17,700	(273)	(2)
EBITDA	32,010	30,758	1,252	4
EBITDA margin[(1)]	42%	38%	–	–
Reported earnings per common share:				
Basic	76.32	57.55	18.77	33
Diluted	76.32	57.55	18.77	33
Core earnings per common share[(2)]:				
Basic	80.53	81.78	(1.25)	(2)
Diluted	80.53	81.78	(1.25)	(2)

	June 30,	December 31,	Increase (Decrease)	
	2017	**2016**	**Amount**	**%**
Consolidated Statements of Financial Position				
Total assets	Php465,804	Php475,119	(Php9,315)	(2)
Property and equipment	193,140	203,188	(10,048)	(5)
Cash and cash equivalents and short-term investments	44,200	41,460	2,740	7
Total equity attributable to equity holders of PLDT	122,731	108,175	14,556	13
Long-term debt, including current portion	175,067	185,032	(9,965)	(5)
Net debt[(3)] to equity ratio	1.07x	1.33x	–	–

	Six months ended June 30,		Increase (Decrease)	
	2017	**2016**	**Amount**	**%**
Consolidated Statements of Cash Flows				
Net cash provided by operating activities	Php19,536	Php25,184	(Php5,648)	(22)
Net cash used in investing activities	(2,361)	(23,742)	21,381	*(90)*
Capital expenditures	*5,727*	*20,032*	*(14,305)*	*(71)*
Net cash used in financing activities	(22,592)	(24,370)	1,778	(7)
Operational Data				
Number of mobile subscribers	58,703,732	68,257,852	(9,554,120)	(14)
Prepaid[(4)]	*56,083,707*	*64,701,367*	*(8,617,660)*	*(13)*
Postpaid	*2,620,025*	*3,556,485*	*(936,460)*	*(26)*
Number of broadband subscribers	1,833,101	1,612,895	220,206	14
Fixed Line broadband	*1,575,914*	*1,347,422*	*228,492*	*17*
Wireless home broadband	*257,187*	*265,473*	*(8,286)*	*(3)*
Number of fixed line subscribers	2,546,992	2,380,390	*166,602*	*7*
Number of employees:	17,897	17,191	706	4
Fixed Line	*10,893*	*10,049*	*844*	*8*
LEC	*7,284*	*7,112*	*172*	*2*
Others	*3,609*	*2,937*	*672*	*23*
Wireless	*7,004*	*7,142*	*(138)*	*(2)*

(1) *EBITDA margin for the period is measured as EBITDA divided by service revenues.*
(2) *Core earnings per common share, or EPS, for the period is measured as core income divided by the weighted average number of outstanding common shares for the period.*
(3) *Net debt is derived by deducting cash and cash equivalents and short-term investments from total debt (long-term debt, including current portion).*
(4) *Beginning 2Q2017, the prepaid subscriber base excludes subscribers who did not reload within 90 days vis-à-vis 120 days previous cut-off.*

Exchange Rates – per US$	**Month end rates**	**Weighted average rates during the year**
June 30, 2017	Php50.45	Php49.94
December 31, 2016	49.77	47.48
June 30, 2016	47.01	46.88
December 31, 2015	47.12	45.51

Performance Indicators

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

EBITDA

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

Core Income

Core income for the period is measured as net income attributable to equity holders of PLDT (net income less net income attributable to noncontrolling interests), excluding foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net (excluding hedge costs), asset impairment on noncurrent assets, other non-recurring gains (losses), net of tax effect of aforementioned adjustments, as applicable, and similar adjustments to equity share in net earnings (losses) of associates and joint ventures. The core income results are monitored by 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* — mobile telecommunications services provided by Smart Communications, Inc., or Smart, and Digitel Mobile Philippines, Inc., or DMPI, a wholly-owned subsidiary of Digital Telecommunications Philippines, Inc., or Digitel, our mobile 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., 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 security services, 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, or PGIC, PLDT Digital Investments Pte. Ltd., or PLDT Digital, and its subsidiary, our investment companies.

As at June 30, 2017, our chief operating decision maker, or our Management Committee, views our business activities in three business units: Wireless, Fixed Line and Others.

Management's Financial Review

In addition to consolidated net income, we use EBITDA and core income to assess our operating performance. The reconciliation of our consolidated EBITDA and our consolidated core income to our consolidated net income for the six months ended June 30, 2017 and 2016 are set forth below.

The following table shows the reconciliation of our consolidated EBITDA to our consolidated net income for the six months ended June 30, 2017 and 2016:

	2017	**2016**
	(in millions)	
Consolidated EBITDA	Php32,010	Php30,758
Add (deduct) adjustments:		
Depreciation and amortization	(15,329)	(14,575)
Provision for income tax	(4,176)	(4,646)
Financing costs – net	(3,799)	(3,620)
Foreign exchange gains (losses) – net	(479)	77
Amortization of intangible assets	(412)	(544)
Asset impairment	–	(1)
Gains (losses) on derivative financial instruments – net	358	(178)
Interest income	611	472
Equity share in net earnings of associates and joint ventures	1,149	935
Other income – net	6,628	3,808
Total adjustments	(15,449)	(18,272)
Consolidated net income	Php16,561	Php12,486

The following table shows the reconciliation of our consolidated core income to our consolidated net income for the six months ended June 30, 2017 and 2016:

	2017	**2016**
	(in millions)	
Consolidated core income	Php17,427	Php17,700
Add (deduct) adjustments:		
Foreign exchange gains (losses) – net	(479)	77
Impairment of investment	(778)	(5,381)
Core income adjustment on equity share in net earnings (losses) of associates and joint ventures	(67)	13
Asset impairment	–	(1)
Net income attributable to noncontrolling interests	43	23
Gains on derivative financial instruments – net, excluding hedge costs	498	89
Net tax effect of aforementioned adjustments	(83)	(34)
Total adjustments	(866)	(5,214)
Consolidated net income	Php16,561	Php12,486

Results of Operations

The table below shows the contribution by each of our business segments to our consolidated revenues, expenses, other income (expense), income (loss) before income tax, provision for income tax, net income (loss)/segment profit (loss), EBITDA, EBITDA margin and core income for the six months ended June 30, 2017 and 2016. In each of the six months ended June 30, 2017 and 2016, majority of our revenues are derived from our operations within the Philippines. Our revenues derived from outside the Philippines consist primarily of revenues from incoming international calls to the Philippines.

In 2016, we changed the classification of our revenue mix to provide for a more direct comparison to the current industry presentation in the Philippines by combining or separating certain line items from our service lines, and moving line items from one service line to another. We also changed the classification of our impairment on investments not directly affecting operations (most significantly, the impairment of our investment in Rocket Internet SE, or Rocket Internet), from operating expenses to other expenses. Accordingly, we changed prior year's financial information to conform with the current year's presentation in order to provide a clear comparison.

	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
			(in millions)		
For the six months ended June 30, 2017					
Revenues	Php46,665	Php38,658	Php6	(Php6,314)	Php79,015
Expenses	39,040	30,798	19	(7,111)	62,746
Other income (expenses)	(1,130)	(554)	7,188	(1,036)	4,468
Income before income tax	6,495	7,306	7,175	(239)	20,737
Provision for income tax	2,189	1,934	53	–	4,176
Net income/Segment profit	4,306	5,372	7,122	(239)	16,561
EBITDA	17,062	14,164	(13)	797	32,010
EBITDA margin[(1)]	38%	38%	–	–	42%
Core income	4,775	5,050	7,841	(239)	17,427
For the six months ended June 30, 2016					
Revenues	55,474	35,937	–	(6,127)	85,284
Expenses	47,338	29,139	21	(6,852)	69,646
Other income (expenses)	(531)	(457)	3,207	(725)	1,494
Income before income tax	7,605	6,341	3,186	–	17,132
Provision for income tax	2,797	1,832	17	–	4,646
Net income/Segment profit	4,808	4,509	3,169	–	12,486
EBITDA	16,886	13,168	(21)	725	30,758
EBITDA margin[(1)]	32%	39%	–	–	38%
Core income	4,724	4,464	8,512	–	17,700
Increase (Decrease)					
Revenues	(8,809)	2,721	6	(187)	(6,269)
Expenses	(8,298)	1,659	(2)	(259)	(6,900)
Other income (expenses)	(599)	(97)	3,981	(311)	2,974
Income before income tax	(1,110)	965	3,989	(239)	3,605
Provision for income tax	(608)	102	36	–	(470)
Net income/Segment profit	(502)	863	3,953	(239)	4,075
EBITDA	176	996	8	72	1,252
Core income	51	586	(671)	(239)	(273)

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

On a Consolidated Basis

Revenues

We reported consolidated revenues of Php79,015 million in the first half of 2017, a decrease of Php6,269 million, or 7%, as compared with Php85,284 million in the same period in 2016, primarily due to the combined effects of the following: (i) lower revenues from mobile services, home broadband, and MVNO and other services, partially offset by higher digital platforms and mobile financial services from our wireless business; (ii) higher revenues from data and miscellaneous services, partially offset by lower revenues from voice services, from our fixed line business; and (iii) lower non-service revenues from our wireless and fixed line businesses.

The following table shows the breakdown of our consolidated revenues by services for the six months ended June 30, 2017 and 2016:

	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
			(in millions)		
For the period ended June 30, 2017					
Service Revenues					
Wireless	*Php44,858*			*(Php651)*	*Php44,207*
Mobile	42,697			(635)	42,062
Home Broadband	1,267			(6)	1,261
Digital platforms and mobile financial services	642			(8)	634
MVNO and others	252			(2)	250
Fixed Line		*Php36,829*		*(5,653)*	*31,176*
Voice		14,408		(1,837)	12,571
Data		21,459		(3,374)	18,085
Home broadband		8,495		(121)	8,374
Corporate data and leased lines		11,333		(2,777)	8,556
Data Center and IT		1,631		(476)	1,155
Miscellaneous		962		(442)	520
Others			*Php6*	*(6)*	–
Total Service Revenues	44,858	36,829	6	(6,310)	75,383
Non-Service Revenues					
Sale of computers, cellular handsets and SIM-packs	1,807	1,323	–	(3)	3,127
Point-product sales	–	506	–	(1)	505
Total Non-Service Revenues	1,807	1,829	–	(4)	3,632
Total Revenues	46,665	38,658	6	(6,314)	79,015
For the period ended June 30, 2016					
Service Revenues					
Wireless	*52,741*			*(744)*	*51,997*
Mobile	50,841			(730)	50,111
Home Broadband	1,357			(8)	1,349
Digital platforms and mobile financial services	194			(4)	190
MVNO and others	349			(2)	347
Fixed Line		*33,989*		*(5,382)*	*28,607*
Voice		14,861		(2,123)	12,738
Data		18,326		(2,872)	15,454
Home broadband		7,089		(61)	7,028
Corporate data and leased lines		9,731		(2,458)	7,273
Data Center and IT		1,506		(353)	1,153
Miscellaneous		802		(387)	415
Total Service Revenues	52,741	33,989	–	(6,126)	80,604
Non-Service Revenues					
Sale of computers, cellular handsets and SIM-packs	2,733	1,481	–	(1)	4,213
Point-product sales	–	467	–	–	467
Total Non-Service Revenues	2,733	1,948	–	(1)	4,680
Total Revenues	Php55,474	Php35,937	Php–	(Php6,127)	Php85,284

The following table shows the breakdown of our consolidated revenues by business segment for the six months ended June 30, 2017 and 2016:

	2017	%	2016	%	Change Amount	Change %
			(in millions)			
Wireless	Php46,665	59	Php55,474	65	(Php8,809)	(16)
Fixed line	38,658	49	35,937	42	2,721	8
Others	6	–	–	–	6	100
Inter-segment transactions	(6,314)	(8)	(6,127)	(7)	(187)	3
Consolidated	Php79,015	100	Php85,284	100	(Php6,269)	(7)

Expenses

Consolidated expenses decreased by Php6,900 million, or 10%, to Php62,746 million in the first half of 2017 from Php69,646 million in the same period in 2016, as a result of lower expenses related to cost of sales, asset impairment, and cash operating expenses related to selling and promotions, repairs and maintenance, interconnection costs, insurance and security services, taxes and licenses, and other operating expenses, partially offset by higher expenses related to compensation and employee benefits, professional and other contracted services, cost of services and rent, as well as higher depreciation and amortization expense.

The following table shows the breakdown of our consolidated expenses by business segment for the six months ended June 30, 2017 and 2016:

					Change	
	2017	%	2016	%	Amount	%
			(in millions)			
Wireless	Php39,040	62	Php47,338	68	(Php8,298)	(18)
Fixed line	30,798	49	29,139	42	1,659	6
Others	19	–	21	–	(2)	(10)
Inter-segment transactions	(7,111)	(11)	(6,852)	(10)	(259)	4
Consolidated	Php62,746	100	Php69,646	100	(Php6,900)	(10)

Other Income (Expenses)

Consolidated other income amounted to Php4,468 million in the first half of 2017, an increase of Php2,974 million from Php1,494 million in the same period in 2016, primarily due to the combined effects of the following: (i) higher other income by Php2,820 million, primarily due to lower impairment on the Rocket Internet investment, partly offset by lower gain on sale of Beacon shares in 2017, gain on sale of properties in 2016 and impairment on the AF Payments, Inc., or AFPI, investment in 2017; (ii) gains on derivative financial instruments of Php358 million for the six months ended June 30, 2017 as against losses on derivative financial instruments of Php178 million in the same period in 2016 on account of mark-to-market gains on foreign exchange derivatives due to the depreciation of the Philippine peso relative to the U.S. dollar in the first six months of 2017; (iii) an increase in equity share in net earnings of associates by Php214 million due to higher share in net earnings of Asia Outsourcing Beta Limited, or Beta, and Digitel Crossing, Inc., or DCI, and lower share in net losses of AFPI and Cignal TV, Inc., or Cignal TV, partly offset by higher share in net losses of Vega Telecom, Inc. or Vega and lower share in net earnings of Beacon Electric Asset Holdings, Inc., or Beacon; (iv) higher interest income by Php139 million due to higher principal amount of temporary cash investments, higher weighted average rate of the Philippine peso relative to the U.S. dollar and higher weighted average interest rate; (v) higher net financing costs by Php179 million due to higher weighted average loan principal amount, higher weighted average rate of the Philippine peso relative to the U.S. dollar and higher financing charges, partly offset by higher capitalized interest and lower weighted average interest rate; and (vi) foreign exchange losses of Php479 million on account of revaluation of foreign currency-denominated assets and liabilities due to the depreciation of the Philippine peso relative to the U.S. dollar to Php50.45 as at June 30, 2017 from Php49.77 as at December 31, 2016 as against foreign exchange gains of Php77 million due to an appreciation of the Philippine peso relative to the U.S. dollar to Php47.01 as at June 30, 2016 from Php47.12 as at December 31, 2015.

The following table shows the breakdown of our consolidated other income (expenses) by business segment for the six months ended June 30, 2017 and 2016:

			Change	
	2017	2016	Amount	%
		(in millions)		
Wireless	(Php1,130)	(Php531)	(Php599)	113
Fixed line	(554)	(457)	(97)	21
Others	7,188	3,207	3,981	124
Inter-segment transactions	(1,036)	(725)	(311)	43
Consolidated	Php4,468	Php1,494	Php2,974	199

Net Income

Consolidated net income increased by Php4,075 million, or 33%, to Php16,561 million in the first half of 2017, from Php12,486 million in the same period in 2016. The increase was mainly due to the combined effects of the following: (i) lower consolidated expenses by Php6,900 million; (ii) higher consolidated other income by Php2,974 million; (iii) lower consolidated provision for income tax by Php470 million; and (iv) lower consolidated revenues by Php6,269 million. Our consolidated basic and diluted EPS increased to Php76.32 for the six months ended June 30, 2017 from Php57.55 in the same period in 2016. Our weighted average number of outstanding common shares was approximately 216.06 million in each of the first half of 2017 and 2016.

The following table shows the breakdown of our consolidated net income by business segment for the six months ended June 30, 2017 and 2016:

					Change	
	2017	%	2016	%	Amount	%
			(in millions)			
Wireless	Php4,306	26	Php4,808	39	(Php502)	(10)
Fixed line	5,372	32	4,509	36	863	19
Others	7,122	43	3,169	25	3,953	125
Inter-segment transactions	(239)	(1)	–	–	(239)	(100)
Consolidated	Php16,561	100	Php12,486	100	Php4,075	33

EBITDA

Our consolidated EBITDA amounted to Php32,010 million in the first half of 2017, an increase of Php1,252 million, or 4%, as compared with Php30,758 million in the same period in 2016, primarily due to lower cost of sales and provisions for doubtful accounts and inventory obsolescence, partially offset by lower consolidated revenues, higher cost of services and higher consolidated cash operating expenses, mainly driven by compensation and employee benefits, professional and other contracted services, and rent.

The following table shows the breakdown of our consolidated EBITDA by business segment for the six months ended June 30, 2017 and 2016:

					Change	
	2017	%	2016	%	Amount	%
			(in millions)			
Wireless	Php17,062	53	Php16,886	55	Php176	1
Fixed line	14,164	44	13,168	43	996	8
Others	(13)	–	(21)	–	8	(38)
Inter-segment transactions	797	3	725	2	72	10
Consolidated	Php32,010	100	Php30,758	100	Php1,252	4

Core Income

Our consolidated core income amounted to Php17,427 million in the first half of 2017, a decrease of Php273 million, or 2%, as compared with Php17,700 million in the same period in 2016, primarily due to lower gain on sale of the remaining Beacon shares and higher depreciation, partially offset by higher EBITDA and lower provision for income tax. Our consolidated basic and diluted core EPS decreased to Php80.53 in the first half of 2017 from Php81.78 in the same period in 2016.

The following table shows the breakdown of our consolidated core income by business segment for the six months ended June 30, 2017 and 2016:

					Change	
	2017	%	2016	%	Amount	%
			(in millions)			
Wireless	Php4,775	27	Php4,724	27	Php51	1
Fixed line	5,050	29	4,464	25	586	13
Others	7,841	45	8,512	48	(671)	(8)
Inter-segment transactions	(239)	(1)	–	–	(239)	(100)
Consolidated	Php17,427	100	Php17,700	100	(Php273)	(2)

On a Business Segment Basis

Wireless

Revenues

We generated revenues of Php46,665 million from our wireless business in the first half of 2017, a decrease of Php8,809 million, or 16%, from Php55,474 million in the same period in 2016.

The following table summarizes our total revenues from our wireless business for the six months ended June 30, 2017 and 2016 by service:

	2017	%	2016	%	Increase (Decrease) Amount	%
			(in millions)			
Service Revenues:						
Mobile	Php42,697	91	Php50,841	92	(Php8,144)	(16)
Home Broadband	1,267	3	1,357	2	(90)	(7)
Digital platforms and mobile financial services	642	1	194	–	448	231
MVNO and others[(1)]	252	1	349	1	(97)	(28)
Total Wireless Service Revenues	44,858	96	52,741	95	(7,883)	(15)
Non-Service Revenues:						
Sale of cellular handsets, cellular subscriber identification module, or SIM,-packs and broadband data modems	1,807	4	2,733	5	(926)	(34)
Total Wireless Revenues	Php46,665	100	Php55,474	100	(Php8,809)	(16)

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

Service Revenues

Our wireless service revenues in the first half of 2017 decreased by Php7,883 million, or 15%, to Php44,858 million as compared with Php52,741 million in the same period in 2016, mainly as a result of lower revenues from mobile services, home broadband, and MVNO and other services, partially offset by higher revenues from our digital platforms and mobile financial services. As a percentage of our total wireless revenues, service revenues accounted for 96% and 95% for the six months ended June 30, 2017 and 2016, respectively.

Mobile Services

Our mobile service revenues amounted to Php42,697 million in the first half of 2017, a decrease of Php8,144 million, or 16%, from Php50,841 million in the same period in 2016. Mobile service revenues accounted for 95% and 96% of our wireless service revenues for the six months ended June 30, 2017 and 2016, respectively.

	2017	%	2016	%	Increase (Decrease) Amount	%
			(in millions)			
Mobile Services:						
Voice	Php15,651	37	Php20,265	40	(Php4,614)	(23)
SMS	13,428	32	17,336	34	(3,908)	(23)
Data	12,999	30	12,663	25	336	3
Inbound roaming and others[(1)]	619	1	577	1	42	7
Total	Php42,697	100	Php50,841	100	(Php8,144)	(16)

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

We market nationwide mobile communications services under the brand names Smart, TNT and Sun. Smart, together with TNT and Sun, 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 multimedia 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 "buckets" consisting of text messages, calls of a preset duration and data allowance, with a prescribed validity period. Smart, TNT 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.

We are committed to provide our customers with a superior data experience. Key to achieving this is a superior network in terms of coverage, capacity and internet speeds. This involves the use of Long-Term Evolution, or LTE, and 3G; a common network for Smart and Sun to improve coverage and quality for subscribers of both brands; and access and use of the PLDT's extensive fiber optic transmission network, among others.

Smart continues to ramp-up network upgrades across the country, significantly boosting LTE and 3G coverage in Metro Cebu and Metro Manila. This comprehensive network modernization includes deploying low-frequency bands like 700 MHz and 850 MHz to improve network coverage, network capacity and to enhance indoor signals.

This network upgrade was already completed in Metro Davao, Metro Cebu, Rizal and in large parts of Metro Manila. LTE speeds and coverage have improved significantly in these areas as also confirmed by independent analysts, such as OpenSignal. Smart expects to complete the rollout in the remaining parts of Metro Manila by the end of 2017. Projects to achieve 95% LTE coverage by the end of 2018 are in progress and on-track.

In April 2017, Smart, together with Ericsson Philippines made the country's first successful mobile call using Voice over LTE, or *VoLTE*. *VoLTE* will enable users with capable device to utilize 4G/LTE network even when making or receiving calls, providing users direct global reach and enhanced voice quality.

On June 12, 2017, we launched the *Free WiFi* along the MRT line in EDSA, as part of the Department of Information and Communications Technology's program of providing access to the internet on major thoroughfares in the country. Free high-speed data services is now available on all MRT stations in EDSA and soon in between stations from North Avenue to Taft Avenue. PLDT and Smart have also rolled-out carrier-grade Smart WiFi in key transport hubs, including regional airports and sea ports all over the country.

As we improve our 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 fifth generation, or 5G, showcase over a live network at Nokia Technology Center in Quezon City, achieving 5G speeds of 2.5 Gigabits per second using 100 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.

Voice Services

Mobile revenues from our voice services, which include all voice traffic, decreased by Php4,614 million, or 23%, to Php15,651 million in the first half of 2017 from Php20,265 million in the same period in 2016, primarily due to lower domestic and international voice revenues due to the availability of alternative calling options and other over-the-top, or OTT, services such as *Viber*, *Facebook Messenger* and similar services. Mobile voice services accounted for 37% and 40% of our mobile service revenues for the six months ended June 30, 2017 and 2016, respectively.

The following table shows the breakdown of our mobile voice service revenues for the six months ended June 30, 2017 and 2016:

					Decrease	
	2017	**%**	**2016**	**%**	**Amount**	**%**
			(in millions)			
Voice Services:						
Domestic	Php12,068	77	Php15,772	78	(Php3,704)	(23)
International	3,583	23	4,493	22	(910)	(20)
Total	Php15,651	100	Php20,265	100	(Php4,614)	(23)

Domestic voice service revenues decreased by Php3,704 million, or 23%, to Php12,068 million in the first half of 2017 from Php15,772 million in the same period in 2016, due to lower domestic outbound and inbound voice service revenues.

International voice service revenues decreased by Php910 million, or 20%, to Php3,583 million in the first half of 2017 from Php4,493 million in the same period in 2016, 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 Php3,908 million, or 23%, to Php13,428 million in the first half of 2017 from Php17,336 million in the same period in 2016 mainly from lower bucket-priced and unlimited SMS offerings due to a decline in both subscribers and SMS volumes. Mobile SMS services accounted for 32% and 34% of our mobile service revenues for the six months ended June 30, 2017 and 2016, respectively.

The following table shows the breakdown of our mobile SMS service revenues for the six months ended June 30, 2017 and 2016:

	2017	%	2016	%	Decrease Amount	%
			(in millions)			
SMS Services:						
Domestic[(1)]	Php12,616	94	Php16,351	94	(Php3,735)	(23)
International	812	6	985	6	(173)	(18)
Total	Php13,428	100	Php17,336	100	(Php3,908)	(23)

(1) *Includes revenues from domestic SMS and VAS revenues, net of discounts and content provider costs.*

Data Services

Mobile revenues from our data services, which include mobile internet, mobile broadband and other data services, increased by Php336 million, or 3%, to Php12,999 million in the first half of 2017 from Php12,663 million in the same period in 2016.

The following table shows the breakdown of our mobile data service revenues for the six months ended June 30, 2017 and 2016:

	2017	%	2016	%	Increase (Decrease) Amount	%
			(in millions)			
Data Services:						
Mobile internet[(1)]	Php9,712	75	Php8,068	64	Php1,644	20
Mobile broadband	3,202	24	4,485	35	(1,283)	(29)
Other data	85	1	110	1	(25)	(23)
Total	Php12,999	100	Php12,663	100	Php336	3

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

Mobile internet

Mobile internet service revenues increased by Php1,644 million, or 20%, to Php9,712 million in the first half of 2017 from Php8,068 million in the same period in 2016 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 OTT services. Enhanced data offerings, such as *All Out Surf*, continue to provide users volume data bundles with all-net texts and tri-net calls and is available for as low as Php15 per day. Mobile internet services accounted for 23% and 16% of our mobile service revenues for the six months ended June 30, 2017 and 2016, respectively.

Mobile broadband

Mobile broadband revenues amounted to Php3,202 million in the first half of 2017, a decrease of Php1,283 million, or 29%, from Php4,485 million in the same period in 2016, primarily due to a decrease in the number of subscribers, mainly *Sun Broadband*. Mobile broadband services accounted for 7% and 9% of our mobile service revenues for the six months ended June 30, 2017 and 2016, respectively.

Smart Bro continues to offer various packages for both new and existing subscribers. *Smart Bro Pocket/LTE WiFi*, a portable wireless router which can be shared by up to five users/devices at a time, provides connectivity at varying speeds and is supported by Smart's network utilizing HSPA, 4G HSPA+ and LTE-technologies.

With its goal to provide faster mobile data service at reasonable prices, *Smart Bro* launched its new postpaid plans which include free *Smart Bro LTE Pocket Wifi* devices, more data and faster speeds from Plan 499, which comes with 6GB monthly data, to Plan 999, which offers 15GB of data. *Smart Bro*'s prepaid variant also launched a promotional offer for the *Smart Bro LTE Pocket Wifi* at Php1,495 only.

Sun Bro is an affordable wireless broadband service utilizing advanced 3.5G HSPA and LTE technologies offering various plans and packages to internet users. *Sun Bro* 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*, decreased by Php25 million, or 23%, to Php85 million in the first half of 2017 from Php110 million in the same period in 2016.

Inbound Roaming and Others

Mobile revenues from inbound roaming and other services increased by Php42 million, or 7%, to Php619 million in the first half of 2017 from Php577 million in the same period in 2016.

The following table shows the breakdown of our mobile service revenues by service type for the six months ended June 30, 2017 and 2016:

			Increase (Decrease)	
	2017	**2016**	**Amount**	**%**
		(in millions)		
Mobile service revenues	Php42,697	Php50,841	(Php8,144)	(16)
By service type				
Prepaid	30,327	35,328	(5,001)	(14)
Postpaid	11,751	14,936	(3,185)	(21)
Inbound roaming and others	619	577	42	7

Prepaid Revenues

Revenues generated from our mobile prepaid services amounted to Php30,327 million in the first half of 2017, a decrease of Php5,001 million, or 14%, as compared with Php35,328 million in the same period in 2016. Mobile prepaid service revenues accounted for 71% and 70% of mobile service revenues for the six months ended June 30, 2017 and 2016, respectively. The decrease in revenues from our mobile prepaid services was primarily driven by lower mobile prepaid subscriber base resulting in lower voice and SMS revenues, partially offset by the increase in mobile internet revenues.

In the first half of 2017, *Smart Prepaid* focused on vendor phone partnerships and relevant offers for new SIM users. The introduction of an enhanced data portfolio line up allowed the brand to be attractive to a wider base, with the Giga data family driving usage in videos and social networks.

Smart Prepaid continues to offer data, call and text packages to its subscribers. *Smart Prepaid* offered *AllOut Combo 25* providing subscribers with 200MB data access, with unlimited texts to all networks and tri-net calls i.e., calls to Smart, Sun and TNT. Booster bundles, such as *Express Call 50*, can also be added to existing base offers, providing subscribers with 50 minutes of calls to all networks valid for three days.

Smart Bro Prepaid offers affordable *LTE Pocket WiFi* devices which comes with all-day surfing for seven days, allowing subscribers with affordable ways to enjoy fast internet to their non-LTE devices. Load packages are also available including *SurfMax* with all-day surfing for as low as Php50 valid for one day and *GigaSurf*, a volume-based data package which also offers access and additional data to entertainment streaming applications such as *iflix* and *YouTube*.

The value brand, *TNT*, repositioned from a call and SMS brand to a data brand, improved its image to young, digitally-dependent and socially-attached groups. The *Tropa* series campaign helped communicate the value of TNT products. Another campaign, “Panata” established TNT as an emerging data brand to attract and move free data users to paid Babad or Tropa apps promo.

TNT’s SIM upgrade campaign commenced in May 2017, enabling subscribers to exchange their SIM cards for LTE SIMs in order for them to experience Smart’s LTE network.

TNT offers *Choose Your Tropa Apps* for Php20 for three days which allow subscribers flexibility to choose any social media apps like *Facebook*, *Instagram*, *Snapchat* and *Twitter*, or gaming apps like *Mobile Legend*, *Clash Royale* and *Clash of Clans*, or discover new stories and watch trending videos by choosing *Google*, *Wattpad* or *YouTube* from the list of *TNT Choose Your Tropa Apps*.

Sun Prepaid continues to offer best value packages. On March 10, 2017, *Sun Prepaid* launched *Sun Unlimited 100* providing subscribers with unlimited on-net calls and texts valid for 15 days, and *Sun Unlimited 200* which also offers unlimited on-net calls and texts with additional 500 texts to Smart and TNT, valid for 30 days.

Postpaid Revenues

Revenues generated from mobile postpaid service amounted to Php11,751 million in the first half of 2017, a decrease of Php3,185 million, or 21%, as compared with Php14,936 million in the same period in 2016, and accounted for 28% and 29% of mobile service revenues for the six months ended June 30, 2017 and 2016, 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 and more flexible postpaid subscription plans to our subscribers.

In April 2017, we introduced the handset amortization model, wherein subscribers of our Smart postpaid GIGA plans could avail of the latest devices at varying terms and cash outlay schemes, depending on the plan amount, contract period and device model, including the new Samsung Galaxy S8 & S8+.

In the same quarter, Smart offered FOX+ subscription, a new loaded app that features the latest movie blockbusters, TV series, documentaries, and live sporting events, accessible for Smart, PLDT, and Cignal subscribers, to be added on top of any postpaid plan for Php390 per month. In June 2017, Smart offered *ALL TALK 299* for postpaid plans 1499 and up, that allowed our subscribers to call across all networks, with 300 all-net minutes.

Postpaid subscribers also enjoyed data access even while travelling abroad with Surf Abroad 550. Subscribers can avail *Surf Abroad* with no registration, no manual network selection and charged within plan consumables.

Smart Postpaid continues to offer *All-in Consumable Plans* ranging from Plan 399 up to Plan 2999, which enable subscribers to avail of call, text and data services, and mix and match services or create their own plan using various *Flexibundles*, and personalized entertainment content such as *iWant TV*, *iflix* and *Fox*. All these are charged within the subscriber's monthly service fee. Top picks for *Flexibundles* are *All-net Talk 249, Unli Call and Text 599, SurfMax 995* and other *App On* bundles.

Smart Bro Postpaid provides wireless internet on postpaid plans with fixed monthly data allocation, offering the latest *LTE WiFi devices*, supporting the 700 MHz frequency for a better indoor coverage and bundled gadgets of choice. The latest *Smart Bro Plans* come with a free *LTE Pocket WiFi* starting at Plan 499 with 6GB monthly data allocation, or the recently launched *LTE 2-in-1 Pocket WiFi* device, which comes with a built-in 5200mAh power bank, offered under Plan 999 with a Php1,000 one-time fee.

In April 2017, *Smart Bro* launched a digital campaign targeting parents and kids with the *Smart Bro Gadget Plans* featuring the *iPad Mini*. The postpaid plan which is offered only under Plan 599 and with a one-time fee of Php2,000, comes with 3.5GB monthy data and access to *iflix* for 30 days.

Sun postpaid plans offer a variety of services to cater to the needs of subscribers at affordable prices. The *Best Value Plans*, which start at Php350 per month, come with a free smartphone, unlimited *Sun Calls and Texts*, 250 free texts to users on other networks, and 100MB of mobile data.

In 2016, *Sun* introduced new SIM only *Fixed Load Plan 300*, which provides subscribers unlimited tri-net calls and unlimited all-net texts. *Sun* also continues to offer international direct dialing, or IDD, plans which allow subscribers to make international calls and send SMS to select countries for as low as Php1.50 per minute of voice call or per SMS. The IDD plans also come with a free Android handset and free calls and SMS to *Sun* and other networks, depending on the plan.

Smart offers *Smart Travel WiFi* powered by virtual SIM technology, which enables local connectivity for up to five devices and provides high-speed internet service in over 100 countries for as low as Php390 per day for Asian countries and Php490 per day for the rest of the world.

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

The following table shows our wireless subscriber base as at June 30, 2017 and 2016:

			Increase (Decrease)	
	2017	**2016**	**Amount**	**%**
Mobile subscriber base	58,703,732	68,257,852	(9,554,120)	(14)
Smart[(1)]	21,941,155	25,758,312	(3,817,157)	(15)
Postpaid	*1,353,468*	*1,573,147*	*(219,679)*	*(14)*
Prepaid[(2)]	*20,587,687*	*24,185,165*	*(3,597,478)*	*(15)*
TNT	28,481,294	30,863,446	(2,382,152)	(8)
Sun[(1)]	8,281,283	11,636,094	(3,354,811)	(29)
Postpaid	*1,266,557*	*1,983,338*	*(716,781)*	*(36)*
Prepaid[(2)]	*7,014,726*	*9,652,756*	*(2,638,030)*	*(27)*
Home broadband subscriber base	257,187	265,473	(8,286)	(3)
Total wireless subscribers	58,960,919	68,523,325	(9,562,406)	(14)

(1) Includes mobile broadband subscribers.
(2) Beginning 2Q2017, the prepaid subscriber base excludes subscribers who did not reload within 90 days vis-à-vis 120 days previous cut-off.

Our current policy is to recognize a prepaid subscriber as active only when the subscriber activates and uses the SIM card. Beginning the second quarter of 2017, a prepaid mobile subscriber is considered inactive if the subscriber does not reload within 90 days after the full usage or expiry of the last reload, revised from the previous 120 days.

The average monthly churn rate for *Smart Prepaid* subscribers in the first half of 2017 and 2016 were 7.0% and 7.3%, respectively, while the average monthly churn rate for *TNT* subscribers were 7.3% and 5.5% in the first half of 2017 and 2016, respectively. The average monthly churn rate for *Sun Prepaid* subscribers were 9.0% and 9.6% in the first half of 2017 and 2016, respectively. The increase in churn rate of prepaid subscribers was attributable to the change in churn rule to 90 days from the previous 120 days.

The average monthly churn rate for *Smart Postpaid* subscribers were 2.5% and 4.7% in the first half of 2017 and 2016, respectively, and 3.6% and 5.1% in the first half of 2017 and 2016, respectively, for *Sun Postpaid* subscribers.

The following table summarizes our average monthly ARPUs for the six months ended June 30, 2017 and 2016:

	Gross[(1)]		Increase (Decrease)		Net[(2)]		Increase (Decrease)	
	2017	2016	Amount	%	2017	2016	Amount	%
Prepaid								
Smart	Php117	Php121	(Php4)	(3)	Php107	Php111	(Php4)	(4)
TNT	80	85	(5)	(6)	74	78	(4)	(5)
Sun	86	88	(2)	(2)	80	81	(1)	(1)
Postpaid								
Smart	1,009	959	50	5	975	945	30	3
Sun	416	470	(54)	(11)	412	464	(52)	(11)

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

Our average monthly prepaid and postpaid ARPUs per quarter of 2017 and 2016 were as follows:

	Prepaid						Postpaid			
	Smart		TNT		Sun		Smart		Sun	
	Gross[(1)]	Net[(2)]	Gross[(1)]	Net[(2)]	Gross[(1)]	Net[(2)]	Gross[(1)]	Net[(2)]	Gross[(1)]	Net[(2)]
2017										
First Quarter	Php114	Php104	Php77	Php71	Php84	Php78	Php1,001	Php965	Php416	Php413
Second Quarter[(3)]	120	109	83	77	88	82	1,016	985	415	412
2016										
First Quarter	122	112	87	80	87	80	955	938	479	475
Second Quarter	120	110	84	77	90	81	963	951	462	453
Third Quarter	113	102	77	71	90	84	958	946	407	402
Fourth Quarter	115	104	82	75	92	85	989	970	423	418

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

(3) 2Q2017 ARPU is calculated based on the revised subscriber base applying the 90-day churn rule vis-à-vis 120-day previous cut-off.

Home Broadband

Home Ultera is a fixed wireless broadband service being offered under PLDT's *HOME* brand. *Home Ultera*, powered by LTE technology, is specifically designed for the home and offers customized packages.

Revenues from our *Home Ultera* services decreased by Php90 million, or 7%, to Php1,267 million in the first half of 2017 from Php1,357 million in the same period in 2016, due mainly to the continued migration of our high-value fixed wireless subscribers from legacy technologies (Canopy & Wimax) to wired broadband (digital subscriber line, or DSL/FTTH). In addition, ARPU has decreased as a result of lower-priced plan offerings as part of PLDT's efforts to expand its customer base to include lower income home segments.

Subscribers of our *Home Ultera* services decreased by 8,286, or 3%, to 257,187 subscribers as of June 30, 2017 from 265,473 subscribers as of June 30, 2016.

Digital Platforms and Mobile Financial Services

Revenues from digital platforms and mobile financial services, as reported by Voyager, increased by Php448 million, or 231%, to Php642 million in the first half of 2017 from Php194 million in the same period in 2016, primarily due to the increase in PayMaya transactions.

MVNO and Others

Revenues from our other services decreased by Php97 million, or 28%, to Php252 million in the first half of 2017 from Php349 million in the same period in 2016, primarily due to lower revenue contribution from MVNOs of PLDT Global and ACeS Philippines, partially offset by the impact of higher weighted average exchange rate of the Philippine peso relative to the U.S. dollar to Php49.94 for the six months ended June 30, 2017 from Php46.88 for the six months ended June 30, 2016 on our U.S. dollar and U.S. dollar-linked service revenues.

Non-Service Revenues

Our wireless non-service revenues consist of sales of mobile handsets, SIM-packs and broadband data modems, tablets and accessories. Our wireless non-service revenues decreased by Php926 million, or 34%, to Php1,807 million in the first half of 2017 from Php2,733 million in the same period in 2016, primarily due to lower revenues from the sale of broadband data modems and mobile handsets.

Expenses

Expenses associated with our wireless business amounted to Php39,040 million in the first half of 2017, a decrease of Php8,298 million, or 18%, from Php47,338 million in the same period in 2016. A significant portion of the decrease was mainly attributable to lower cost of sales, asset impairment, selling and promotions, interconnection costs, repairs and maintenance, taxes and licenses, and insurance and security services, partially offset by higher expenses related to depreciation and amortization, rent, professional and other contracted services, compensation and employee benefits, and cost of services. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 84% and 85% in the first six months ended June 30, 2017 and 2016, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the six months ended June 30, 2017 and 2016 and the percentage of each expense item in relation to the total:

					Increase (Decrease)	
	2017	%	2016	%	Amount	%
			(in millions)			
Depreciation and amortization	Php9,025	23	Php8,206	17	Php819	10
Rent	5,468	14	4,756	10	712	15
Repairs and maintenance	3,925	10	4,186	9	(261)	(6)
Compensation and employee benefits	3,756	10	3,523	8	233	7
Cost of sales	3,545	9	9,169	19	(5,624)	(61)
Interconnection costs	3,473	9	4,052	9	(579)	(14)
Professional and other contracted services	3,164	8	2,779	6	385	14
Selling and promotions	2,084	5	3,064	7	(980)	(32)
Asset impairment	1,575	4	4,282	9	(2,707)	(63)
Taxes and licenses	1,331	3	1,490	3	(159)	(11)
Insurance and security services	464	1	618	1	(154)	(25)
Amortization of intangible assets	412	1	544	1	(132)	(24)
Communication, training and travel	394	1	447	1	(53)	(12)
Cost of services	247	1	46	–	201	437
Other expenses	177	1	176	–	1	1
Total	Php39,040	100	Php47,338	100	(Php8,298)	(18)

Depreciation and amortization charges increased by Php819 million, or 10%, to Php9,025 million, primarily due to higher depreciable asset base.

Rent expenses increased by Php712 million, or 15%, to Php5,468 million, primarily due to higher leased lines rental with the increase in data usage and site rental charges.

Repairs and maintenance expenses decreased by Php261 million, or 6%, to Php3,925 million, mainly due to lower site and office electricity costs and lower technical support fees.

Compensation and employee benefits increased by Php233 million, or 7%, to Php3,756 million, primarily due to higher salaries and employee benefits, and provision for pension benefits, partly offset by lower manpower rightsizing program, or MRP, costs. Employee headcount decreased to 7,004 as at June 30, 2017 as compared with 7,142 as at June 30, 2016.

Cost of sales decreased by Php5,624 million, or 61%, to Php3,545 million, primarily due to lower issuances of mobile handsets and broadband data modems.

Interconnection costs decreased by Php579 million, or 14%, to Php3,473 million, primarily due to lower interconnection cost on domestic voice and text services, and international voice, partially offset by an increase in interconnection charges on international roaming data.

Professional and other contracted service fees increased by Php385 million, or 14%, to Php3,164 million, primarily due to increase in facility usage costs, and legal, audit and call center fees, partly offset by lower consultancy fees.

Selling and promotion expenses decreased by Php980 million, or 32%, to Php2,084 million, primarily due to lower advertising and promotions, and commissions expenses.

Asset impairment decreased by Php2,707 million, or 63%, to Php1,575 million, primarily due to lower provisions for doubtful accounts and inventory obsolescence.

Taxes and licenses decreased by Php159 million, or 11%, to Php1,331 million due to lower tax settlements and other business taxes, partly offset by higher spectrum user fees.

Insurance and security services decreased by Php154 million, or 25%, to Php464 million, primarily due to lower site security and property insurance expenses, partly offset by higher office security expenses.

Amortization of intangible assets decreased by Php132 million, or 24%, to Php412 million, primarily due to the decrease in the remaining carrying value of intangible assets.

Communication, training and travel expenses decreased by Php53 million, or 12%, to Php394 million, primarily due to lower training, travel, and freight and hauling expenses, partially offset by higher communication charges and fuel costs for vehicles as a result of higher average fuel cost per liter.

Cost of services increased by Php201 million to Php247 million, primarily due to higher cost on music licenses and various partnership with content providers.

Other expenses increased by Php1 million, or 1%, to Php177 million, primarily due to higher various business and operational-related expenses.

Other Income (Expenses)

The following table summarizes the breakdown of our total wireless-related other income (expenses) for the six months ended June 30, 2017 and 2016:

			Change	
	2017	**2016**	**Amount**	**%**
		(in millions)		
Other Income (Expenses):				
Financing costs – net	(Php1,269)	(Php1,244)	(Php25)	2
Foreign exchange gains (losses) – net	(278)	42	(320)	(762)
Equity share in net losses of associates	(66)	(209)	143	(68)
Interest income	142	160	(18)	(11)
Gain on derivative financial instruments – net	186	13	173	1,331
Other income – net	155	707	(552)	(78)
Total	(Php1,130)	(Php531)	(Php599)	113

Our wireless business' other expenses amounted to Php1,130 million in the first half of 2017, an increase of Php599 million, or 113%, from Php531 million in the same period in 2016, primarily due to the combined effects of the following: (i) a decrease in other income – net by Php552 million mainly due to the impairment on Smart's AFPI investment in 2017, lower income from consultancy and other miscellaneous income; (ii) foreign exchange losses of Php278 million on account of revaluation of foreign currency-denominated assets and liabilities due to the depreciation of the Philippine peso relative to the U.S. dollar to Php50.45 as at June 30, 2017 from Php49.77 as at December 31, 2016 as against foreign exchange gains of Php42 million due to an appreciation of the Philippine peso relative to the U.S. dollar to Php47.01 as at June 30, 2016 from Php47.12 as at December 31, 2015; (iii) higher net financing costs by Php25 million due to higher weighted average loan principal amount, higher weighted average interest rate, higher weighted average rate of the Philippine peso relative to the U.S. dollar and higher financing charges, partly offset by higher capitalized interest; (iv) lower interest income by Php18 million due to lower principal amount of temporary cash investments, partly offset by higher weighted average interest rate and higher weighted average rate of the Philippine peso relative to the U.S. dollar; (v) lower equity share in net losses of associates by Php143 million, mainly from AFPI; and (vi) higher gains on derivative financial instruments by Php173 million on account of mark-to-market gains on foreign exchange derivatives due to the depreciation of the Philippine peso relative to the U.S. dollar in the first six months of 2017.

Provision for Income Tax

Provision for income tax amounted to Php2,189 million in the first half of 2017, a decrease of Php608 million, or 22%, from Php2,797 million in the same period in 2016, primarily due to lower taxable income. The effective tax rates for our wireless business were 34% and 37% in the first half of 2017 and 2016, respectively.

Net Income

As a result of the foregoing, our wireless business' net income decreased by Php502 million, or 10%, to Php4,306 million in the first half of 2017 from Php4,808 million in the same period in 2016.

EBITDA

Our wireless business' EBITDA increased by Php176 million, or 1%, to Php17,062 million in the first half of 2017 from Php16,886 million in the same period in 2016. EBITDA margin increased to 38% in the first half of 2017 from 32% in the same period in 2016.

Core Income

Our wireless business' core income increased by Php51 million, or 1%, to Php4,775 million in the first half of 2017 from Php4,724 million in the same period in 2016 on account of lower provision for income tax, higher EBITDA and lower equity share in net losses of associates, partially offset by higher depreciation and lower other income.

Fixed Line

Revenues

Revenues generated from our fixed line business amounted to Php38,658 million in the first half of 2017, an increase of Php2,721 million, or 8%, from Php35,937 million in the same period in 2016.

The following table summarizes our total revenues from our fixed line business for the six months ended June 30, 2017 and 2016 by service segment:

					Increase (Decrease)	
	2017	%	2016	%	Amount	%
			(in millions)			
Service Revenues:						
Voice	Php14,408	37	Php14,861	42	(Php453)	(3)
Data	21,459	56	18,326	51	3,133	17
Miscellaneous	962	2	802	2	160	20
	36,829	95	33,989	95	2,840	8
Non-Service Revenues:						
Sale of computers, phone units and SIM packs, and point-product sales	1,829	5	1,948	5	(119)	(6)
Total Fixed Line Revenues	Php38,658	100	Php35,937	100	Php2,721	8

Service Revenues

Our fixed line service revenues increased by Php2,840 million, or 8%, to Php36,829 million in the first half of 2017 from Php33,989 million in the same period in 2016, 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 Php453 million, or 3%, to Php14,408 million in the first half of 2017 from Php14,861 million in the same period in 2016, 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 six months ended June 30, 2017 and 2016:

					Increase (Decrease)	
	2017	%	2016	%	Amount	%
			(in millions)			
Voice						
Local exchange	Php9,226	64	Php8,765	58	Php461	5
International	3,387	24	4,201	29	(814)	(19)
Domestic	1,795	12	1,895	13	(100)	(5)
Total	Php14,408	100	Php14,861	100	(Php453)	(3)

Local Exchange

The following table summarizes the key measures of our local exchange service business as at and for the six months ended June 30, 2017 and 2016:

			Increase	
	2017	2016	Amount	%
Total local exchange service revenues (in millions)	Php9,226	Php8,765	Php461	5
Number of fixed line subscribers	2,546,992	2,380,390	166,602	7
Number of fixed line LEC employees	7,284	7,112	172	2
Number of fixed line subscribers per employee	350	335	15	4

Revenues from our local exchange service increased by Php461 million, or 5%, to Php9,226 million in the first half of 2017 from Php8,765 million in the same period in 2016, primarily due to an increase in subscribers. The percentage contribution of local exchange revenues to our total fixed line service revenues were 25% and 26% in the first half of 2017 and 2016, respectively.

International

Our international service revenues decreased by Php814 million, or 19%, to Php3,387 million in the first half of 2017 from Php4,201 million in the same period in 2016, 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 Messenger*, *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 Php49.94 for the six months ended June 30, 2017 from Php46.88 for the six months ended June 30, 2016, 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 9% and 12% in the first half of 2017 and 2016, respectively.

Domestic

Our domestic service revenues decreased by Php100 million, or 5%, to Php1,795 million in the first half of 2017 from Php1,895 million in the same period in 2016, primarily due to a decrease in call volumes. The percentage contribution of domestic service revenues to our fixed line service revenues was 5% and 6% in the first half of 2017 and 2016, respectively.

Data Services

The following table shows information of our data service revenues for the six months ended June 30, 2017 and 2016:

			Increase	
	2017	**2016**	**Amount**	**%**
Data service revenues (in millions)	Php21,459	Php18,326	Php3,133	17
Home broadband	8,495	7,089	1,406	20
Corporate data and leased lines	11,333	9,731	1,602	16
Data Center and IT	1,631	1,506	125	8

Our data services posted revenues of Php21,459 million in the first half of 2017, an increase of Php3,133 million, or 17%, from Php18,326 million in the same period in 2016, 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 were 58% and 54% for the six months ended June 30, 2017 and 2016, respectively.

Home Broadband

PLDT HOME remains to be the nation's leading home broadband service provider, now serving 1,469,960 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 Php8,495 million in the first half of 2017, an increase of Php1,406 million, or 20%, from Php7,089 million in the same period in 2016. This growth is driven by increasing demand for broadband services which the company is providing through its existing copper network and an aggressive nationwide roll-out of its FTTH network. Home broadband revenues accounted for 39% of total data service revenues in each of the six months ended June 30, 2017 and 2016. At the end of June 2017, PLDT's FTTH nationwide network rollout has passed over 3.11 million homes and targets to reach approximately 4 million homes passed by end of 2017.

In 2017, PLDT HOME launched its initial set of fiber-powered "PLDT SmartCities," in Toledo City, Cebu in February, General Santos City in April, Naga City and South Metro Manila in May, and East Metro Manila in July. Working with city governments of these key urban centers, PLDT is deploying high-speed world-class internet connectivity to more homes, providing a wide range of entertainment, home security and other digital services.

To complement the build-out of its fiber network, PLDT HOME is also aggressively modernizing and upgrading its current copper network through the use of fiber fast speeds technology. PLDT has the country's most extensive transmission and distribution network infrastructure which now has about 150,000 kilometers of fiber optic cables that transport the growing data traffic of its fixed line and mobile networks. In the second quarter of 2017, PLDT also started the deployment of hybrid fiber technologies, such as *G.Fast*, that can deliver fiber-like data speeds through the copper wires in homes and buildings under a three-year program.

PLDT HOME is strongly committed to fulfill its 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 *Smart Home* banner, spreading close to half a million digital services nationwide.

This digital ecosystem is built on the following pillars: connectivity, peace of mind, entertainment, and convergence. The *Smart Home* connectivity 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* 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 TCL Telecommunication Technology Holdings Limited under the Alcatel brand.

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 strong connections even outside the home.

Corporate Data and Leased Lines

Corporate data and leased line services contributed Php11,333 million in the first half of 2017, an increase of Php1,602 million, or 16%, as compared with Php9,731 million in the same period in 2016, mainly due to sustained market traction of broadband data services and growth on *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% of total data services in each of the six months ended June 30, 2017 and 2016.

Leased lines and other data services include: (i) Diginet, a domestic private leased line service, specifically supporting Smart's fiber optic and enterprises' leased line network requirements; (ii) IP-VPN, an end-to-end managed IP-based or Layer 3 data networking service that offers secure means to access corporate network resources; (iii) Metro Ethernet, a high-speed, Layer 2, wide area networking service that enables mission-critical data transfers; (iv) *Shops.Work*, a connectivity solution designed for retailers and franchisers, linking company branches to the head office; and (v) *Shops.Work UnPlugged*, or *SWUP*, a wireless VPN service that powers mobile point-of-sale terminals and off-site bank ATMs, as well as other retail outlets located in remote areas.

International leased lines and other data services consist mainly of: (i) i-Gate, our premium, direct internet access service, which continues to be the choice among enterprise users for dedicated internet connectivity, where users can be provided with as much as 10 Gbps of i-Gate internet bandwidth, complemented by industry-leading Service Level Agreements; (ii) Fibernet, which provides cost-effective, managed and resilient international high bandwidth point-to-point private data networking connectivity, through our global points of presence and extensive international alliances, to offshore and outsourcing, banking and finance, and semiconductor industries; and (iii) other international managed data services in partnership with other global service providers, which provide web acceleration, network security, content delivery and other data networking services to multinational companies.

Data Center and Information Technology

Data centers provide colocation and related connectivity services, managed server hosting, disaster recovery and business continuity services, managed security services, cloud services, big data services and various managed IT solutions. On July 28, 2016, 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. VITRO Makati 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. On February 13, 2017, ePLDT inaugurated the first data center in Mindanao. VITRO Davao has a total capacity of 45 racks that can serve both primary and back-up requirements of enterprises based in Mindanao. Four days after the launch of VITRO Davao, ePLDT also launched the biggest data center outside of Metro Manila. VITRO Clark is the first purpose-built data center North of Manila. This is the second TIA-942 Rated 3 certified data center of ePLDT, and another Nexcenter certified facility. It has a total capacity of 1,500 racks and fully redundant infrastructure. By the end of 2017, ePLDT Group will have about 9,000 rack capacity in ten locations covering Metro Manila, Subic, Clark, Cebu and Davao. Data center and IT revenues increased by Php125 million, or 8%, to Php1,631 million in the first half of 2017 from Php1,506 million in the same period in 2016 mainly due to higher revenues from colocation and managed IT services. Cloud services include cloud contact center, cloud Infrastructure as a Service, cloud Software as a Service and cloud professional services. The percentage contribution of this service segment to our total data service revenues was 8% in each of the first half of 2017 and 2016.

Miscellaneous Services

Miscellaneous service revenues are derived mostly from rental, outsourcing and facilities management fees. These service revenues increased by Php160 million, or 20%, to Php962 million in the first half of 2017 from Php802 million in the same period in 2016 mainly due to higher outsourcing and management fees. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues were 3% and 2% in the first half of 2017 and 2016, respectively.

Non-service Revenues

Non-service revenues decreased by Php119 million, or 6%, to Php1,829 million in the first half of 2017 from Php1,948 million in the same period in 2016, primarily due to lower sale of PLDT Landline Plus, or *PLP*, and *Telpad* units, and *FabTab* for *myDSL* retention, partly offset by higher computer-bundled, hardware and software, and license sales.

Expenses

Expenses related to our fixed line business totaled Php30,798 million in the first half of 2017, an increase of Php1,659 million, or 6%, as compared with Php29,139 million in the same period in 2016. The increase was primarily due to higher expenses related to compensation and employee benefits, professional and other contracted services, cost of services, and cost of sales, partly offset by lower expenses related to repairs and maintenance, interconnection costs, selling and promotions, rent, depreciation and amortization, and other operating expenses. As a percentage of our total fixed line revenues, expenses associated with our fixed line business accounted for 80% and 81% for the six months ended June 30, 2017 and 2016, respectively.

The following table shows the breakdown of our total fixed line-related expenses for the six months ended June 30, 2017 and 2016 and the percentage of each expense item to the total:

	2017	%	2016	%	Increase (Decrease) Amount	%
			(in millions)			
Compensation and employee benefits	Php8,677	28	Php6,549	23	Php2,128	32
Depreciation and amortization	6,304	21	6,369	22	(65)	(1)
Professional and other contracted services	3,689	12	2,666	9	1,023	38
Repairs and maintenance	3,043	10	3,658	13	(615)	(17)
Interconnection costs	2,583	8	3,054	10	(471)	(15)
Cost of sales	1,611	5	1,477	5	134	9
Rent	1,488	5	1,718	6	(230)	(13)
Selling and promotions	906	3	1,185	4	(279)	(24)
Asset impairment	673	2	681	2	(8)	(1)
Taxes and licenses	606	2	607	2	(1)	–
Insurance and security services	365	1	350	1	15	4
Cost of services	352	1	144	1	208	144
Communication, training and travel	270	1	287	1	(17)	(6)
Other expenses	231	1	394	1	(163)	(41)
Total	Php30,798	100	Php29,139	100	Php1,659	6

Compensation and employee benefits expenses increased by Php2,128 million, or 32%, to Php8,677 million, primarily due to higher MRP costs by Php1,529 million, salaries and employee benefits, and provision for pension benefits. Employee headcount increased to 10,893 as at June 30, 2017 as compared with 10,049 as at June 30, 2016, primarily due to an increase in employee headcount of ePLDT.

Depreciation and amortization charges decreased by Php65 million, or 1%, to Php6,304 million due to a lower depreciable asset base.

Professional and other contracted service expenses increased by Php1,023 million, or 38%, to Php3,689 million, primarily due to higher contracted and technical services and legal fees, partially offset by lower management fees.

Repairs and maintenance expenses decreased by Php615 million, or 17%, to Php3,043 million, primarily due to lower repairs and maintenance costs on cable and wire facilities, DFON and central office/telecoms equipment, partially offset by higher electricity charges and maintenance costs on IT software and buildings.

Interconnection costs decreased by Php471 million, or 15%, to Php2,583 million, primarily due to lower international interconnection costs, as a result of a decrease in international inbound calls that terminated to other domestic carriers, and lower domestic interconnection costs.

Cost of sales increased by Php134 million, or 9%, to Php1,611 million, primarily due to higher cost of *Telpad* units, and higher sale of hardware and software, and licenses.

Rent expenses decreased by Php230 million, or 13%, to Php1,488 million, primarily due to lower domestic and international leased circuit rental charges.

Selling and promotion expenses decreased by Php279 million, or 24%, to Php906 million, primarily due to lower advertising and promotions expenses, marketing, public relations and commissions expenses.

Asset impairment decreased by Php8 million, or 1%, to Php673 million, mainly due to lower provision for inventory obsolescence, partly offset by higher provision for doubtful accounts.

Taxes and licenses decreased by Php1 million to Php606 million, primarily due to lower business-related taxes.

Insurance and security services increased by Php15 million, or 4%, to Php365 million, mainly due to higher office security expenses, partly offset by lower insurance and bond premiums.

Cost of services increased by Php208 million, or 144%, to Php352 million, primarily due to various partnerships with content providers.

Communication, training and travel expenses decreased by Php17 million, or 6%, to Php270 million, mainly due to lower training and travel expenses, partly offset by higher communication charges and fuel consumption costs.

Other expenses decreased by Php163 million, or 41%, to Php231 million, primarily due to lower various business and operational-related expenses.

Other Income (Expenses)

The following table summarizes the breakdown of our total fixed line-related other income (expenses) for the six months ended June 30, 2017 and 2016:

	2017	2016	Change Amount	Change %
		(in millions)		
Other Income (Expenses):				
Financing costs – net	(Php2,555)	(Php2,399)	(Php156)	7
Foreign exchange gains (losses)	(45)	9	(54)	(600)
Equity share in net earnings (losses) of associates	94	(89)	183	(206)
Gains (losses) on derivative financial instruments – net	172	(191)	363	(190)
Interest income	370	356	14	4
Other income – net	1,410	1,857	(447)	(24)
Total	(Php554)	(Php457)	(Php97)	21

Our fixed line business' other expenses increased to Php554 million in the first half of 2017 from Php457 million for the same period in 2016, mainly due to the combined effects of the following: (i) lower other income – net by Php447 million due to gain on sale of property in 2016, partly offset by the reversal of impairment of investment in Digitel Crossing, Inc., or DCI, in 2017; (ii) higher net financing costs by Php156 million due to higher weighted average loan principal amount, higher weighted average rate of the Philippine peso relative to the U.S. dollar and higher financing charges, partially offset by higher capitalized interest and lower weighted average interest rate; (iii) foreign exchange losses of Php45 million on account of revaluation of foreign currency-denominated assets and liabilities due to the depreciation of the Philippine peso relative to the U.S. dollar to Php50.45 as at June 30, 2017 from Php49.77 as at December 31, 2016 as against foreign exchange gains of Php9 million due to an appreciation of the Philippine peso relative to the U.S. dollar to Php47.01 as at June 30, 2016 from Php47.12 as at December 31, 2015; (iv) equity share in net earnings of associates of Php94 million in the first half of 2017 as against equity share in net losses of associates of Php89 million in the same period in 2016 mainly due to lower equity share in net losses of Cignal TVand higher equity share in net earnings of DCI; (v) an increase in interest income by Php14 million due to higher principal amount of temporary cash investments and higher weighted average rate of the Philippine peso relative to the U.S. dollar, partly offset by lower weighted average interest rate; (vi) gains on derivative financial instruments of Php172 million as against losses on derivative financial instruments of Php191 million on account of mark-to-market gains on foreign exchange derivatives due to the depreciation of the Philippine peso relative to the U.S. dollar in the first six months of 2017.

Provision for Income Tax

Provision for income tax amounted to Php1,934 million in the first half of 2017, an increase of Php102 million, or 6%, from Php1,832 million in the same period in 2016, primarily due to higher taxable income. The effective tax rates for our fixed line business were 26% and 29% in the first half of 2017 and 2016, respectively.

Net Income

As a result of the foregoing, our fixed line business registered a net income of Php5,372 million in the first half of 2017, an increase of Php863 million, or 19%, as compared with Php4,509 million in the same period in 2016.

EBITDA

Our fixed line business' EBITDA increased by Php996 million, or 8%, to Php14,164 million in the first half of 2017 from Php13,168 million in the same period in 2016. EBITDA margin, however, decreased to 38% in the first half in 2017 from 39% in the same period in 2016.

Core Income

Our fixed line business' core income increased by Php586 million, or 13%, to Php5,050 million in the first half of 2017 from Php4,464 million in the same period in 2016, primarily as a result of higher EBITDA and equity share in net earnings of associates, partially offset by lower other income and higher financing costs.

Others

Revenues

We generated revenues of Php6 million from our other business in the first half of 2017.

Expenses

Expenses related to our other business totaled Php19 million in the first half of 2017, a decrease of Php2 million, or 10%, as compared with Php21 million in the same period in 2016, primarily due to lower cash operating expenses.

Other Income (Expenses)

The following table summarizes the breakdown of other income (expenses) for other business segment for the six months ended June 30, 2017 and 2016:

			Change	
	2017	**2016**	**Amount**	**%**
		(in millions)		
Other Income (Expenses):				
Equity share in net earnings of associates and joint ventures	Php1,121	Php1,233	(Php112)	(9)
Interest income	221	73	148	203
Financing costs – net	(97)	(94)	(3)	3
Foreign exchange gains (losses)	(156)	26	(182)	(700)
Other income – net	6,099	1,969	4,130	210
Total	Php7,188	Php3,207	Php3,981	124

Other income increased by Php3,981 million, or 124%, to Php7,188 million in the first half of 2017 from Php3,207 million in the same period in 2016, primarily due to the combined effects of the following: (i) higher other income by Php4,130 million due to lower impairment loss on our Rocket Internet investment, partly offset by lower gain on sale of Beacon shares; (ii) an increase in interest income by Php148 million; (iii) higher financing costs by Php3 million; (iv) lower equity share in net earnings of associates and joint ventures by Php112 million mainly from lower equity share in net earnings of Beacon, and higher equity share in net losses of VTI, partly offset by higher equity share in net earnings of Beta; and (v) foreign exchange losses of Php156 million in the first half of 2017 as against foreign exchange gains of Php26 million in the same period in 2016.

Net Income

As a result of the foregoing, our other business segment registered a net income of Php7,122 million in the first half of 2017, an increase of Php3,953 million from Php3,169 million in the same period in 2016.

Core Income

Our other business segment's core income amounted to Php7,841 million in the first half of 2017, a decrease of Php671 million, or 8%, as compared with Php8,512 million in the same period in 2016, mainly as a result of the lower gain on sale of Beacon shares and lower equity share in net earnings of associates and joint ventures, partly offset by higher interest income.

Liquidity and Capital Resources

The following table shows our consolidated cash flows for the six months ended June 30, 2017 and 2016, as well as our consolidated capitalization and other consolidated selected financial data as at June 30, 2017 and December 31, 2016:

	Six months ended June 30,	
	2017	2016
	(in millions)	
Cash Flows		
Net cash flows provided by operating activities	Php19,536	Php25,184
Net cash flows used in investing activities	(2,361)	(23,742)
Capital expenditures	*5,727*	*20,032*
Net cash flows used in financing activities	(22,592)	(24,370)
Net decrease in cash and cash equivalents	(5,145)	(23,069)

	June 30,	December 31,
	2017	2016
	(in millions)	
Capitalization		
Long-term portion of interest-bearing financial liabilities – net of current portion:		
Long-term debt	Php160,241	Php151,759
Current portion of interest-bearing financial liabilities:		
Long-term debt maturing within one year	14,826	33,273
Total interest-bearing financial liabilities	175,067	185,032
Total equity attributable to equity holders of PLDT	122,731	108,175
	Php297,798	Php293,207
Other Selected Financial Data		
Total assets	Php465,804	Php475,119
Property and equipment	193,140	203,188
Cash and cash equivalents	33,577	38,722
Short-term investments	10,623	2,738

Our consolidated cash and cash equivalents and short-term investments totaled Php44,200 million as at June 30, 2017. Principal sources of consolidated cash and cash equivalents in the first half of 2017 were proceeds from availment of long-term debt of Php21,755 million, cash flows from operating activities amounting to Php19,536 million, proceeds from disposal of remaining Beacon shares of Php12,000 million, proceeds from issuance of perpetual notes of Php4,200 million, collection of receivable from Metro Pacific Investments Corporation, or MPIC, of Php2,001 million, proceeds from disposal of investments available-for-sale of Php1,000 million, interest received of Php601 million and dividends received of Php566 million. These funds were used principally for: (1) debt principal and interest payments of Php32,447 million and Php3,822 million, respectively; (2) net payment for purchase of short-term investments of Php7,801 million; (3) net reduction in capital expenditures under long-term financing of Php5,979 million; (4) cash dividend payments of Php6,093 million; (5) capital expenditures, including capitalized interest, of Php5,727 million; and (6) payment to VTI and Bow Arken of Php5,413 million and Php100 million additional funding to AFPI.

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

Operating Activities

Our consolidated net cash flows provided by operating activities decreased by Php5,648 million, or 22%, to Php19,536 million in the first half of 2017 from Php25,184 million in the same period in 2016, primarily due to higher level of settlement of accounts payable and other liabilities, and lower operating income, partially offset by higher collection efficiency, lower prepayments and inventories, lower pension contribution and lower corporate taxes paid.

Cash flows provided by operating activities of our wireless business decreased by Php1,549 million, or 12%, to Php10,973 million in the first half of 2017 from Php12,522 million in the same period in 2016, primarily due to higher level of settlement of accounts payable and other liabilities and lower operating income, partially offset by higher level of collection of receivables, lower prepayments and inventories, and lower corporate taxes paid. Cash flows provided by operating activities of our fixed line business decreased by Php3,961 million, or 30%, to Php9,241 million in the first half of 2017 from Php13,202 million in the same period in 2016, primarily due to higher level of settlement of accounts payable and other liabilities and higher inventories, partly offset by lower pension contribution and higher operating income. Cash flows used in operating activities of our other business increased by Php371 million to Php486 million in the first half in 2017 from Php115 million in the same period in 2016 mainly due to lower collection of receivables and higher settlement of accounts payable and other liabilities, partly offset by lower operating loss.

Investing Activities

Consolidated net cash flows used in investing activities amounted to Php2,361 million in the first half in 2017, a decrease of Php21,381 million, or 90%, from Php23,742 million in the same period in 2016, primarily due to the combined effects of the following: (1) lower capital expenditures by Php14,305 million; (2) lower net payment for purchase of investments in associates and joint ventures by Php11,438 million; (3) collection of receivables from MPIC of Php2,001 million in 2017; (4) proceeds from disposal of investments available-for-sale of Php1,000 million in 2017; (5) dividends received of Php566 million in 2017; (6) lower proceeds from disposal of property and equipment by Php898 million; (7) higher net payment for purchase of short-term investments by Php2,597 million; and (8) lower proceeds from disposal of remaining Beacon shares of Php5,000 million.

Our consolidated capital expenditures, including capitalized interest, in the first half of 2017 totaled Php5,727 million, a decrease of Php14,305 million, or 71%, as compared with Php20,032 million in the same period in 2016, primarily due to lower capital spending of Smart Group and PLDT. Smart Group's capital spending, decreased by Php12,939 million, or 77%, to Php3,790 million in the first half in 2017 from Php16,729 million in the same period in 2016. Smart Group's capex spending was primarily focused on expanding 3G, 4G and LTE coverage and reach, as well as capacity and service enhancements. PLDT's capital spending decreased by Php840 million, or 36%, to Php1,496 million in the first half of 2017 from Php2,336 million in the same period in 2016. The capex spending was used to finance the continuous facility roll-out and expansion of our domestic fiber optic network, as well as expansion of our data center business. The balance represents other subsidiaries' capital spending.

As part of our growth strategy, we may from time to time, continue to make acquisitions and investments in companies or businesses.

Financing Activities

On a consolidated basis, cash flows used in financing activities amounted to Php22,592 million in the first half of 2017, a decrease of Php1,778 million, or 7%, from Php24,370 million in the same period in 2016, resulting largely from the combined effects of the following: (1) higher proceeds from availment of long-term debt by Php14,127 million; (2) lower cash dividend payments by Php6,249 million; (3) proceeds from issuance of perpetual notes of Php4,200 million in 2017; (4) higher net settlement of capital expenditures under long-term financing by Php1,111 million; and (5) higher payments of long-term debt by Php21,499 million.

Debt Financing

Proceeds from availment of long-term debt for the six months ended June 30, 2017 amounted to Php21,755 million, mainly from PLDT's drawings related to the financing of our capital expenditure requirements and refinancing of maturing loan obligations. Payments of principal and interest on our total debt amounted to Php32,447 million and Php3,822 million, respectively, for the six months ended June 30, 2017.

Our consolidated long-term debt decreased by Php9,965 million, or 5%, to Php175,067 million as at June 30, 2017 from Php185,032 million as at December 31, 2016, primarily due to debt amortizations and prepayments, partly offset by drawings from our long-term facilities and the depreciation of the Philippine peso relative to the U.S. dollar. As at June 30, 2017, the long-term debt levels of PLDT and Smart decreased by 1% and 12% to Php109,081 million and Php65,986 million, respectively, as compared with Php109,867 million and Php74,851 million, respectively, as at December 31, 2016. DMPI loans, with a balance of Php314 million as at December 31, 2016, have been fully paid as at June 30, 2017.

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. The loan was fully drawn on March 30, 2017.

On April 18, 2017, Smart signed a Php1,500 million term loan facility with Philippine National Bank to refinance its existing term loans and/or partially finance capital expenditure requirements for service improvement and network expansion.

On May 24, 2017, PLDT signed a Php2,000 million term loan facility with Security Bank 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. The loan was fully drawn on May 29, 2017.

On July 5, 2017, PLDT signed a Php3,500 million term loan facility with Land Bank of the Philippines, or LBP, 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. The loan was fully drawn on July 10, 2017.

Approximately Php83,529 million principal amount of our consolidated outstanding long-term debt as at June 30, 2017 is scheduled to mature over the period from 2017 to 2021. Of this amount, Php47,958 million is attributable to PLDT and Php35,571 million to Smart.

See *Note 20 – Interest-bearing Financial Liabilities – Long-term Debt* to the accompanying unaudited consolidated financial statements for a more detailed discussion of our long-term debt.

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.

As at June 30, 2017 and 2016, we are in compliance with all of our debt covenants.

See *Note 20 – Interest-bearing Financial Liabilities – Compliance with Debt Covenants* to the accompanying unaudited consolidated financial statements for a more detailed discussion of our debt covenants.

Financing Requirements

We believe that our available cash, including cash flow from operations, will provide sufficient liquidity to fund our projected operating, investment, capital expenditures and debt service requirements for the next 12 months; however, we may finance a portion of these costs from external sources if we consider it prudent to do so.

The following table shows the dividends declared to shareholders from the earnings for the six months ended June 30, 2017 and 2016:

	Date			Amount	
Earnings	Approved	Record	Payable	Per share	Total
				(in millions, except per share amount)	
2017					
Common Stock					
Regular Dividend	March 7, 2017	March 21, 2017	April 6, 2017	28.00	Php6,050
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock(1)	February 7, 2017	February 24, 2017	March 15, 2017	–	12
	May 12, 2017	May 26, 2017	June 15, 2017	–	12
Voting Preferred Stock	March 7, 2017	March 30, 2017	April 15, 2017	–	3
	June 13, 2017	June 27, 2017	July 15, 2017	–	2
Charged to Retained Earnings					Php6,079
2016					
Common Stock					
Regular Dividend	February 29, 2016	March 14, 2016	April 1, 2016	57.00	12,315
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock(1)	January 26, 2016	February 24, 2016	March 15, 2016	–	12
	May 3, 2016	May 24, 2016	June 15, 2016	–	12
Voting Preferred Stock	February 29, 2016	March 30, 2016	April 15, 2016	–	3
	June 14, 2016	June 30, 2016	July 15, 2016	–	3
Charged to Retained Earnings					Php12,345

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

Our dividends declared after June 30, 2017 are detailed as follows:

	Date			Amount	
Class	Approved	Record	Payable	Per Share	Total
				(in million pesos, except per share amounts)	
Preferred Stock					
Series IV Cumulative Non-convertible Redeemable Preferred Stock(1)	August 10, 2017	August 25, 2017	September 15, 2017	–	12
Common Stock					
Regular Dividend	August 10, 2017	August 25, 2017	September 8, 2017	48.00	10,371
Charge to retained earnings					10,383

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

See *Note 19 – Equity* to the accompanying unaudited consolidated financial statements for further details.

Changes in Financial Conditions

Our total assets amounted to Php465,804 million as at June 30, 2017, a decrease of Php9,315 million from Php475,119 million as at December 31, 2016, primarily due to lower property and equipment, investments in associates and joint ventures, resulting from the sale of the remaining Beacon shares to MPIC, and cash and cash equivalents, partially offset by higher-short term investments, and trade and other receivables.

Our total liabilities amounted to Php342,785 million as at June 30, 2017, a decrease of Php23,797 million from Php366,582 million as at December 31, 2016 mainly due to lower interest-bearing financial liabilities of Php175,067 million as at June 30, 2017 from Php185,032 million as at December 31, 2016, combined with lower accounts payable and accrued capital expenditures under long-term financing.

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 2, 2016, the PLDT Board of Directors approved the amendment of our dividend policy, reducing our dividend payout rate to 60% of our core earnings per share as regular dividends. This was in view of the 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. 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. Dividends are generally paid in Philippine pesos. In the case of shareholders residing outside the Philippines, PLDT's transfer agent in Manila, Philippines, as the dividend-disbursing agent, converts the Philippine peso dividends into U.S. dollars at the prevailing exchange rates and remits the dollar dividends abroad, net of any applicable withholding tax.

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

Consolidated cash dividend payments in the first half in 2017 amounted to Php6,093 million as compared with Php12,342 million paid to shareholders in the same period in 2016.

Contractual Obligations and Commercial Commitments

Contractual Obligations

For a detailed discussion of our consolidated contractual undiscounted obligations as at June 30, 2017 and 2016, see *Note 27 – Financial Assets and Liabilities* to the accompanying unaudited consolidated financial statements.

Commercial Commitments

Our outstanding consolidated commercial commitments, in the form of letters of credit, amounted to Php7 million and Php6,788 million as at June 30, 2017 and December 31, 2016, respectively. These commitments will expire within one year. The commercial commitment in 2016 includes standby letters of credit issued in relation with PLDT's acquisition of VTI, Bow Arken and Brightshare.

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 27 – Financial Assets and Liabilities* to the accompanying unaudited consolidated financial statements.

The following table sets forth the estimated consolidated fair values of our financial assets and liabilities recognized as at June 30 and March 31, 2017 other than those whose carrying amounts are reasonable approximations of fair values:

	Fair Values	
	June 30, 2017	March 31, 2017
	(in millions)	
Noncurrent Financial Assets		
Investments in debt securities and other long-term investments – net of current portion	Php151	Php252
Advances and other noncurrent assets – net of current portion	13,602	8,966
Total noncurrent financial assets	13,753	9,218
Noncurrent Financial Liabilities		
Interest-bearing financial liabilities	144,098	151,142
Customers' deposits	1,736	1,722
Deferred credits and other noncurrent liabilities	7,336	8,627
Total noncurrent financial liabilities	Php153,170	Php161,491

The following table sets forth the amount of gains (losses) recognized for the financial assets and liabilities for the six months ended June 30, 2017 and the three months ended March 31, 2017:

	June 30, 2017	March 31, 2017
	(in millions)	
Profit and Loss		
Interest income	Php611	Php309
Gains on derivative financial instruments – net	358	282
Accretion on financial liabilities	(122)	(60)
Interest on loans and other related items	(3,981)	(2,031)
Other Comprehensive Income		
Net fair value losses on cash flow hedges – net of tax	(208)	(145)
Net gains (losses) available-for-sale financial investments – net of tax	1,435	(847)

Impact of Inflation and Changing Prices

Inflation can be a significant factor in the Philippine economy, and we are continually seeking ways to minimize its impact. The average inflation rate in the Philippines for the six months ended June 30, 2017 and 2016 were 3.1% and 1.3%, respectively. Moving forward, we currently expect inflation to rise following the impact of the Philippine peso depreciation on oil prices but to stay within the 2% to 4% target range of the Bangko Sentral ng Pilipinas.

PART II – OTHER INFORMATION

Subscription of PLDT Online in iflix Convertible Note

On August 4, 2017, PLDT Online subscribed to a convertible note of *iflix* for US$1.5 million, or Php75.5 million, in a new funding round led by Hearst Entertainment, one of America's largest diversified media, information and services companies. The convertible note was paid on August 8, 2017. The note is zero coupon, senior and unsubordinated, non-redeemable, transferable, and convertible into Series B Preferred Shares subject to occurrence of a conversion event. *iflix* will use the funds to invest in its local content strategy and for its regional and international expansion.

Department of Labor and Employment, or DOLE, Compliance Order to PLDT

PLDT received a Compliance Order dated July 3, 2017 from the National Capital Region Office of the DOLE asserting that PLDT and 48 of its third party service contractors (a) did not fully pay, and therefore are solidarily liable, to certain contract workers for various statutory monetary benefits, totaling approximately Php78.6 million; and (b) violated DOLE Order No. 18-A on contracting out, and therefore PLDT must issue regular employment positions to approximately 8,720 contractor workers.

On July 17, 2017, PLDT filed an Appeal with the DOLE Secretary contesting the conclusions set out in the Compliance Order. As at August 10, 2017, the Appeal has yet to be acted on by the Secretary of Labor.

Sale of PCEV's Remaining Beacon Shares to MPIC

On June 13, 2017, PCEV entered into a Share Purchase Agreement with MPIC to sell its remaining 25% equity interest in Beacon, consisting of 646 million shares of common stock and 458 million shares of preferred stock, for a total consideration of Php21,800 million. MPIC settled a portion of the consideration amounting to Php12,000 million upon closing and the balance of Php9,800 million will be paid in annual installments from June 2018 to June 2021.

Subsequent to the final divestment of Beacon shares to MPIC, PCEV ceased to have any direct interest in Beacon and any indirect interest in Meralco and in Global Power.

Decrease in Authorized Capital Stock and Amendment of the Articles of Incorporation of Mabuhay Investments Corporation, or MIC

On May 30, 2017, the Board of Directors of MIC approved the (a) reduction of MIC's authorized capital stock from Php2,028 million divided into 20.280 million shares to Php1,602 million by decreasing the par value per share from Php100.00 to Php79.00, or the Decrease in Capital, and (b) the corresponding amendment to the Seventh Article of the Articles of Incorporation of MIC, or the Amendment of Articles. On the same date, the Decrease in Capital and Amendment of Articles were approved by the stockholders representing at least two thirds of the outstanding shares of MIC. The application for approval of the Decrease in Capital and Amendment of Articles was filed with the Philippine SEC on July 11, 2017 and remains pending as at August 10, 2017.

Sale of SPi Global by Asia Outsourcing Gamma Limited, or AOGL

On May 19, 2017, AOGL entered into a Sale and Purchase Agreement, or SPA, with Partners Group, a global private markets investment manager, relating to the acquisition of SPi Global, a wholly-owned subsidiary of AOGL, for an enterprise value of US$330 million. Payment shall be on completion date, subject to certain conditions, as defined in the SPA. AOGL is a wholly-owned subsidiary of Beta which is, in turn, owned 73.35% 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, PGIC.

Extension of Smart's Congressional Franchise

On March 27, 1992, Philippine Congress granted a legislative franchise to Smart under Republic Act (R.A.) No. 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 took effect on April 15, 1992, which was 15 days from the date of its publication in at least two newspapers of general circulation in the Philippines.

On April 21, 2017, R.A. 10926, which effectively extends Smart's franchise until 2042, was signed into law by the President of the Republic of the Philippines. The law was published in a newspaper of general circulation on May 4, 2017 and took effect on May 19, 2017, or 15 days after the said publication.

Issuance of Smart Perpetual Notes

Smart issued Php2,610 million and Php1,590 million perpetual notes, with issue dates of March 3, 2017 and March 6, 2017, respectively, under two Notes Facility Agreements dated March 1, 2017 and March 2, 2017, respectively. Smart issued additional Php1,100 million perpetual notes under a new Notes Facility Agreement dated July 18, 2017.

Proceeds from the issuance of these notes are intended to finance capital expenditures. The notes have no fixed redemption dates 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.

Smart paid distributions amounting to Php59 million for the six months ended June 30, 2017.

In the Matter of the Petition against the Philippine Competition Commission, or 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 SMC Transactions 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, or the Court, 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 Court 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 Court's Resolution dated August 26, 2016. In a Resolution promulgated on October 19, 2016, the Court: (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. On November 11, 2016, PLDT filed its Memorandum in compliance with the Court's Resolution.

On February 17, 2017, the Court issued a Resolution denying PCC's Motion for Reconsideration dated September 14, 2016 for lack of merit. The Court denied PLDT's Motion to Cite the PCC in indirect contempt for being premature. In the same Resolution as well as in a separate Gag Order attached to the Resolution, the Court granted PLDT's Urgent Motion for the Issuance of a Gag Order and directed the PCC to remove immediately from its website its preliminary statement of concern and submit its compliance within five days from receipt thereof. All the parties were ordered 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 to Admit the Petition-in-Intervention dated February 7, 2017 filed by *Citizenwatch*, a non-stock and non-profit association. The Petition remains pending with the CA's 12th Division for resolution.

On April 18, 2017, the PCC filed before the Supreme Court a Petition to Annul the Writ of Preliminary Injunction issued by the CA's 12th Division on August 26, 2016 restraining PCC's review of the SMC Transactions. The petition remains pending with the Supreme Court for resolution.

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

The Supreme Court, in its November 22, 2016 decision, dismissed the Petition and upheld the validity of SEC Memorandum Circular No. 8, Series of 2013, dated May 20, 2013, or MC No. 8. In the course of discussing the Petition, 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 that the petitioners' suggestion would "effectively and unwarrantedly amend or change" the Court's ruling in Gamboa. 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/repayment, 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 "a 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."

Petitioner Jose M. Roy III filed a Motion for Reconsideration of the Supreme Court Decision dated November 22, 2016. On April 18, 2017, the Supreme Court denied with finality Petitioner's Motion for Reconsideration.

Related Party Transactions

For a detailed discussion of the related party transactions, see *Note 24 – Related Party Transactions* to the accompanying unaudited consolidated financial statements.

ANNEX I – AGING OF ACCOUNTS RECEIVABLE

The following table shows the aging of our consolidated receivables as at June 30, 2017:

Type of Accounts Receivable	Total	Current	31–60 Days	61–90 Days	Over 91 Days
			(in millions)		
Retail subscribers	Php19,037	Php8,196	Php866	Php236	Php9,739
Corporate subscribers	9,244	1,473	1,239	955	5,577
Foreign administrations	6,596	1,156	665	533	4,242
Domestic carriers	468	89	7	31	341
Dealers, agents and others	10,233	5,689	1,499	80	2,965
Total	45,578	Php16,603	Php4,276	Php1,835	Php22,864
Less: Allowance for doubtful accounts	16,785				
Total Receivables - net	Php28,793				

ANNEX II – FINANCIAL SOUNDNESS INDICATORS

The following table shows our financial soundness indicators as at June 30, 2017 and 2016:

	2017	2016
Current Ratio[1]	0.60:1.0	0.42:1.0
Net Debt to Equity Ratio[2]	1.07:1.0	1.14:1.0
Net Debt to EBITDA Ratio[3]	2:10:1.0	1.95:1.0
Total Debt to EBITDA Ratio[4]	2.80:1.0	2.41:1.0
Asset to Equity Ratio[5]	3.80:1.0	4.16:1.0
Interest Coverage Ratio[6]	4.35:1.0	3.77:1.0
Profit Margin[7]	21%	15%
Return on Assets[8]	5%	3%
Return on Equity[9]	21%	14%
EBITDA Margin[10]	42%	38%

(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 12 months average period.
(4) Total Debt to EBITDA ratio is measured as total debt (long-term debt, including current portion and notes payable) divided by EBITDA for the 12 months average period.
(5) Asset to equity ratio is measured as total assets divided by total equity attributable to equity holders of PLDT.
(6) Interest coverage ratio is measured by EBIT, or earnings before interest and taxes for the period, divided by total financing cost for the period.
(7) Profit margin is derived by dividing net income for the period with total revenues for the period.
(8) Return on assets is measured as net income for the 12 months average period divided by average total assets.
(9) Return on Equity is measured as net income for the 12 months average period divided by average total equity attributable to equity holders of PLDT.
(10) EBITDA margin 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.

PLDT

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report for the first half of 2017 to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: PLDT Inc.

Signature and Title: ______________________

MANUEL V. PANGILINAN
Chairman of the Board
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
Senior Vice President
(Principal Accounting Officer)

Date: August 10, 2017